1. GENERAL

Cosmos Machinery Enterprises Limited (the "Company") is a public limited company domiciled and incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The address of its registered office is 8/F., Tai Tung Industrial Building, 29-33 Tsing Yi Road, Tsing Yi Island, New Territories, Hong Kong. The principal activities of its principal subsidiaries are set out in note 42.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied, for the first time, the following new Hong Kong Accounting Standards ("HKAS"), amendment and interpretations ("Int") ("new HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are first effective for the Group's current financial year.

HKAS 39 & HKFRS 7 (Amendments)	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 Assets, Minimum Funding Requirement and their Interaction

Except for the adoption of the HK(IFRIC) – Int 11, "HKFRS 2 – Group and Treasury Share Transactions", which has resulted in changes to the Group's accounting policies as detailed below, the adoption of the other HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The principal effects of adopting these new and revised HKFRS are summarised as follows:

(a) The HKAS 39, "Financial Instruments: Recognition and Measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1st July, 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

(b) HK(IFRIC) – Int 11, "HKFRS 2 – Group and Treasury Share Transactions", provided guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over shares of a parent) should be accounted for as equity-settled or cash-settled share-based payment transactions in the separate financial statements of the parent and group companies. The interpretation should be applied retrospectively. Accordingly, prior period adjustments have been made in the Company's financial statements (note 29).

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

(b) (Continued)

The adoption of HK(IFRIC) – Int 11 resulted in:

	THE COMPANY	
	2008	2007
	HK$	HK$
Increase in investments in subsidiaries	**–**	1,902,006
Increase in retained profits	**–**	1,902,006
Increase in profit for the year	**–**	1,902,006

This interpretation did not have any impact on the consolidated financial statements of the Group.

(c) HK(IFRIC) – Int 12, "Service concession arrangements", provides guidance on the accounting by operators for public-to-private services concession agreements. This interpretation does not have any significant impact on the Group's accounting policies and financial statements.

(d) HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS, which also include Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, certain financial assets and financial liabilities (including derivative instruments), which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(ii) Associates

Associates are all entities, not being a subsidiary or a jointly controlled entity, over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition (see note 3(h)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

(ii) Associates (Continued)

The Group's share of its associates' post-acquisition results is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associates are stated at cost less any accumulated impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(c) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Increases in the carrying amount arising on revaluation of buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are expensed in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if any) over their estimated useful lives, as follows:

Buildings	40 years or unexpired term of the leases, if shorter
Furniture, fixtures and equipment	5-10 years
Plant and machinery	5-10 years
Motor vehicles	5 years

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation and is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of fixed assets or investment properties when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(i)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property, others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the investment property, is recognised in the income statement in the period of the retirement or disposal.

(g) Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in lessee-occupied properties.

Leasehold land and land use rights relating to buildings of the Group are stated at cost and are amortised over the period of the lease on the straight-line basis to the income statement. Leasehold land and land use rights relating to investment properties and properties developed for sale are not amortised and included as part of the cost of such properties.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately in the consolidated balance sheet. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

(1) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries and associates: see note 3(i)(2)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(1) Impairment of investments in equity securities and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale financial assets are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the allowance for impairment of bad and doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(2) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– land and land use rights classified as being held under an operating lease;

– investments in subsidiaries and associates (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of assets (Continued)

(2) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates their classification at every balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Trade and other receivables, pledged bank deposits and cash and cash equivalents in the balance sheet are classified as loans and receivables.

Loans and receivables are recognised initially at fair value, plus transaction costs incurred. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(k) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(l) Derivative financial instruments

The Group's derivative financial instruments are mainly foreign currency forward contracts. Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

(m) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(m)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(m)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(m)(iii).

(iii) Other provisions and contingent liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts, and

– short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Pledged bank deposits are not included in cash and cash equivalents.

(q) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Trade and other payables

Trade and other payables are initially measured at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 3(m)(i), trade and other payables are subsequently stated at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

– interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(s) Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Income tax

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are 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 is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

At each balance sheet date, the Group reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(u) Employee benefits

(i) Retirement benefit costs

Payments to defined contribution plans under the mandatory provident fund scheme, the ORSO scheme and state-managed retirement benefits scheme are charged as expenses as they fall due.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Share-based compensation

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when a Group entity has delivered products to the customer and the customer has accepted the products and recovery of the related receivables is reasonably assured.

(ii) Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the leases.

(iii) Commission income, handling and services income are recognised when services are provided.

(iv) Interest income is recognised as it accrues using the effective interest method.

(v) Dividend income is recognised when the right to receive payment is established prior to the balance sheet date.

(w) Leases

(i) Operating lease (both as the lessee or the lessor)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement in a straight line basis over the lease period.

(ii) Finance lease (as the lessee)

Leases of assets where the Group has substantially obtained all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current bank and other borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value, while the property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful lives of the assets or the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Dividend distribution

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.

(y) 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. 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.

(z) Related parties

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Allowance for impairment of trade and other receivables

The Group assesses impairment of trade and other receivables based upon evaluation of the recoverability of the trade and other receivables at each balance sheet date. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience. If the financial condition of the debtors were to deteriorate, additional impairment may be required. A considerable level of judgement is exercised by the directors when assessing the financial condition and credit worthiness of each customer. An increase or decrease in the impairment loss would affect the net profit in future years.

(ii) Income taxes

The Group is subject to income taxes mainly in Hong Kong and the People's Republic of China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to allowance for doubtful debts and tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

(iii) Provision for inventories

The Group reviews the carrying amounts of inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value in accordance with the accounting policy set out in note 3(n). The directors estimate the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(iv) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 18).

(v) Fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximates to the cost. For the unlisted securities valued at fair value, the Group uses the discounted cashflows valuation method and makes assumptions that are based on market conditions existing at each balance sheet date for the determination of the fair value.

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

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Primary reporting format – Business segments

At 31st December, 2008, the Group is organised on a product basis into four main business segments.

(1) trading of industrial consumables;

(2) manufacturing of plastic processing products;

(3) manufacturing of machinery; and

(4) manufacturing of printed circuit boards.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Primary reporting format – Business segments (Continued)

The segment results for the year ended 31st December, 2008 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	345,379,421	390,315,725	672,669,293	531,018,157	–	–	1,939,382,596
Inter-segment sales	6,634,560	4,801	5,973,491	–	–	(12,612,852)	–
Total revenue	352,013,981	390,320,526	678,642,784	531,018,157	–	(12,612,852)	1,939,382,596

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	25,331,840	9,161,870	44,334,252	27,329,178	(3,900,660)	796,372	103,052,852
Unallocated corporate expenses							(29,611,285)
Profit from operations							73,441,567
Finance costs							(26,514,651)
Investment income, net							3,886,830
Share of results of associates		(249,107)	(3,030,491)		16,398,044		13,118,446
Profit before taxation							63,932,192
Taxation							7,627,086
Profit before minority interests							56,305,106

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Primary reporting format – Business segments (Continued)

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	200,393,654	351,161,407	1,008,916,648	327,960,169	42,412,119	1,930,843,997
Interests in associates						234,903,019
Available-for-sale financial assets						4,729,444
Unallocated corporate assets						103,562,582
Consolidated total assets						2,274,039,042
LIABILITIES						
Segment liabilities	55,098,057	53,365,657	396,281,221	153,477,262	4,923,206	663,145,403
Tax payable						4,452,725
Borrowings						405,214,297
Unallocated corporate liabilities						65,421,467
Consolidated total liabilities						1,138,233,892
OTHER INFORMATION						
Addition of goodwill	–	–	483,750	–	–	483,750
Capital additions	654,452	11,962,869	11,854,444	27,047,173	1,798,987	53,317,925
Depreciation and amortisation	1,253,001	17,589,991	19,517,418	16,563,583	1,049,820	55,973,813
Other non-cash expenses	430,768	1,587,073	10,392,366	600,000	3,086,447	16,096,654

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Primary reporting format – Business segments (Continued)

The segment results for the year ended 31st December, 2007 are as follows:

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	366,467,005	479,495,091	806,800,302	440,614,681	–	–	2,093,377,079
Inter-segment sales	6,960,302	–	7,911,414	–	–	(14,871,716)	–
Total revenue	373,427,307	479,495,091	814,711,716	440,614,681	–	(14,871,716)	2,093,377,079

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Eliminations HK$	Consolidated HK$
RESULTS							
Segment results	31,452,282	23,572,063	82,350,998	29,714,187	2,265,134	694,576	170,049,240
Unallocated corporate expenses							(26,029,962)
Profit from operations							144,019,278
Finance costs							(27,088,135)
Investment income, net							1,647,619
Loss on disposal of subsidiaries							(1,158,846)
Loss on disposal of associates							(93,250)
Share of results of associates		(175,787)	3,245,882		27,229,385		30,299,480
Profit before taxation							147,626,146
Taxation							9,933,951
Profit before minority interests							137,692,195

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Primary reporting format – Business segments (Continued)

	Industrial consumables HK$	Plastic processing products HK$	Machinery HK$	Printed circuit boards HK$	Other operations HK$	Consolidated HK$
ASSETS						
Segment assets	205,540,785	364,471,845	1,014,268,168	274,652,123	70,973,283	1,929,906,204
Interests in associates						271,203,774
Available-for-sale financial assets						5,055,010
Unallocated corporate assets						55,174,806
Consolidated total assets						2,261,339,794
LIABILITIES						
Segment liabilities	76,807,957	70,675,797	422,529,755	144,164,060	7,909,872	722,087,441
Tax payable						6,513,033
Borrowings						338,426,364
Unallocated corporate liabilities						65,793,535
Consolidated total liabilities						1,132,820,373
OTHER INFORMATION						
Capital additions	1,476,132	9,307,901	33,824,326	25,913,966	832,187	71,354,512
Depreciation and amortisation	1,159,229	16,428,851	21,530,660	15,352,273	1,501,166	55,972,179
Other non-cash expenses (income)	(313,054)	(1,060,935)	14,885,673	267,896	10,126,350	23,905,930

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Secondary reporting format – Geographical segments

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), other Asia-Pacific countries, North America and Europe. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery and printed circuit boards divisions are located in the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2008	2007
	HK$	HK$
Hong Kong	**657,336,823**	804,749,061
PRC	**1,040,404,151**	1,048,219,380
Other Asia-Pacific countries	**169,302,475**	120,632,569
North America	**24,360,176**	74,221,683
Europe	**47,978,971**	45,554,386
	1,939,382,596	2,093,377,079

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and goodwill	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Hong Kong	**1,206,530,319**	1,095,134,267	**1,593,515**	931,255
PRC	**1,047,712,356**	1,141,663,638	**52,208,160**	70,423,257
Other Asia-Pacific countries	**9,540,975**	11,329,193	**–**	–
North America	**4,514,479**	6,481,983	**–**	–
Europe	**5,740,913**	6,730,713	**–**	–
	2,274,039,042	2,261,339,794	**53,801,675**	71,354,512

6. TURNOVER, OTHER INCOME AND GAINS, NET

Turnover represents the amounts received and receivable for goods sold to customers, less returns and discounts, during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	2008	2007
	HK$	HK$
Turnover		
Sales of goods	**1,939,382,596**	2,093,377,079
Other income		
Commission income	**1,254,982**	503,847
Gross rental income from properties	**890,269**	2,134,700
Handling and services income	**1,131,592**	578,954
Sales of scrapped materials	**6,080,166**	4,651,631
Sundry income	**18,145,893**	10,968,457
	27,502,902	18,837,589
Gains, net		
Exchange gain	**13,788,167**	6,255,579
Fair value gain on investment properties	**–**	7,960,000
Gain on disposal of investment properties	**–**	8,976,730
Revaluation surplus on leasehold buildings	**–**	426,874
	13,788,167	23,619,183
	41,291,069	42,456,772

7. FINANCE COSTS

	2008 HK$	2007 HK$
Interest on:		
Borrowings wholly repayable within five years		
– bank loans and overdrafts	**26,104,034**	24,875,353
– other loans	**172,526**	1,183,918
Finance leases	**238,091**	1,028,864
Total interest expense on financial liabilities not at fair value through profit or loss	**26,514,651**	27,088,135

8. INVESTMENT INCOME, NET

	2008 HK$	2007 HK$
Interest income	**4,376,345**	2,030,074
Dividend income from available-for-sale financial assets	**755**	–
Loss on disposal of available-for-sale financial assets	**(64,858)**	(382,455)
Realised loss on foreign currency forward contracts	**(258,197)**	–
Unrealised loss on foreign currency forward contracts	**(167,215)**	–
	3,886,830	1,647,619

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging and crediting the following:

	2008	2007
	HK$	HK$
Charging:		
Directors' remuneration *(note 10)*	**16,331,242**	15,309,022
Salaries and other benefits	**274,566,938**	249,563,711
Retirement benefits scheme contributions	**4,006,226**	4,550,671
Share-based payments	**–**	2,998,829
	294,904,406	272,422,233
Depreciation and amortisation on:		
– Owned assets	**51,543,084**	51,659,417
– Assets held under finance leases	**3,502,013**	3,299,609
– Leasehold land and land use rights *(note 17)*	**928,716**	1,013,153
Impairment losses on goodwill (included in other operating expenses)	**483,750**	–
Auditors' remuneration		
– Current year	**2,227,657**	2,004,212
– Underprovided in prior years	**60,828**	31,730
Impairment losses on property, plant and equipment *(note 15)*	**–**	1,500,000
Operating lease payments *(note 35)*	**17,158,219**	13,145,157
Revaluation deficit on leasehold buildings	**532,924**	152,916
Write-down of inventories	**11,031,033**	13,972,864
Share of associates' taxation	**4,374,562**	5,341,455
and crediting:		
Rental income net of direct outgoings *(note 35)*	**804,970**	1,835,251
Revaluation surplus on leasehold buildings	**–**	426,874

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

Name of directors	Directors' fees HK$	Salaries and allowances HK$	Retirement benefits scheme contributions HK$	Share-based payments[7] HK$	2008 Total HK$	2007 Total HK$
Executive directors						
Mr. Tang To	4,080,205	1,296,000	164,250	–	5,540,455	4,718,021
Mr. Wong Yiu Ming	5,041,607	1,530,000	177,750	–	6,749,357	5,033,621
Mr. Yan Wing Fai[5]	430,000	245,750	3,000	–	678,750	2,242,375
Mr. Li Tin Loi[6]	253,000	1,860,000	110,250	–	2,223,250	2,175,575
Mr. Zhao Zhuoying[4]	–	–	–	–	–	–
Mr. Jiang Wei[3]	40,000	–	–	–	40,000	40,000
Non-executive directors						
Mr. Tang Kwan	40,000	680,400	51,030	–	771,430	771,430
Mr. He Zhiqi[4]	–	–	–	–	–	–
Mr. Kan Wai Wah	40,000	–	–	–	40,000	40,000
Mr. Yip Jeffery	40,000	–	–	–	40,000	40,000
Miss. Yeung Shuk Fan	168,000	–	–	–	168,000	168,000
Mr. Liang Shangli[2]	–	–	–	–	–	–
Mr. Qu Jinping	–	–	–	–	–	–
Mr. Cheng Tak Yin[1]	40,000	–	–	–	40,000	40,000
Mr. Wu Ding[3]	40,000	–	–	–	40,000	40,000
Total 2008	**10,212,812**	**5,612,150**	**506,280**	**–**	**16,331,242**	**15,309,022**
Total 2007	9,171,492	5,445,400	476,130	216,000		

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(1) Appointed on 30th January, 2007

(2) Resigned on 30th January, 2007

(3) Appointed on 1st June, 2007

(4) Resigned on 1st June, 2007

(5) Resigned on 31st March, 2008

(6) Resigned on 1st December, 2008

(7) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payments as set out in note 3(u)(iii). The details of these benefits in kind are also set out in note 28.

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

(b) Employees' emoluments

The five highest paid individuals included three (2007: four) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2007: one) individuals are as follows:

	2008	2007
	HK$	HK$
Salaries and other benefits	**5,670,200**	4,856,900
Retirement benefits schemes contributions	**104,625**	45,900
	5,774,825	4,902,800

The emoluments of the employees were within the following bands:

	Number of employees	
	2008	2007
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**1**	1
	2	1

11. TAXATION

In February 2008, the Hong Kong Government announced a decrease in the Hong Kong Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31st December, 2008. This decrease has been taken into account in the preparation of the Group's and the Company's 2008 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year after deducting accumulated tax losses brought forward and the deferred tax has been re-estimated accordingly.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

In March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new EIT Laws"). The new EIT Law changes the enterprise income tax rate to 25% with effect from 1st 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. The deferred tax has been re-estimated accordingly.

	2008 **HK$**	2007 HK$
Hong Kong profits tax		
Current year	**1,144,963**	2,364,322
Tax reduction in prior year	**(125,000)**	–
Over-provision in prior years	**(101,102)**	(95,718)
	918,861	2,268,604
Overseas tax		
Current year	**5,160,734**	8,809,867
Under-provision in prior years	**579,099**	101,987
	5,739,833	8,911,854
Deferred taxation relating to the origination and reversal of temporary differences *(note 32)*		
Current year	**851,432**	(1,246,507)
Effect of change in tax rate	**116,960**	–
	968,392	(1,246,507)
Taxation charge	**7,627,086**	9,933,951

11. TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profits of the consolidated companies as follows:

	2008	2007
	HK$	HK$
Profit before taxation	**63,932,192**	147,626,146
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**10,548,812**	25,834,575
Tax effect of expenses that are not deductible in determining taxable profit	**30,898,497**	37,220,547
Tax effect of income that is not taxable in determining taxable profit	**(42,048,201)**	(60,666,621)
Under-provision of profits tax in prior years, net	**477,997**	6,269
Tax reduction in prior year	**(125,000)**	–
Decrease in opening net deferred tax assets resulting from changes in applicable tax rates	**116,960**	–
Tax effect of tax losses not recognised	**12,382,809**	8,490,035
Tax effect of temporary differences not recognised	**675,052**	(259,816)
Tax effect of utilisation of tax losses not previously recognised	**(1,860,685)**	(1,085,387)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,439,155)**	394,349
Taxation charge	**7,627,086**	9,933,951

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$15,959,917 (2007 restated: profit of HK$28,970,941).

13. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Weighted average number of shares in issue during the year	**710,000,697**	708,704,884
Profit attributable to the equity holders of the Company	**HK$45,239,508**	HK$100,040,174
Earnings per share	**6.37 cents**	14.12 cents

Diluted earnings per share for the years 2007 & 2008 has not been presented as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for both years. During the year ended 31st December, 2008, all share options outstanding had also lapsed.

14. DIVIDENDS

	2008	2007
	HK$	HK$
Interim dividend of HK$nil (2007: HK$0.006) per share	**–**	4,260,136
Dividend proposed after the balance sheet date of HK$nil (2007: HK$0.015) per share	**–**	10,650,340
	–	14,910,476

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$	**Furniture, fixtures and equipment HK$**	**Plant and machinery HK$**	**Motor vehicles HK$**	**Properties under construction HK$**	**Total HK$**
THE GROUP						
COST OR VALUATION						
At 1st January, 2007	128,458,000	151,154,598	475,181,107	39,192,091	3,502,658	797,488,454
Currency realignment	8,185,753	5,542,728	18,216,308	2,211,102	274,908	34,430,799
Reclassifications	–	12,112,211	(10,502,328)	–	(1,609,883)	–
Additions	1,265,650	8,577,238	41,596,789	4,111,657	3,273,631	58,824,965
Disposals	(28,563,191)	(5,353,923)	(17,067,537)	(7,033,717)	(382,826)	(58,401,194)
Adjustment on revaluation	(2,191,212)	–	–	–	–	(2,191,212)
At 31st December, 2007 and 1st January, 2008	**107,155,000**	**172,032,852**	**507,424,339**	**38,481,133**	**5,058,488**	**830,151,812**
Currency realignment	**4,628,159**	**4,220,492**	**13,899,704**	**1,380,202**	**283,929**	**24,412,486**
Reclassifications	**1,652,203**	**1,619,611**	**1,506,537**	**657**	**(4,779,008)**	**–**
Additions	**1,994,662**	**7,350,691**	**30,360,647**	**3,226,643**	**10,385,282**	**53,317,925**
Disposals	**(3,168,386)**	**(8,786,452)**	**(12,935,992)**	**(4,463,852)**	**–**	**(29,354,682)**
Adjustment on revaluation	**(10,129,638)**	**–**	**–**	**–**	**–**	**(10,129,638)**
At 31st December, 2008	**102,132,000**	**176,437,194**	**540,255,235**	**38,624,783**	**10,948,691**	**868,397,903**
Analysis of cost or valuation:						
At 31st December, 2008						
At cost	**–**	**176,437,194**	**540,255,235**	**38,624,783**	**10,948,691**	**766,265,903**
At valuation – 2008	**102,132,000**	**–**	**–**	**–**	**–**	**102,132,000**
	102,132,000	**176,437,194**	**540,255,235**	**38,624,783**	**10,948,691**	**868,397,903**
At 31st December, 2007						
At cost	–	172,032,852	507,424,339	38,481,133	5,058,488	722,996,812
At valuation – 2007	107,155,000	–	–	–	–	107,155,000
	107,155,000	172,032,852	507,424,339	38,481,133	5,058,488	830,151,812

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings HK$	Furniture, fixtures and equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Properties under construction HK$	Total HK$
THE GROUP						
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1st January, 2007	–	102,435,623	314,093,690	27,042,441	–	443,571,754
Currency realignment	371,474	3,032,815	10,868,646	1,565,788	–	15,838,723
Depreciation provided for the year	6,803,985	13,939,126	29,883,219	4,332,696	–	54,959,026
Impairment losses	–	552,979	947,021	–	–	1,500,000
Reclassifications	–	4,820,383	(4,820,383)	–	–	–
Written back on disposals	(1,670,827)	(3,436,843)	(11,422,591)	(5,738,961)	–	(22,269,222)
Eliminated on revaluation	(5,504,632)	–	–	–	–	(5,504,632)
At 31st December, 2007 and 1st January, 2008	**–**	**121,344,083**	**339,549,602**	**27,201,964**	**–**	**488,095,649**
Currency realignment	**156,471**	**2,350,311**	**8,333,404**	**911,847**	**–**	**11,752,033**
Depreciation provided for the year	**5,509,673**	**13,211,254**	**32,541,857**	**3,782,313**	**–**	**55,045,097**
Written back on disposals	**(168,451)**	**(7,757,976)**	**(9,962,578)**	**(3,843,761)**	**–**	**(21,732,766)**
Eliminated on revaluation	**(5,497,693)**	**–**	**–**	**–**	**–**	**(5,497,693)**
At 31st December, 2008	**–**	**129,147,672**	**370,462,285**	**28,052,363**	**–**	**527,662,320**
NET BOOK VALUES						
At 31st December, 2008	**102,132,000**	**47,289,522**	**169,792,950**	**10,572,420**	**10,948,691**	**340,735,583**
At 31st December, 2007	107,155,000	50,688,769	167,874,737	11,279,169	5,058,488	342,056,163

The net book value of leasehold buildings held by the Group comprises:

	2008 HK$	2007 HK$
In Hong Kong:		
– under medium-term leases	**1,922,000**	1,985,000
Outside Hong Kong:		
– under long leases	**11,900,000**	34,360,000
– under medium-term leases	**88,310,000**	70,810,000
	102,132,000	107,155,000

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold buildings of the Group were revalued as at 31st December, 2008 and 31st December, 2007 on the open market existing use basis by Knight Frank Petty Limited, an independent firm of professional valuers. The (surplus) deficit arising on revaluation attributable to the Group have been (credited) charged to the buildings revaluation reserve and the consolidated income statement respectively.

Depreciation expense of HK$41,058,955 (2007: HK$40,109,610) has been expensed in cost of goods sold, HK$1,345,051 (2007: HK$1,875,337) in selling and distribution costs and HK$12,641,091 (2007: HK$12,974,079) in administrative expenses.

Had leasehold buildings been carried at cost less accumulated depreciation and amortisation, the carrying value of leasehold buildings would have been HK$79,247,108 (2007: HK$80,523,207).

The net book value of the Group's plant and machinery includes an amount of HK$34,715,509 (2007: HK$10,647,847) in respect of assets held under finance leases.

	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
THE COMPANY			
COST			
At 1st January, 2007	10,344,159	537,821	10,881,980
Additions	832,187	–	832,187
Disposals	(797,246)	–	(797,246)
At 31st December, 2007 and 1st January, 2008	10,379,100	537,821	10,916,921
Additions	1,041,257	516,947	1,558,204
Disposals	(5,558,203)	–	(5,558,203)
At 31st December, 2008	**5,862,154**	**1,054,768**	**6,916,922**
ACCUMULATED DEPRECIATION			
At 1st January, 2007	8,015,635	322,693	8,338,328
Depreciation provided for the year	1,039,313	107,564	1,146,877
Written back on disposals	(791,900)	–	(791,900)
At 31st December, 2007 and 1st January, 2008	8,263,048	430,257	8,693,305
Depreciation provided for the year	567,914	210,951	778,865
Written back on disposals	(5,558,203)	–	(5,558,203)
At 31st December, 2008	**3,272,759**	**641,208**	**3,913,967**
NET BOOK VALUES			
At 31st December, 2008	**2,589,395**	**413,560**	**3,002,955**
At 31st December, 2007	2,116,052	107,564	2,223,616

16. INVESTMENT PROPERTIES

	THE GROUP	
	2008	2007
	HK$	HK$
Valuation		
At 1st January	**21,460,000**	29,830,000
Disposals	**(21,460,000)**	(16,330,000)
Fair value gain	**–**	7,960,000
At 31st December	**–**	21,460,000

The valuation of investment properties held by the Group comprises:

	2008	2007
	HK$	HK$
In Hong Kong:		
Medium-term leases	**–**	21,460,000

At 31st December, 2007, the investment properties of the Group were revalued on the open market existing use basis by Knight Frank Petty Limited, an independent firm of professional valuers.

17. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2008	2007
	HK$	HK$
COST		
At 1st January	**58,390,241**	52,088,101
Currency realignment	**1,871,420**	1,636,938
Additions	**–**	12,529,547
Disposals	**(4,210,694)**	(7,864,345)
At 31st December	**56,050,967**	58,390,241
ACCUMULATED AMORTISATION		
At 1st January	**12,889,374**	14,477,667
Currency realignment	**311,928**	439,778
Amortisation for the year	**928,716**	1,013,153
Written back on disposals	**(2,188,825)**	(3,041,224)
At 31st December	**11,941,193**	12,889,374
NET BOOK VALUE		
At 31st December	**44,109,774**	45,500,867
Portion classified as current assets	**784,383**	1,013,153
Long term portion	**43,325,391**	44,487,714
At 1st January	**45,500,867**	37,610,434

17. LEASEHOLD LAND AND LAND USE RIGHTS (Continued)

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2008 HK$	2007 HK$
In Hong Kong held on:		
Leases of over 50 years	–	–
Leases of between 10 to 50 years	9,919,579	10,161,724
Outside Hong Kong held on:		
Leases of over 50 years	6,145,967	8,014,499
Leases of between 10 to 50 years	28,044,228	27,324,644
	44,109,774	45,500,867

At 31st December, 2008, no leasehold land or land use rights was mortgaged to bank to secure bank borrowings. At 31st December, 2007, leasehold land at the carrying value of HK$12,380,447 was mortgaged to bank to secure bank borrowings (note 39).

As set out in the Company's announcement on 5th December, 2007 and the circular dated 24th December, 2007, Dong Hua Machinery Limited ("Dong Hua"), a 75.56% owned subsidiary of the Company, on 5th December, 2007, entered into a compensation agreement with the State-owned Assets Supervision and Administration Commission of Dongguan whereas Dong Hua will receive a compensation of RMB76,092,642 (HK$78,357,164) for relocation of Dong Hua's plants in Dongguan which comprise of a parcel of land and 16 buildings for production workshops, offices and staff quarters purposes. The compensation for relocation of the plants resulted a gain of HK$52,526,570 (after deducting expenses of HK$1,029,760). The gain was included in the gain on disposal of property, plant and equipment and leasehold land and land use rights as shown in consolidated income statement for the year ended 31st for December, 2007.

As set out in the Company's announcement on 30th May, 2008, and the circular dated 20th June, 2008, Wuxi Grand Tech Machinery Group Ltd. ("Wuxi Grand"), a wholly owned subsidiary of the Company, on 30th May, 2008, entered into agreements with two independent third parties whereas Wuxi Grand will receive a total amount of RMB80,835,800 (HK$90,806,336) being the consideration for disposal of a parcel of land and compensation for early termination of a lease agreement. The disposal and compensation resulted a gain of HK$66,933,494 (after deducting expenses of HK$18,851,038). The gain was included in the gain on disposal of properties, plant and equipment and leasehold land and land use rights as shown in consolidated income statement for the year ended 31st for December, 2008.

18. GOODWILL

	THE GROUP	
	2008	2007
	HK$	HK$
COST		
At 1st January	**26,589,649**	26,589,649
Acquisition of additional interest in a subsidiary	**483,750**	–
Elimination on deregistration of a subsidiary	**(9,890,391)**	–
At 31st December	**17,183,008**	26,589,649
ACCUMULATED IMPAIRMENT		
At 1st January	**26,589,649**	26,589,649
Impairment losses recognised in the year	**483,750**	–
Elimination on deregistration of a subsidiary	**(9,890,391)**	–
At 31st December	**17,183,008**	26,589,649
NET CARRYING AMOUNT		
At 31st December	**–**	–

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation and business segment.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$	HK$
		(Restated)
Unlisted shares/capital contributions, at cost less impairment losses	**38,796,018**	40,698,024
Amounts due from subsidiaries less allowance for impairment	**672,437,729**	695,152,702
	711,233,747	735,850,726

Details of the Company's principal subsidiaries at 31st December, 2008 are set out in note 42.

Amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Other than the carrying amounts of HK$11,500,000 (2007: HK$24,923,100) which are interest bearing, the remaining balances are interest free. In the opinion of the directors, the amounts will not be repayable within 12 months of the balance sheet date and are accordingly classified as non-current. The amounts due from subsidiaries of HK$545,258,776 (2007: HK$554,586,699) were impaired. The amount of allowance was HK$41,220,180 as at 31st December, 2008 (2007: HK$41,220,180). It is assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to subsidiaries which are in financial difficulties and they are of ages over three years. The other amounts due from subsidiaries do not contain impaired assets.

20. INTERESTS IN ASSOCIATES

	2008	2007
	HK$	HK$
THE GROUP		
Share of net assets	**139,615,169**	226,016,803
Amounts due from associates	**95,287,850**	45,202,221
Allowance for impairment of doubtful debts	**–**	(15,250)
	234,903,019	271,203,774
THE COMPANY		
Unlisted shares, at cost	**–**	–
Amount due from an associate	**–**	15,250
Allowance for impairment of doubtful debts	**–**	(15,250)
	–	–

(a) Amounts due from associates are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months of the balance sheet date and are accordingly classified as non-current. The amounts due from associates do not contain impaired assets.

(b) Interests in associates at the balance sheet date include goodwill of HK$312,724 (2007: HK$312,724).

The movements on the allowance for impairment of doubtful debts are as follows:

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$	HK$
At 1st January	**15,250**	1,500,000
Impairment loss recognised	**–**	15,250
Eliminated on disposal of an associate	**–**	(1,500,000)
Uncollectible amounts written off	**(15,250)**	–
At 31st December	**–**	15,250

20. INTERESTS IN ASSOCIATES (Continued)

Details of the principal associates of the Group at 31st December, 2008 are as follows:

Name of associate	Place of incorporation/ registration and operation	Proportion of nominal value of registered capital attributable to the Group %	Principal activities
Dalian Huada Plastics Co Ltd	PRC	30.00	Plastic processing
Shenzhen Haoningda Meters Company Limited	PRC	41.99	Manufacturing and trading of electronic meters
Suzhou Sanguang Science & Technology Co., Ltd.	PRC	21.13	Manufacturing of industrial machinery, equipment and supplies

The above table lists the associates of the Group which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the net assets of the Group at the end of the year.

The names of certain associates referred to as above represent management's translation of the Chinese names of these companies as no English names have been registered.

In prior years, the Group's equity interest in an associate, Shenzhen Haoningda Meters Company Limited ("SZHND"), was held indirectly by a non-wholly owned subsidiary of the Group. Pursuant to a re-organisation carried out during 2008, the Group's shareholding in this non-wholly owned subsidiary was decreased and it became an associate of the Group. However the Group's equity interest in SZHND remained unchanged. These changes have no material impact on the Group's interests in associates and profit for the year attributable to the equity holders of the Company except that the Group's indirect equity interest in SZHND amounting to HK$59,054,000 previously held by minority interests has been eliminated on consolidation with minority interests shown under equity.

Summarised financial information in respect of the Group's associates is set out below:

	2008 HK$	2007 HK$
Total assets	**751,433,211**	641,337,096
Total liabilities	**439,330,328**	290,945,446
Net assets	**312,102,883**	350,391,650
Group's share of associates' net assets	**139,615,169**	226,016,803
Revenue	**413,835,824**	419,043,856
Profit for the year	**51,052,310**	70,818,637
Group's share of associates' profits for the year	**13,118,446**	30,299,480

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
At 1st January	**5,055,010**	7,656,695	**–**	–
Currency realignment	**–**	42,272	**–**	–
Additions	**171,254**	509,505	**–**	–
Disposals	**(593,623)**	(3,125,112)	**–**	–
Revaluation surplus (deficit) transfer to equity	**96,803**	(28,350)	**–**	–
At 31st December	**4,729,444**	5,055,010	**–**	–
Less: non-current portion	**4,729,444**	5,055,010	**–**	–
Current portion	**–**	–	**–**	–

Available-for-sale financial assets include the following:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Unlisted securities, at cost	**6,442,680**	7,036,303	**–**	–
Impairment losses	**(2,071,789)**	(2,071,789)	**–**	–
	4,370,891	4,964,514	**–**	–
Listed securities, at market value				
Equity securities – Japan	**358,553**	90,496	**–**	–
	4,729,444	5,055,010	**–**	–

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
United States Dollars	**–**	593,623	**–**	–
Renminbi	**4,370,891**	4,370,891	**–**	–
Japanese Yen	**358,553**	90,496	**–**	–
	4,729,444	5,055,010	**–**	–

Unlisted securities of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price on active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

22. INVENTORIES

	THE GROUP	
	2008	2007
	HK$	HK$
Trading inventories and finished goods	**234,062,665**	202,375,795
Work in progress	**107,510,905**	122,888,745
Raw materials	**255,837,983**	272,053,570
	597,411,553	597,318,110

At 31st December, 2008 the carrying amount of inventories that were stated at net realisable value amounted to HK$483,389,176 (2007: HK$505,249,268).

23. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2008	2007
	HK$	HK$
Trade and bills receivables	**571,778,683**	634,843,227
Less: allowance for impairment of bad and doubtful debts	**68,736,703**	64,101,498
Trade and bills receivables, net	**503,041,980**	570,741,729
Other receivables	**254,368,347**	184,094,659
Less: allowance for impairment of bad and doubtful debts	**23,094,761**	21,511,974
Other receivables, net	**231,273,586**	162,582,685
Amounts due from related parties *(note 41)*	**838,388**	1,061,863
	735,153,954	734,386,277

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. In the opinion of the directors, all trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group allows an average credit period of 90 days to 120 days for customers. The ageing analysis of the Group's trade and bills receivables, based on the invoice date and net of allowances, at the balance sheet date is as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
0 to 3 months	**331,819,568**	406,553,187
4 to 6 months	**68,846,796**	91,081,590
7 to 9 months	**36,523,479**	26,969,550
Over 9 months	**65,852,137**	46,137,402
	503,041,980	570,741,729

23. TRADE AND OTHER RECEIVABLES (Continued)

The movements on the allowance for impairment of bad and doubtful debts of the Group are as follows:

	Trade receivables		Other receivables	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
At 1st January	**64,101,498**	62,024,480	**21,511,974**	13,990,808
Currency realignment	**2,712,933**	3,701,987	**1,159,656**	1,315,338
Impairment loss recognised	**4,061,649**	5,680,365	**1,652,622**	6,205,828
Unused amounts reversed	**(1,059,428)**	(2,121,293)	**(122,146)**	–
Uncollectible amounts written off	**(1,079,949)**	(5,184,041)	**(1,107,345)**	–
At 31st December	**68,736,703**	64,101,498	**23,094,761**	21,511,974

The above allowance for impairment of bad and doubtful debts is a provision for individually impaired trade receivables and fully impaired other receivables. The individually impaired trade receivables mainly represent sales made to PRC customers which have remained long overdue. The fully impaired other receivables relate to debtors that have been long outstanding without settlement nor having any business relationship with the Group. The Group does not hold any collateral or other credit enhancements over these balances.

At 31st December, 2008, trade and bills receivables of HK$99,561,606 (2007: HK$92,669,200) were impaired. The amount of allowance was HK$68,736,703 as at 31st December, 2008 (2007: HK$64,101,498). It is assessed that a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are considered to be impaired is as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
Less than 6 months past due	**22,857,967**	25,224,767
6 months to 1 year past due	**4,296,100**	1,329,758
1 year to 3 years past due	**7,469,118**	13,904,961
Over 3 years past due	**64,938,421**	52,209,714
	99,561,606	92,669,200

23. TRADE AND OTHER RECEIVABLES (Continued)

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

	THE GROUP	
	2008	2007
	HK$	HK$
Neither past due nor impaired	**317,833,375**	393,054,780
Less than 6 months past due	**114,648,235**	102,211,333
6 months to 1 year past due	**22,487,698**	24,596,375
1 year to 3 years past due	**12,380,023**	16,294,489
Over 3 years past due	**4,867,746**	6,017,050
	472,217,077	542,174,027

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were 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.

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
United States Dollars	**15,863,227**	13,090,146	**–**	–
Renminbi	**415,347,138**	445,359,912	**160,000**	–
Japanese Yen	**23,239,680**	73,983,923	**–**	–
Euro Dollars	**27,549**	321,381	**–**	–

24. TRADE AND OTHER PAYABLES

	THE GROUP	
	2008	2007
	HK$	HK$
Trade and bills payables	**448,014,449**	479,823,325
Accruals and other payables	**217,630,292**	245,123,715
Amounts due to related parties *(note 41)*	**783,455**	1,019,377
	666,428,196	725,966,417

The directors consider that the carrying amount of trade and other payables approximates to their fair value. In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
0 to 3 months	**281,025,261**	407,736,126
4 to 6 months	**139,722,276**	52,839,935
7 to 9 months	**14,671,267**	6,701,347
Over 9 months	**12,595,645**	12,545,917
	448,014,449	479,823,325

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

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
United States Dollars	**3,958,045**	6,031,599	**–**	–
Renminbi	**415,826,027**	460,018,174	**–**	–
Japanese Yen	**204,864,921**	155,257,772	**–**	–
Euro Dollars	**294,699**	306,709	**–**	–

25. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP AND THE COMPANY	
	2008	2007
	HK$	HK$
Foreign currency forward contract, at fair value	**167,215**	–

The Company has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Realised and unrealised loss on foreign currency forward contracts amounting to HK$425,412 was charged to the income statement during the year (2007: HK$nil).

The notional principal amount of the outstanding foreign currency forward contract at 31st December, 2008 was US$1,060,000 (HK$8,216,060 approximately) (2007: HK$nil). The fair value of foreign currency forward contract was measured by reference to the settled amount on the maturity of the forward contract which was in January, 2009.

26. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Bank balances and cash	**189,369,411**	188,935,065	**17,096,505**	23,681,117

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

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
United States Dollars	**5,368,616**	4,097,687	**2,585**	51,889
Renminbi	**93,793,776**	94,574,338	**–**	–
Japanese Yen	**24,663,208**	24,461,668	**–**	–
Euro Dollars	**61,261**	115,052	**–**	–

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	THE GROUP	
	2008	2007
	HK$	HK$
Bank balances and cash per above	**189,369,411**	188,935,065
Bank overdrafts *(note 30)*	**(12,160,621)**	(16,318,366)
	177,208,790	172,616,699

27. SHARE CAPITAL

	Number of ordinary shares	Value HK$
Ordinary shares of HK$0.40 each		
Authorised:		
At 1st January, 2007, 31st December, 2007 and 31st December, 2008	1,000,000,000	400,000,000
Issued and fully paid:		
At 1st January, 2007	707,522,692	283,009,077
Shares issued upon exercise of share options	2,500,000	1,000,000
At 31st December, 2007	**710,022,692**	**284,009,077**
Repurchase of own shares	**(92,000)**	**(36,800)**
At 31st December, 2008	**709,930,692**	**283,972,277**

On 5th July, 2007, 13th July, 2007 and 30th July, 2007 respectively, the subscription rights attaching to 2,500,000 share options were exercised at the exercise price of HK$1.4 per share, resulting in the issue of 2,500,000 shares of HK$1.4 each and new share capital of HK$1,000,000 and share premium of HK$2,500,000, together with a release of the share options reserve amounting to HK$139,250 which is credited to the share premium account (note 29). Details of share options outstanding and movements during the year are set out in note 28.

During October 2008, the Company had repurchased, through the Stock Exchange of Hong Kong Limited, 92,000 ordinary shares at an aggregate consideration of HK$33,980. The repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. An amount equivalent to the par value of the shares cancelled of HK$36,800 was transferred to the capital redemption reserve. The aggregate amount paid on the repurchase of the shares of HK$34,451 was charged to retained profits.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

28. SHARE OPTION SCHEME

On 30th May, 2005, the shareholders of the Company adopted a share option scheme (the "Scheme") which will be expired on 29th May, 2015 for the primary purpose of providing incentives to selected participants including directors, full-time employees of the Group, chief executive, associates of executive director or chief executive, consultants, professional and other advisers of the Group (the "Participants"). Under the Scheme, the board of directors of the Company may at its discretion offer options to the Participants to subscribe for shares in the Company at a consideration of HK$1 for each lot of share options granted. Options granted should be accepted within 28 days from the date of grant.

The exercise price is determined by the directors of the Company and will not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, or (iii) the nominal value of the Company's shares.

Unless a prior approval from the Company's shareholders is sought, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 70,622,885 shares, being 10% of the shares of the Company in issue as at the date of shareholders' approval of the Scheme and represents 9.95% of the issued share capital of the Company as at the date of this annual report.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes, must not, in aggregate, exceed 30% of the total number of shares of the Company in issue from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is granted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the board of directors' resolution at a general meeting, the Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Scheme.

The maximum number of shares (issued and to be issued) in respect of which options may be granted to any eligible person in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue, unless a shareholders' approval has been obtained.

28. SHARE OPTION SCHEME (Continued)

No share options were granted, exercised or cancelled during the year. At 31st December, 2008, no share option remained outstanding under the Scheme and all of the 23,470,000 share options granted remaining at 31st December, 2007 had lapsed on or before 4th July, 2008.

The following table discloses details of the Company's share options held by directors and employees and movements in the Scheme during the year ended 31st December, 2008.

Grantee	Date of grant[1]	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 31.12.2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2008
Directors								
Mr. Wong Yiu Ming	08.06.2007	15.06.2007-14.06.2008	1.4	**2,000,000**	–	–	**2,000,000**	–
Mr. Li Tin Loi (resigned on 1st December, 2008)	08.06.2007	20.06.2007-19.06.2008	1.4	**1,600,000**	–	–	**1,600,000**	–
Mr. Yan Wing Fai, Richard (resigned on 31st March, 2008)	08.06.2007	04.07.2007-03.07.2008	1.4	**1,600,000**	–	–	**1,600,000**	–
				5,200,000	–	–	**5,200,000**	–
Employees								
In aggregate	08.06.2007	15.06.2007-04.07.2008[2]	1.4	**18,270,000**	–	–	**18,270,000**	–
				23,470,000	–	–	**23,470,000**	–

28. SHARE OPTION SCHEME (Continued)

The following table discloses details of the Company's share options held by directors and employees and movements in the Scheme during the year ended 31st December, 2007.

Grantee	Date of grant(1)	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 31.12.2006	Granted during the year	Exercised during the year(3)	Cancelled/ Lapsed during the year	Outstanding at 31.12.2007
Directors								
Mr. Wong Yiu Ming	08.06.2007	15.06.2007-14.06.2008	1.4	–	4,000,000	2,000,000	–	2,000,000
Mr. Li Tin Loi (resigned on 1st December, 2008)	08.06.2007	20.06.2007-19.06.2008	1.4	–	1,600,000	–	–	1,600,000
Mr. Yan Wing Fai, Richard (resigned on 31st March, 2008)	08.06.2007	04.07.2007-03.07.2008	1.4	–	1,600,000	–	–	1,600,000
				–	7,200,000	2,000,000	–	5,200,000
Employees								
In aggregate	08.06.2007	15.06.2007-04.07.2008(2)	1.4	–	18,920,000	500,000	150,000	18,270,000
				–	26,120,000	2,500,000	150,000	23,470,000

Notes:

(1) The closing price of Company's shares on the trading day immediately before 8th June, 2007, being the date of grant of options was HK$1.44.

(2) The exercisable period of share options granted to employees is one year commencing from the respective dates of acceptance of each particular employee which varied from 15th June, 2007 to 5th July, 2007.

(3) During 2007, the weighted average closing price of the Company's shares on the trading day immediately before the respective dates on which the share options were exercised was HK$1.50.

In 2007, the fair value of the share options granted was HK$3,214,829 of which the Group recognised a share options benefit expense of HK$3,214,829.

28. SHARE OPTION SCHEME (Continued)

In determining the share option benefit expense, management appointed RHL Appraisal Limited which used the Binomial lattice model (the "Model") to provide a valuation report of the share option benefit expense. The Company has used the Model with the consideration of vesting period and possible exercise pattern to value the share options granted during the year. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. Details of the fair values of share options determined at the date of grant on 8th June, 2007 using the Model with the inputs are as follows:

	Directors	**Employees**
Exercise price	HK$1.4	HK$1.4
Dividend yield	1.40%	1.40%
Expected volatility	67.73%	67.73%
Risk-free interest rate	4.16%	4.16%
Expected life of option	1 year	1 year
Exercise multiple	1.01651	1.13706
Closing share price at grant date	HK$1.43	HK$1.43
Fair value of share option at grant date	HK$0.030	HK$0.1585

The expected volatility, which is based on the approximate weekly historical volatility of closing prices of the share of the Company in the past one year immediately before the date of grant, reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The risk free rates are based on 1 year yield of Hong Kong Exchange Fund Notes as at the share options grant date. Dividend yield is based on historical dividend trend and expected future dividend policy determined by the Company. Historical option exercise trends referenced to determine exercise multiple for directors and employees. No other features of options grant were incorporated into the measurement of fair value.

29. RESERVES

THE COMPANY

	Share premium HK$	Capital redemption HK$	Share options HK$	Retained profit HK$	Proposed dividend HK$	Total HK$
Balance at 1st January, 2007	241,478,789	–	–	2,490,424	10,612,840	254,582,053
Profit for the year						
As previously stated	–	–	–	27,068,935	–	27,068,935
Effect of adopting HK(IFRIC) – Int 11	–	–	–	1,902,006	–	1,902,006
As restated	–	–	–	28,970,941	–	28,970,941
Recognition on grant of share options	–	–	3,214,829	–	–	3,214,829
Shares issued upon exercise of share options	2,500,000	–	–	–	–	2,500,000
Transfer on lapse of share options	–	–	(23,775)	23,775	–	–
Transfer from share options reserve	139,250	–	(139,250)	–	–	–
Dividend relating to 2006	–	–	–	–	(10,612,840)	(10,612,840)
Interim dividend	–	–	–	(4,260,136)	–	(4,260,136)
Proposed dividend	–	–	–	(10,650,340)	10,650,340	–
Balance at 31st December, 2007, as restated	**244,118,039**	**–**	**3,051,804**	**16,574,664**	**10,650,340**	**274,394,847**
Loss for the year	**–**	**–**	**–**	**(15,959,917)**	**–**	**(15,959,917)**
Repurchase of own shares	**–**	**36,800**	**–**	**(34,451)**	**–**	**2,349**
Transfer on lapse of share options	**–**	**–**	**(3,051,804)**	**1,149,798**	**–**	**(1,902,006)**
Dividend relating to 2007	**–**	**–**	**–**	**–**	**(10,650,340)**	**(10,650,340)**
Balance at 31st December, 2008	**244,118,039**	**36,800**	**–**	**1,730,094**	**–**	**245,884,933**

The share options reserve represents the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to the retained profits should the related option expire or be forfeited. At 31st December, 2008, all share options granted had lapsed, the share options reserve was therefore transferred to retained profits.

30. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Non-current				
Bank borrowings				
– secured	**2,000,000**	7,136,370	**–**	–
– unsecured	**59,111,112**	48,444,444	**28,000,000**	44,000,000
	61,111,112	55,580,814	**28,000,000**	44,000,000
Other loans				
– unsecured	**147,409**	139,575	**–**	–
	61,258,521	55,720,389	**28,000,000**	44,000,000
Current				
Bank borrowings				
– secured	**120,624,240**	33,309,119	**–**	–
– unsecured	**195,497,139**	219,918,442	**66,000,000**	61,000,000
Bank overdrafts *(note 26)*				
– secured	**–**	285,240	**–**	–
– unsecured	**12,160,621**	16,033,126	**8,320,624**	14,670,031
	328,282,000	269,545,927	**74,320,624**	75,670,031
Total borrowings	**389,540,521**	325,266,316	**102,320,624**	119,670,031

Bank borrowings and overdrafts are secured by the leasehold buildings and leasehold land and land use rights of the Group (notes 15 and 17).

30. BANK AND OTHER BORROWINGS (Continued)

The maturity of borrowings is as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Within one year	**328,282,000**	269,545,927	**74,320,624**	75,670,031
Between one and two years	**61,111,112**	25,580,814	**28,000,000**	16,000,000
Between two and five years	**–**	30,000,000	**–**	28,000,000
Wholly repayable within five years	**389,393,112**	325,126,741	**102,320,624**	119,670,031
Over five years	**147,409**	139,575	**–**	–

The effective interest rate as at 31st December, 2008 for bank loans is 3.61% per annum (2007: 5.97% per annum).

Non-current other loans are not wholly repayable within 5 years and interest free.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Bank borrowings	**61,111,112**	55,580,814	**58,028,694**	48,460,101
Other loans	**147,409**	139,575	**102,822**	97,358
	61,258,521	55,720,389	**58,131,516**	48,557,459

The carrying amounts of short-term borrowings approximate to their fair values.

30. BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Hong Kong Dollars	**268,091,435**	165,997,395	**102,320,624**	119,670,031
Renminbi	**121,449,086**	156,916,141	**–**	–
United States Dollars	**–**	2,352,780	**–**	–
	389,540,521	325,266,316	**102,320,624**	119,670,031

The Group has the following undrawn borrowing facilities:

	2008	2007
	HK$	HK$
Floating rate		
– expiring with one year	**328,456,227**	305,953,968

The facilities expiring within one year are annual facilities subject to review at various dates during 2009.

31. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Amounts payable under finance leases:				
Within one year	**7,283,490**	6,083,788	**6,919,984**	5,480,551
In the second to fifth year inclusive	**8,961,146**	8,194,848	**8,753,792**	7,679,497
	16,244,636	14,278,636	**15,673,776**	13,160,048
Less: Future finance charges	**570,860**	1,118,588	**N/A**	N/A
Present value of lease payments	**15,673,776**	13,160,048	**15,673,776**	13,160,048
Less: Amount due for settlement within one year shown under current liabilities			**6,919,984**	5,480,551
Amount due for settlement after one year			**8,753,792**	7,679,497

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 4 years. For the year ended 31st December, 2008, the average effective borrowing rate was 3.64% per annum (2007: 4.85% per annum). Interest is charged at one month HIBOR or HIBOR plus 1.25% to 2% per annum (2007: one month HIBOR or HIBOR plus 1.25% to 2.5% per annum) on the outstanding loan balances. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

THE COMPANY

The Company has no obligations under finance leases for both of the year end dates.

32. DEFERRED TAXATION

THE GROUP

Deferred taxation is calculated in full on temporary difference under the liability method using a principal taxation rate of 16.5% (2007: 17.5%).

The following are the major components of deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years:

	(Accelerated)/ decelerated tax depreciation HK$	Revaluation of properties HK$	Tax losses HK$	Others HK$	Total HK$
At 1st January, 2007	353,752	(4,779,071)	264,883	10,674,770	6,514,334
Currency realignment	43,346	(421,685)	–	651,910	273,571
Charged to equity	–	(107,023)	–	–	(107,023)
Credited (Charged) to income statement	(1,230,192)	–	2,504,581	(27,882)	1,246,507
At 31st December, 2007 and 1st January, 2008	**(833,094)**	**(5,307,779)**	**2,769,464**	**11,298,798**	**7,927,389**
Currency realignment	**153,009**	**(276,678)**	**–**	**296,072**	**172,403**
Effect of change in tax rate					
– Credited to equity	**–**	**7,422**	**–**	**–**	**7,422**
– Credited (Charged) to income statement	**10,526**	**893,082**	**(81,617)**	**(938,951)**	**(116,960)**
Charged to equity	**–**	**(2,982,612)**	**–**	**–**	**(2,982,612)**
Credited (Charged) to income statement	**2,726,594**	**7,145,860**	**(1,756,450)**	**(8,967,436)**	**(851,432)**
At 31st December, 2008	**2,057,035**	**(520,705)**	**931,397**	**1,688,483**	**4,156,210**

For the purposes of balance sheet presentation, certain deferred tax assets (liabilities) have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances shown in the consolidated balance sheet:

	2008 HK$	2007 HK$
Deferred tax assets	**4,385,509**	21,138,883
Deferred tax liabilities	**(229,299)**	(13,211,494)
	4,156,210	7,927,389

32. DEFERRED TAXATION (Continued)

THE GROUP (Continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31st December, 2008, the Group has unrecognised tax losses of HK$230,316,567 (2007: HK$203,015,553) available for offset against future profits. Included in unrecognised tax losses are losses of HK$61,155,378 (2007: HK$31,962,329) that will be expired in five years and the remaining balance does not expire under the current tax legislation. Temporary differences arising in connection with interests in associates are insignificant.

THE COMPANY

At 31st December, 2008, the Company has unutilised tax losses of HK$144,297,966 (2007: HK$122,334,307) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation. The Company has no significant unprovided deferred tax liabilities at both of year end dates.

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

	2008 **HK$**	2007 HK$
NET LIABILITIES DISPOSED OF:		
Minority interests	–	1,618,512
Translation reserve realised upon disposal	–	(459,666)
Loss on disposal of subsidiaries	–	(1,158,846)
	–	–
SATISFIED BY:		
Cash consideration	–	–
NET CASH INFLOW ON DISPOSAL:		
Cash consideration	–	–
Cash and cash equivalents disposed of	–	–
	–	–

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$9,749,600 (2007: HK$7,257,691).

35. OPERATING LEASE COMMITMENTS

The Group as lessee

	THE GROUP	
	2008	2007
	HK$	HK$
Minimum lease payments made during the year under operating leases in respect of:		
Land and buildings	**17,130,859**	11,220,376
Plant and machinery	**27,360**	1,924,781
	17,158,219	13,145,157

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2008	2007
	HK$	HK$
Within one year	**10,895,633**	10,864,755
In the second to fifth year inclusive	**26,445,935**	35,553,817
Over five years	**28,162,560**	42,600,383
	65,504,128	89,018,955

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and plant and machinery. Leases are negotiated for an average term of 2-10 years and rentals are fixed for an average of 2-10 years.

The Group as lessor

Property rental income earned during the year net of direct outgoings of HK$85,299 (2007: HK$299,449) was HK$804,970 (2007: HK$1,835,251).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	THE GROUP	
	2008	2007
	HK$	HK$
Within one year	**297,941**	383,146
In the second to fifth year inclusive	**61,231**	–
	359,172	383,146

THE COMPANY

The Company had no operating lease commitments at both of year end dates.

36. CAPITAL COMMITMENTS

	THE GROUP	
	2008	2007
	HK$	HK$
		(Restated)
Capital expenditure:		
Authorised but not contracted for	**–**	–
Contracted but not provided for	**2,651,857**	–
	2,651,857	–

THE COMPANY

The Company had no capital commitments at both of year end dates.

37. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$	HK$	**HK$**	HK$
Guarantees given to financial institutions in respect of credit facilities utilised by:				
Subsidiaries	**–**	–	**936,560,000**	750,640,000
Outsiders	**9,096,876**	894,101	**–**	–
	9,096,876	894,101	**936,560,000**	750,640,000

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2008 and 31st December, 2007.

38. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employee's basic salary, depending on the length of service with the Group.

Employees who are employed by subsidiaries in the PRC are members of the state-managed pension scheme operated by the PRC government. These subsidiaries are required to contribute 16% – 20% of payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement of HK$4,512,506 (2007: HK$5,026,801) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2008, contributions of approximately HK$208,498 (2007: HK$18,771) due in respect of the reporting period had not been paid over to the schemes.

39. PLEDGE OF ASSETS

At the balance sheet date, assets with the following carrying amounts were pledged by the Group to secure general banking facilities:

	2008 **HK$**	2007 HK$
Leasehold buildings	**–**	67,690,337
Leasehold land and land use rights	**–**	12,380,447
Plant and machinery	**34,715,509**	10,647,847
Bank deposits	**120,697,909**	33,820,056
	155,413,418	124,538,687

Note: The bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial instruments by categories

The accounting policies for financial instruments have been applied to the line items below:

THE GROUP

	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Assets as per consolidated balance sheet			
31st December, 2008			
Available-for-sale financial assets *(note 21)*	**–**	**4,729,444**	**4,729,444**
Amounts due from associates *(note 20)*	**95,287,850**	**–**	**95,287,850**
Trade and other receivables *(note 23)*	**735,153,954**	**–**	**735,153,954**
Pledged bank deposits *(note 39)*	**120,697,909**	**–**	**120,697,909**
Cash and cash equivalents *(note 26)*	**189,369,411**	**–**	**189,369,411**
Total	**1,140,509,124**	**4,729,444**	**1,145,238,568**
31st December, 2007			
Available-for-sale financial assets *(note 21)*	–	5,055,010	5,055,010
Amounts due from associates *(note 20)*	45,186,971	–	45,186,971
Trade and other receivables *(note 23)*	734,386,277	–	734,386,277
Pledged bank deposits *(note 39)*	33,820,056	–	33,820,056
Cash and cash equivalents *(note 26)*	188,935,065	–	188,935,065
Total	1,002,328,369	5,055,010	1,007,383,379

	Financial liabilities measured at amortised cost HK$	Financial liabilities at fair value through profit or loss HK$	Total HK$
Liabilities as per consolidated balance sheet			
31st December, 2008			
Trade and other payables *(note 24)*	**666,428,196**	**–**	**666,428,196**
Derivative financial instruments *(note 25)*	**–**	**167,215**	**167,215**
Amounts due to associates	**61,742,160**	**–**	**61,742,160**
Bank and other borrowings *(note 30)*	**389,540,521**	**–**	**389,540,521**
Obligation under finance leases *(note 31)*	**15,673,776**	**–**	**15,673,776**
Total	**1,133,384,653**	**167,215**	**1,133,551,868**
31st December, 2007			
Trade and other payables *(note 24)*	725,966,417	–	725,966,417
Amounts due to associates	48,703,065	–	48,703,065
Bank and other borrowings *(note 30)*	325,266,316	–	325,266,316
Obligation under finance leases *(note 31)*	13,160,048	–	13,160,048
Total	1,113,095,846	–	1,113,095,846

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Financial instruments by categories (Continued)

THE COMPANY

	Loans and receivables HK$
Assets as per balance sheet	
31st December, 2008	
Amounts due from subsidiaries *(note 19)*	**672,437,729**
Trade and other receivables	**722,441**
Cash and cash equivalents *(note 26)*	**17,096,505**
Total	**690,256,675**
31st December, 2007	
Amounts due from subsidiaries *(note 19)*	695,152,702
Trade and other receivables	657,281
Cash and cash equivalents *(note 26)*	23,681,117
Total	719,491,100

	Financial liabilities measured at amortised cost HK$	Financial liabilities at fair value through profit or loss HK$	Total HK$
Liabilities as per balance sheet			
31st December, 2008			
Trade and other payables	**4,059,757**	**–**	**4,059,757**
Derivative financial instruments *(note 25)*	**–**	**167,215**	**167,215**
Amounts due to subsidiaries	**34,997,948**	**–**	**34,997,948**
Amounts due to associates	**60,652,894**	**–**	**60,652,894**
Bank and other borrowings *(note 30)*	**102,320,624**	**–**	**102,320,624**
Total	**202,031,223**	**167,215**	**202,198,438**
31st December, 2007			
Trade and other payables	4,649,940	–	4,649,940
Amounts due to subsidiaries	32,069,046	–	32,069,046
Amounts due to associates	47,619,799	–	47,619,799
Bank and other borrowings *(note 30)*	119,670,031	–	119,670,031
Total	204,008,816	–	204,008,816

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as summarised below.

(i) Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and Japanese Yen ("YEN"). Such exposures arise from sales or purchases by subsidiaries other than the subsidiaries' functional currencies. This currency exposure is managed primarily through sourcing raw materials denominated in the same currency. In addition, certain recognised assets and liabilities are denominated in currencies other than the functional currencies of the entities to which they relate.

Certain assets of the Group are principally denominated in United States Dollar ("US$"). Hong Kong dollars ("HK$") is pegged to US$, and thus foreign exchange exposure is considered as minimal. The Group currently does not have a foreign currency hedging policy.

At 31st December, 2008, if HK$ had strengthened/weakened by 10% against the RMB, with all other variable held constant, post-tax profit for the year would have been approximately HK$3,861,000 (2007: HK$3,971,000), higher or lower. At 31st December, 2008, if HK$ had strengthened/weakened by 10% against the RMB, equity would have been approximately HK$86,388,347 (2007: HK$97,403,000), lower or higher.

At 31st December, 2008, if HK$ had strengthened/weakened by 10% against the YEN, with all other variable held constant, post-tax profit for the year would have been approximately HK$1,101,620 (2007: HK$191,000), higher or lower. There will be no impact on other components of equity.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between HK$ and US$ would be materially unaffected by any changes in movement in value of US$ against other currencies. Results of the analysis as presented in above represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk factors (Continued)

(ii) Interest rate risk

Except for pledged bank deposits (note 39) and cash and cash equivalents (note 26), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime or HIBOR arising from the Group's borrowings denominated in HK$ and RMB.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in note 30.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowing when it has surplus funds.

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank borrowings at the balance sheet date. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

At 31st December, 2008, if interest rates on HK$-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$1,086,000 (2007: HK$815,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31st December, 2008, if interest rates on RMB-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$264,000 (2007: HK$417,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The above changes in interest rates represent management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk factors (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale financial assets. As the Group's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

The Company is exposed to other price risk in respect of investments in subsidiaries and associates. The sensitivity to price risk in relation to the investments in subsidiaries and associates cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries and associates.

(iv) Credit risk

The Group's credit risk is principally attributable to trade and other receivables and amounts due from associates.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each of financial assets in the consolidated balance sheet after deducting any impairment allowance. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23.

The credit risk on bank balances is limited because the counterparties are reputable banks with high quality external credit ratings in Hong Kong and the PRC.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Financial risk factors (Continued)

(v) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below categorised the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The tabulated amounts are the contractual undiscounted cash flow payments of the Group.

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$	Total HK$
At 31st December, 2008					
Trade and other payables	**666,428,196**	**–**	**–**	**–**	**666,428,196**
Amounts due to associates	**61,742,160**	**–**	**–**	**–**	**61,742,160**
Obligations under finance leases	**7,237,263**	**7,183,173**	**1,824,200**	**–**	**16,244,636**
Derivative financial instruments	**167,215**	**–**	**–**	**–**	**167,215**
Bank and other borrowings	**335,275,716**	**48,599,252**	**13,422,432**	**147,409**	**397,444,809**
	1,070,850,550	**55,782,425**	**15,246,632**	**147,409**	**1,142,027,016**
At 31st December, 2007					
Trade and other payables	725,966,417	–	–	–	725,966,417
Amounts due to associates	48,703,065	–	–	–	48,703,065
Obligations under finance leases	6,083,788	4,083,446	4,111,402	–	14,278,636
Bank and other borrowings	280,368,375	27,244,565	31,571,292	139,575	339,323,807
	1,061,121,645	31,328,011	35,682,694	139,575	1,128,271,925

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the total debts ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current liabilities and non-current liabilities. Total capital includes total borrowings and total equity as shown in the consolidated balance sheet.

The total debts ratios at 31st December, 2008 and 2007 are as follows:

	2008 HK$	2007 HK$
Current liabilities	**1,067,992,280**	1,056,208,993
Non-current liabilities	**70,241,612**	76,611,380
Total borrowings	**1,138,233,892**	1,132,820,373
Total equity	**1,135,805,150**	1,128,519,421
Total capital	**2,274,039,042**	2,261,339,794
Total debts ratio	**50%**	50%

Neither the Company nor any of its subsidiaries are subject to externally or internally imposed capital requirements.

41. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	Notes	2008 HK$	2007 HK$
Substantial shareholders and its subsidiaries:			
EDP charges received *(note i)*		**183,600**	183,600
Management fee paid *(note i)*		**2,821,275**	2,814,075
Balances due from the Group as at the balance sheet date *(note ii)*	*24*	**400,905**	636,827
Balances due to the Group as at the balance sheet date *(note ii)*	*23*	**12,323**	117,551
Company controlled by certain directors:			
Management fee paid *(note i)*		**996,000**	996,000
EDP charges received *(note i)*		**51,600**	51,600
Balance due to the Group as at the balance sheet date *(note ii)*	*23*	**1,150**	–
Minority shareholders:			
Balances due from the Group as at the balance sheet date *(note ii)*	*24*	**382,550**	382,550
Balances due to the Group as at the balance sheet date *(note ii)*	*23*	**824,915**	944,312
Associates:			
Sales of finished goods *(note i)*		**1,398,491**	13,264,261
Sub-contracting charge received *(note i)*		**6,625,056**	1,247,981
Sub-contracting charge paid *(note i)*		**45,386**	–
Purchases *(note i)*		**12,117,385**	10,378,598
Balances due from the Group as at the balance sheet date *(note ii)*		**61,742,160**	48,703,065
Balances due to the Group as at the balance sheet date *(note ii)*		**95,287,850**	45,186,971
Key management compensation of the Group:			
Salaries and other short-term employee benefits		**16,331,242**	15,309,022

Notes:

(i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.

(ii) The balances are unsecured, interest free and have no fixed repayment terms.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the end of the year.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/ registered capital attributable to the Group %	Principal activities
Cosmos Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Investment holding
Cosmos Machinery International Limited	Hong Kong	Hong Kong	HK$32,000,000	100.00*	100.00	Trading in industrial machinery, equipment and supplies and investment holding
Dongguan Cosmos Machinery Limited *(note b)*	PRC	PRC	HK$30,000,000	75.56	75.56	Manufacturing of industrial machinery
Dekuma Rubber and Plastic Technology (Dongguan) Limited (formerly known as Dongguan Dekuma Welltec Machinery Limited) *(note a)*	PRC	PRC	HK$4,000,000	100.00	100.00	Manufacturing and trading of machinery
Dongguan Great Wall Optical Plastic Works Limited *(note a)*	PRC	PRC	HK$16,126,800	100.00	100.00	Manufacturing of microscopes and magnifiers with acrylic lenses
Dong Hua Machinery Limited *(note b)*	PRC	PRC	RMB40,800,000	75.56	75.56	Manufacturing and trading of machinery
Dongguan Welltec Machinery Limited *(note b)*	PRC	PRC	HK$55,920,000	75.56	75.56	Manufacturing and trading of machinery
Gainbase Industrial Limited	Hong Kong	Hong Kong	HK$10,000	100.00	52.00	Trading in printed circuit boards
Grand Technology Products Limited	Hong Kong	Hong Kong	HK$9,500,000	100.00	100.00	Investment holding
Great Wall (Holding) Company Limited	Hong Kong	Hong Kong	HK$9,900,000	100.00	100.00	Investment holding
Jackson Equities Incorporated	British Virgin Islands	Hong Kong	US$2	100.00*	100.00	Investment holding
Karmay Industrial Limited	Hong Kong	Hong Kong	HK$14,979,444	100.00	100.00	General trading and investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company*/ subsidiaries %	Proportion of nominal value of issued share capital/ registered capital attributable to the Group %	Principal activities
Karmay Plastic Products (Zhuhai) Co., Ltd. *(note a)*	PRC	PRC	HK$16,800,000	100.00	100.00	Manufacturing of plastic products
Melco Industrial Supplies Co., Limited	Hong Kong	Hong Kong	HK$1,500,000	100.00	100.00	Trading in industrial equipment and screws
Ming Sun Enterprises Limited	Hong Kong	Hong Kong	HK$3,000,000	100.00	100.00	Investment holding
Ming Sun Enterprises (China) Limited	Hong Kong	Hong Kong	HK$1,000,000	100.00	100.00	Manufacturing of moulds and trading of plasticwares
Shenzhen Gainbase Printed Circuit Board Co., Limited *(note b)*	PRC	PRC	HK$140,000,000	100.00	52.00	Manufacturing of printed circuit boards
Welltec Machinery Limited	Hong Kong	Hong Kong	HK$10,000,000	100.00	100.00	Trading of machinery
Wu Xi Grand Tech Machinery Group Co. Ltd. *(note a)*	PRC	PRC	US$9,586,000	100.00	100.00	Manufacturing and trading of machinery
Wu Xi Grand Plastic Machine Manufacture Co., Ltd. *(note b)*	PRC	PRC	US$2,850,000	100.00	100.00	Manufacturing and trading of machinery

Notes:

(a) The companies are registered in the form of wholly-owned foreign investment enterprises.

(b) The companies are registered in the term of sino-foreign cooperative enterprises.

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

None of the subsidiaries had any debt capital in issue at the end of the year or at any time during the year.

43. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The HKICPA has issued the following standards, interpretations and amendments which are not yet effective as of the date of these financial statements:

Effective for annual periods beginning on or after 1st July, 2008	
HK(IFRIC) – Int 13	Customer Loyalty Programmes
Effective for annual periods beginning on or after 1st October, 2008	
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
Effective for annual periods beginning on or after 1st January, 2009	
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
Effective for annual periods beginning on or after 1st July, 2009	
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
Effective for transfers on or after 1st July, 2009	
HK(IFRIC) – Int 18	Transfer of Assets from Customers

Apart from the above, the HKICPA has also issued "Improvements to HKFRSs" which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 1 (Revised) will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.