



## REPORT OF DIRECTORS

The Board is pleased to present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2008.

### LISTING OF SHARES

The Company was incorporated with limited liability in the Cayman Islands on 28 August 2006. The Company's shares have been listed on the main board of the Stock Exchange on 2 February 2007.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 20 to the financial statements.

### RESULTS

The results of the Group for the year are set out in the consolidated profit and loss account on page 51.

### DIVIDENDS

An interim dividend of HK\$0.028 per share (2007: HK\$0.02) was paid on 26 September 2008. The Board recommends the payment of a final dividend in respect of the year ended 31 December 2008 of HK\$0.014 (2007: HK\$0.04) per share to the shareholders on the register of members of the Company on 2 June 2009, estimated to be HK\$27 million (2007: HK\$80 million). The recommended final dividend will be voted by the shareholders of the Company at the annual general meeting to be held on 2 June 2009.

### FINANCIAL SUMMARY

A financial summary for the past five financial years is set out on page 3 of this report.

### RESERVES

Details of the movements during the year in the reserves of the Company and the Group are set out in note 27 to the financial statements.

In addition to the retained earnings of the Company, the share premium account and employee share-based compensation reserve of the Company are also available for distribution to Shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid in accordance with the Companies Law (2007 Revision) of the Cayman Islands.

As at 31 December 2008, the share premium of the Company was approximately HK\$1,802,612,000 (2007: HK\$1,802,612,000), the employee share-based compensation reserve of the Company was approximately HK\$63,675,000 (2007: HK\$134,502,000) and the retained earnings of the Company were approximately HK\$767,443,000 (2007: HK\$38,962,000).



## Report of Directors

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 36% and 38% of the Group's sales and purchases respectively for the year ended 31 December 2008.

Our Group's largest customer accounted for approximately 11% of turnover whereas our largest supplier accounted for approximately 15% of total purchases.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers or suppliers.

### SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

### CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$1,932,064 (2007: HK\$8,181).

### DIRECTORS

The Board during the year ended 31 December 2008 and up to the date of this report comprised:

#### Executive Directors

Mr. Tang Hsiang Chien – *Honourary Founding Chairman*

Mr. Tang Chung Yen, Tom – *Executive Chairman and Group Managing Director*

Ms. Tang Ying Ming, Mai – *Vice Chairman*

Mr. Chung Tai Keung, Canice – *Chief Executive Officer*

#### Independent Non-executive Directors

Mr. Lee, Eugene

Mr. Leung Kwan Yuen, Andrew

Dr. Li Ka Cheung, Eric

In accordance with article 106 of the Company's articles of association, Mr. Tang Chung Yen, Tom, Mr. Lee, Eugene and Mr. Leung Kwan Yuen, Andrew will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.



## Report of Directors

### **DIRECTORS' SERVICE CONTRACTS**

In 2007, each of the Executive Directors entered into a service agreement with the Company, pursuant to which Mr. Tang Hsiang Chien has agreed to act for a term of one year and each of the other three Executive Directors has agreed to act for an initial term of two years, all commencing on 1 January 2007. According to the service agreement, the service term of each of the Executive Directors continues after expiration of the aforesaid initial term until terminated, among others, by not less than six months' notice in writing served by either party on the other or in accordance with terms of the service agreement.

Each of the Independent Non-executive Directors has renewed his appointment with the Company for a further term of two years commencing on 12 January 2009, subject to retirement by rotation at the annual general meetings of the Company in accordance with the provisions of the Company's articles of association.

None of the Directors being proposed for re-election at the forthcoming AGM has entered or has proposed to enter into any service agreement with the Company or any member of the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical details of Directors and senior management of the Company are set out on pages 32 to 38 of this annual report.

### **DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS**

The Directors' fees and remuneration and the emoluments of the five highest paid individuals are disclosed in note 8 to the financial statements.

### **PENSION SCHEMES**

Details of the pension schemes are set out in note 8 to the financial statements.



## Report of Directors

### DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2008, the interests and short positions of the Directors and the chief executive and their respective associates in the shares, share options, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Long position

##### *Beneficial interests in the Shares*

Name of Director	Personal interest	Family interest	Corporate interest	Other interest	Total number of Shares	Approximate shareholding percentage
Mr. Tang Hsiang Chien	Nil	Nil	1,157,940,000 (Note 1)	235,305,000 (Note 2)	1,393,245,000	70.93% (Note 3)
Mr. Chung Tai Keung, Canice	48,064,000	Nil	Nil	Nil	48,064,000	2.44%

#### Notes:

1. These Shares comprise: (i) 1,129,895,000 Shares owned by SuSih, and (ii) 28,045,000 Shares owned by Top Mix. Mr. Tang Hsiang Chien is the sole shareholder of SuSih and is deemed to be interested in the aforesaid Shares under the SFO.
2. Mr. Tang Hsiang Chien holds 235,305,000 Shares in his capacity as the trustee of a discretionary trust, namely The Mein et Moi Trust.
3. This percentage comprises 57.53% interest owned by SuSih, 1.42% interest held by Top Mix and 11.98% interest held by Mr. Tang Hsiang Chien as the trustee of The Mein et Moi Trust, of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executives of the Company, nor their associates, had any interests or short positions in any shares, share options or underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## Report of Directors

### SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2008, the interests or short positions of every person, other than the Director and chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register maintained by the Company under section 336 of the SFO were as follows:

#### Long position

##### *Beneficial interests in the Shares*

Name of Substantial Shareholder	Nature of interest	Number of Shares	Approximate shareholding percentage
SuSih	Beneficial owner and interest in controlled companies	1,157,940,000 (Note 1)	58.95% (Note 2)

Notes:

- These Shares comprise: (i) 1,129,895,000 Shares owned by SuSih, and (ii) 28,045,000 Shares held by Top Mix.
- This percentage comprises 57.53% interest owned by SuSih and 1.42% interest held by Top Mix, of the issued share capital of the Company respectively.

Save as disclosed and in the section "Directors' Interests in Shares of the Company" above, as at 31 December 2008, the Company has not been notified of any other relevant interests or short positions held by any other person in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.



## Report of Directors

### SHARE OPTIONS

The Company had adopted a Share Option Scheme on 12 January 2007. No option had been granted under the Share Option Scheme since its adoption on 12 January 2007. Summary of principal terms of the Share Option Scheme is set out below.

Unless otherwise cancelled or amended, the Share Option Scheme has a life of 10 years from its adoption date and will expire on 11 January 2017, after which no further options will be issued but any options then outstanding will continue to be exercisable in accordance with their terms of issue.

The Share Option Scheme is designed to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants. The Board may, at its discretion, grant options to subscribe for Shares in the Company to eligible participants. Eligible participants include:

- (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of each member of the Group;
- (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group;
- (iii) any consultants, professional and other advisors to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services);
- (iv) any chief executives or substantial shareholders of the Company;
- (v) any associates of director, chief executive or substantial shareholder of the Company; and
- (vi) any employees (whether full-time or part-time) of substantial shareholder of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories.



## Report of Directors

The period under which an option may be exercised will be determined by the Board at its absolute discretion, save that an option shall expire not later than 10 years from the date of grant. Unless otherwise determined by the Board, and specified in the offer letter at the time of offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for a period of 21 days from the date of offer. The amount payable on acceptance of an option is HK\$1.00. The full amount of the subscription price for the Company's Shares has to be paid upon exercise of an option. The subscription price shall be such price solely determined by the Board at the time of offer of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option.

The subscription price shall be at least the highest of the nominal value of the Company's Shares, the average of the closing prices of the Company's Shares quoted in the Stock Exchange's daily quotation sheets on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's Shares quoted in the Stock Exchange's daily quotation sheets on the date of an offer of the grant of the options.

The total number of the Company's Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company (excluding options lapsed in accordance with the terms of the Share Option Scheme) shall not in aggregate exceed 10% of the total number of the Company's Shares in issue on the date of commencement of dealings in the Shares on the Stock Exchange, being 200,000,000 Shares.

The limit on the number of the Company's Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's Shares in issue from time to time. As at the date of this report, a total of 200,000,000 Shares, which are far below 30% of the current issued share capital of the Company, are available for issue under the Share Option Scheme.

The total number of the Company's Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's Shares in issue unless approved by the Company's shareholders in general meeting.



## Report of Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the annual report, at no time during the year was the Company, any of its subsidiaries, its holding company or a subsidiary of its holdings company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive (including their spouse and children under 18 years of age) had an interest in, or been granted any rights to subscribe for the securities of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such right.

### CONTINUING CONNECTED TRANSACTIONS

The Group entered into a number of transactions with parties which, upon listing, became connected persons of the Company under the Listing Rules. The Stock Exchange has, subject to certain conditions, granted waivers to the Company from compliance with certain requirements of the Listing Rules. Immediately following the listing of the Company's shares on the main board of the Stock Exchange on 2 February 2007 and up to 31 December 2008, the Group has the following continuing connected transactions:

- (i) on 12 January 2007, SME entered into a supply agreement with SSST for and on behalf of itself and Shanghai Meadville Science and Technology Co., Ltd.\* (上海美維科技有限公司) effective from 1 January 2007 to 31 December 2009 for the purpose of purchasing prepreg and laminate. At the time of entering with the supply agreement with SSST, SSST is 75% owned by GSST, a substantial shareholder of two subsidiaries of the Company by virtue of being a connected person of the Company.
- (ii) On 12 January 2007, SME also entered into a supply agreement with GSST for and on behalf of itself and four subsidiaries of the Company effective from 1 January 2007 to 31 December 2009 for the purpose of purchasing prepreg and laminate from GSST which is a connected person of the Company as disclosed above.

The Independent Non-executive Directors have been provided with reports from the auditor and the internal audit team of the Company in respect of the above continuing connected transactions and have discussed with them thereon. On that basis, the Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (a) in ordinary and usual course of business of the Group;
- (b) on normal commercial terms and/or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.





## Report of Directors

In accordance with Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on the selected samples based on the agreed procedures to the Board stating that:

- (a) the continuing connected transactions have been approved by the Board;
- (b) the continuing connected transactions are in accordance with the pricing policies of the Group;
- (c) the continuing connected transactions have been entered into in accordance with the relevant agreements governing the continuing connected transactions; and
- (d) the amounts of the continuing connected transactions have not exceeded the relevant caps as disclosed in the Company’s prospectus dated 22 January 2007.

### **DIRECTORS’ INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Save as disclosed above, no other contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### **DIRECTORS’ INTERESTS IN COMPETING BUSINESS**

None of the Directors had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

### **PUBLIC FLOAT**

To the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules up to the date of this report.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY**

The Company repurchased its 36,000,000 shares on the Stock Exchange during the year ended 31 December 2008. Such shares were cancelled following the repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Please refer to note 26 to the financial statements for details of the repurchases.



## Report of Directors

Details of the repurchases are summarised as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share		Aggregate price paid HK\$
		Highest HK\$	Lowest HK\$	
August 2008	28,117,000	1.97	1.87	54,104,620
September 2008	<u>7,883,000</u>	1.95	1.88	<u>15,319,850</u>
	<u>36,000,000</u>			<u>69,424,470</u>

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year ended 31 December 2008.

The repurchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate obtained from Shareholders at the last annual general meeting, with a view to benefiting Shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

### AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board

**Tang Chung Yen, Tom**

*Executive Chairman and Group Managing Director*

Hong Kong, 25 February 2009

\* *For identification purposes only*