WING LEE HOLDINGS LIMITED
永 利 控 股 有 限 公 司

STOCK CODE：876

Annual Report

2009

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chow Tak Hung *(Chairman)*
Ms. Chow Woon Yin *(Deputy Chairman)*
Ms. Wong Siu Wah
Ms. Chau Choi Fa *(Managing Director)*

Independent Non-executive Directors

Dr. Lau Yue Sun
Mr. Yip Tai Him
Mr. Lam Kwok Cheong

COMPANY SECRETARY

Mr. Tam Chak Chi

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Bermuda

Conyers Dill & Pearman

Hong Kong

Richards Butler

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 201 & 206-208, 2nd Floor
Sunbeam Centre
27 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

SHARE REGISTRARS

Bermuda Principal

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

Hong Kong Branch

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

Stock Code on the Stock Exchange of Hong Kong Limited: 876

COMPANY WEBSITE

www.wingleeholdings.com

On behalf of the board of directors (the "Board") of Wing Lee Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

For the year, the Group achieved a revenue of approximately HK$332 million (for the year ended 31 December 2008: HK$421 million), representing a decrease of 21.3% as compared with the same period of last year. Profit for the year attributable to owners of the Company was approximately HK$54 million (for the year ended 31 December 2008: loss of HK$71 million), representing an increase of 175.8% as compared with the same period of last year. Earnings per share were HK15.05 cents (for the year ended 31 December 2008: loss per share of HK20.09 cents).

BUSINESS REVIEW

Starting from 2009, the financial tsunami had once caused global economic panic which led to substantial contraction in the electronic consumer products market. As a result, the number of orders received by the Group in the first quarter of 2009 was severely affected, so was the sales of electronics component manufacturing sector. Fortunately, starting form the second quarter, as the global economy stabilized and revitalized gradually, customers that had once trimmed production also made orders and some even supplemented orders to accomplish their scheduled annual production volume, such that the Group maintained a high level of sales. Despite that the overall sales dropped as compared with 2008, the Group operated with caution and stringent cost control, and managed to recorded growth in terms of gross profit, gross profit margin, profit and profit margin as raw material and peripheral costs were relatively stable.

Year 2009 in review was a year of market adjustment and economic recovery, but the Group remained fully confident of the prospects and continued implementing a series of policies, which included: i) after the relocation of plant to Heyuan, the new factory has shown its advantages with regular power supply and more sufficient and stable human resources. The floorage of factory buildings has multiplied, allowing a new layout to enhance efficiency and realize manufacture scale expansion, which will enable additional order execution; ii) the electroplating production line of Heyuan plant will have its production scale enlarged to synchronize other processes, which allows better control over electroplating quality, and saves considerable subcontracting costs; iii) the copper strip plant in Shanghang County, Fujian Province secured supply of raw materials and reduced subcontracting costs for copper processing of the Group; iv) deteriorating business environment for electronics component manufacturing sector, fluctuating raw material and energy prices, severe labor shortage and concern over RMB appreciation, all imposed no less pressure on our competitors. We believe that small, poorly managed and less-equipped manufacturers will be eliminated. Meanwhile, integration of the industry is expected to accelerate and the Group's market share will continue to rise; and v) based on excellent product quality and well-established relationships, the Group has secured the world's leading manufacturers of electronic consumer products as major customers, which guarantees a sufficient product demand. Moreover, the Group is striving to expand the other product markets for these manufacturers. Meanwhile, we considered the Group's products competitive ones in the market that we have raised product prices from the beginning of 2010 to maintain profit margin, and the price rise was accepted by major customers.

Regarding the property investment segment, the Group acquired one and two additional properties respectively during the 2009 and 2010 which were commercial shops located in Hong Kong for long-term holding and leasing purposes, making a total of fifteen properties in the portfolio including twelve in Hong Kong and the other three in the PRC. The subsequent financial tsunami, however, caused substantial decrease in market prices as at the end of 2008 and consequently, the Group recorded a marked fair value loss on investment properties. However, along with the gradual recovery of this exceptional economic situation, the Group recorded a fair value gain of approximately HK$27 million on investment properties and an annual rental income of approximately HK$11 million at the reporting date. The management is of the opinion that the Group's investment properties, which consisted primarily of commercial shops in Hong Kong, have relatively lower risk as compared to other investment instruments. The value of investment properties and the rental yield are expected to pick up continuously when the market conditions take a turn for the better.

In respect of securities investment, the Group's consistent policy is to invest excess capital in quality bonds and stocks on a long-term basis, thereby collecting stable interests and dividends. Likewise, affected by the financial tsunami, securities investment experienced drastic drop in their market prices as at the end of 2008 and consequently, the Group recorded a significant fair value loss of equity investment. Nevertheless, along with the rebound of the stock market since 2009, the Group recorded a fair value gain of approximately HK$7.2 million on equity investment as at the reporting date, and a further gain of approximately HK$4.7 million as the Group disposed of part of its securities investment portfolio during the year. The management was of the opinion that the securities investments held by the Group are quality securities with relatively lower risks. The securities prices are expected to rise steadily when the economy takes a turn for the better. The Group had no investment in any financial derivatives as at 31 December 2009.

PROSPECTS

In the year of 2009, the Group's electronics component manufacturing segment, properties investment segment and securities investment segment were all affected by the financial tsunami to various extents. However, as compared with last year, the Group has made remarkable improvement in its overall performance. The management is optimistic about the operation conditions and believes that the worst times have passed away, and orders in 2010 kept high level. The Group has sufficient cash reserve and low borrowing rate, and its customer base comprises a majority of internationally renowned brands. We will seek to lay a solid foundation for the future through expanding customer and product coverage. At the same time, we will adhere to sound investment strategies in identifying low-risk assets, such as quality properties, for investment so as to reap a reasonable return, and will exercise caution in considering new investment projects.

In the long run, we have full confidence in the future and believe that our various segments and investments will surely be able to generate considerable and stable income again along with the general economic recovery.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 31 December 2009.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our beloved shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in coming years.

I would also like to personally thank all management and staff for their hard work and commitment to the Group and cheer them as we tackle future challenges successfully.

CHOW TAK HUNG
Chairman

Hong Kong, 19 April 2010

OUR BUSINESS

The core business of the Group consisted of the design, manufacture and sale of electronic jacks and connectors, all of which were basic components used in electronic, telecommunication and computer products. The major customer groups who accounted for the larger proportion in the Group's product sales were reputable brand named owners from Japan, Korea, Europe and USA.

PROPERTIES INVESTMENT

The Group acquired one additional investment property during 2009 with a total consideration of HK$25 million. In addition, two more acquisitions were made during 2010 with a consideration of HK$33 million and 37 million respectively. The said properties are commercial shops located in Wanchai District of Hong Kong, and are held for long-term investment and leasing purposes. The Group did not dispose any investment properties during 2009.

As at 31 December 2009, the aggregate market value of investment properties, being appraised by independent property valuers, amounted to HK$308 million (31 December 2008: HK$257 million). Due to gradual market recovery, an appreciation of HK$27 million (for the year ended 31 December 2008: an impairment of HK$58 million) was recorded, which was reflected as gain arising from fair value changes of investment properties.

The investment properties generated a total rental income of HK$11 million (for the year ended 31 December 2008: HK$9.5 million) with a nearly 100% occupancy rate and an average return of 4.0% per annum (for the year ended 31 December 2008: 4.9%).

SECURITIES INVESTMENT

The Group invested in both debt and equity securities for long-term investment purpose. The debt securities were mainly overseas listed bonds, whereas the equity securities were mainly Hong Kong listed stocks, which, as at 31 December 2009, had market values of HK$2.4 million and HK$10 million respectively (31 December 2008: HK$31 million and HK$27 million).

During 2009, the Group had sold bond investments of HK$31 million and stock investments of HK$33 million and recorded a gain of HK$571,000 and HK$4.7 million respectively (for the year ended 31 December 2008: loss of HK$5.6 million from disposal of bond investments and no sale of stock investments), which were reflected as gain arising from disposal of available-for-sale investments and gain arising from disposal of investments held for trading respectively. Further, affected by the recovery of the global financial market, an appreciation of HK$7.2 million was recorded for stock investments as at 31 December 2009 (for the year ended 31 December 2008: an impairment of HK$22 million), and was reflected as gain arising from fair value changes of investments held for trading.

The interest income received from debt securities was HK$717,000 (for the year ended 31 December 2008: HK$6.2 million), with an average interest return of 4.3% per annum (for the year ended 31 December 2008: 6.6%). The dividend income received from equity securities was HK$1.2 million (for the year ended 31 December 2008: HK$2.4 million) in total, which consisted of cash and scrip dividend.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2009, the net current assets of the Group amounted to HK$95 million (31 December 2008: HK$98 million). The current and quick ratio were 2.3 and 1.7 (31 December 2008: 1.8 and 1.4) respectively. Shareholders' funds rose to the level of HK$606 million (31 December 2008: HK$552 million).

Moreover, as at 31 December 2009, the bank deposits and cash of the Group were HK$39 million (31 December 2008: HK$73 million), which included fixed deposits with original maturity of more than three months of HK$11 million (31 December 2008: HK$16 million).

The Group continued to adopt a prudent financial management policy, which operated generally with internal resources. The bank borrowing ratio was 3.3% (31 December 2008: 21.1%), represents a lower borrowing exposure as compared to other companies in the similar industry. As at 31 December 2009, the total bank borrowings of the Group were HK$20 million (31 December 2008: HK$117 million), of which HK$7.5 million was repayable within one year (31 December 2008: HK$57 million). The loans were principally used to finance the acquisition of investment properties.

Capital Expenditure

The total capital expenditure incurred for 2009 was HK$37 million (for the year ended 31 December 2008: HK$233 million), out of which, approximately HK$12 million (for the year ended 31 December 2008: HK$82 million) was expended on the Heyuan plant and the Shanghang project, whereas approximately HK$25 million (for the year ended 31 December 2008: HK$151 million) was paid to acquire investment properties.

Treasury Policy

The Group's sales were principally denominated in US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars. The fluctuation of Renminbi in 2009 did not materially affect the costs and operations of the Group in the year and the directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

HUMAN RESOURCES

As at 31 December 2009, the Group employed a total of 2,600 employees (31 December 2008: 2,500 employees) in Hong Kong and Mainland China. The total salaries and wages for 2009 amounted to HK$80 million (for the year ended 31 December 2008: HK$74 million).

Employees are remunerated based on their performances, experience and prevailing industry practice. The Group's remuneration policies and packages were reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chow Tak Hung, aged 56, is the Chairman of the Group. Mr. Chow founded the business of the Group in 1971, and has over 35 years of management, production and marketing experience in the electronics industry. He is responsible for the overall strategic planning and corporate policy of the Group.

Ms. Chow Woon Yin, aged 53, is the Deputy Chairman of the Group. Ms. Chow is the younger sister of Mr. Chow Tak Hung and the sister-in-law of Ms. Chau Choi Fa. She joined the Group in 1985, and has over 25 years of management, production and marketing experience in the electronics industry. She is responsible for the sales and marketing of the Group.

Ms. Wong Siu Wah, aged 63, is the Administration Director of the Group. Ms. Wong joined the Group in 1990, and has over 20 years of management experience in the electronics industry. Prior to joining the Group, she has over 15 years of management experience in the toy industry. She is responsible for the overall administration and properties investment of the Group.

Ms. Chau Choi Fa, aged 42, is the Managing Director of the Group. Ms. Chau is the wife of Mr. Chow Tak Hung and the sister-in-law of Ms. Chow Woon Yin. She joined the Group in 1988, and has over 20 years of management and production experience in the electronics industry. She is responsible for the overall production planning and management of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Yue Sun, BBS, aged 69, is the managing director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Goldlion Holdings Limited, which is a company listed on the Stock Exchange. He has over 30 years of experience in manufacturing, electronics, plastic injection products and import-export business. Dr. Lau is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR, a member of the Second and Third Election Committee of the HKSAR and a standing committee member of the Chinese General Chamber of Commerce. He is also an advisor of Guangdong Education Foundation and a vice president of Guangdong Federation of Industry and Commerce.

Mr. Yip Tai Him, aged 39, is a practising accountant in Hong Kong. Mr. Yip is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 15 years of experience in accounting, auditing and financial management. Mr. Yip is also an independent non-executive director of China Cyber Port (International) Company Limited, China Star Film Group Limited, GCL-Poly Energy Holdings Limited, iOne Holdings Limited and Vinco Financial Group Limited, all of which are companies listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

Mr. Lam Kwok Cheong, aged 56, is a Justice of Peace and a solicitor of the High Court of the HKSAR. He holds a Bachelor of Laws degree from the University of Hong Kong. Mr. Lam was a member of the Second and Third Election Committee of the HKSAR, and currently member of Buildings Ordinance Appeal Tribunal Panel and Ex-Officio Member of Heung Yee Kuk. Mr. Lam is also an independent non-executive director of Same Time Holdings Limited and Sparkle Roll Group Limited, all of which are companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tam Chak Chi, aged 33, is the Financial Controller of the Group. Mr. Tam is also the Group's Qualified Accountant and Company Secretary. Mr. Tam joined the Group in 2006 and has over 9 years of experience in auditing, financial management and taxation. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Tam is responsible for the finance and company secretarial matters of the Group.

Mr. So Shun Tong, aged 46, is the General Manager of the Group. Mr. So joined the Group in 1985 and has over 25 years of engineering and manufacturing experience in the electronics industry. He is responsible for the production and administration of the factories in PRC.

Ms. Chan Sze Wan, aged 38, is the Marketing Manager of the Group. Ms. Chan joined the Group in 1992 and has over 15 years of sales and marketing experience in the electronics industry. She is responsible for the sales and marketing of products to both local and overseas customers.

Mr. Cheng Yiu Kwan, aged 59, is the Advisor of the Group. Mr. Cheng joined the Group in 2005 and has over 30 years of management and marketing experience in the finance industry. He holds a Bachelor of Arts degree in economics from the International Christian University, Tokyo, and a Master of Business Administration degree in finance from the University of British Columbia, Vancouver. Mr. Cheng is responsible for assisting the sales team in their overall interactions with major customers.

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES

The Board considers effective corporate governance a key component in the Group's sustained development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has considered and applied the principles set out in the "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code, except the code provisions A.2.1 and A.4.2. The details of the foregoing deviations are provided below.

The Company periodically reviews its corporate governance practices to ensure that they comply with the statutory and regulatory standards and align with the latest developments.

A. BOARD OF DIRECTORS

(1) Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the implementation of plans to enhance shareholder value. Every director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and takes decisions objectively in the interests of the Group and the shareholders.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The independent non-executive directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

A. BOARD OF DIRECTORS – continued

(2) Board Composition

The Board comprises the following directors:

Executive directors:

Mr. Chow Tak Hung	*(Chairman of the Board, Chief Executive Officer and Chairman of both the Remuneration Committee and the Nomination Committee)*
Ms. Chow Woon Yin	*(Deputy Chairman)*
Ms. Wong Siu Wah	
Ms. Chau Choi Fa	*(Managing Director)*

Independent non-executive directors:

Dr. Lau Yue Sun	*(Member of both the Audit Committee and the Remuneration Committee)*
Mr. Yip Tai Him	*(Chairman of the Audit Committee and Member of both the Remuneration Committee and the Nomination Committee)*
Mr. Lam Kwok Cheong	*(Member of both the Audit Committee and the Nomination Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time. The biographical details of the directors of the Company as well as the relationships among them, if any, are set out under "Directors and Senior Management Profile" on pages 7 to 8.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of a minimum of three independent non-executive directors with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from all of its independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers that all of them are independent in accordance with the independence guidelines set out in the Listing Rules.

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board Committees of the Company. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

(3) Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual.

Mr. Chow Tak Hung currently holds the offices of Chairman and Chief Executive Officer of the Company. Mr. Chow is the founder of the Group and has extensive experience in the electronics industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Chow provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders as a whole.

As other Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are delegated to the management, the Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority.

(4) Appointment and Re-Election of Directors

Each of the executive directors of the Company is engaged on a service contract for a fixed term. The current term for all executive directors is 3 years. All the independent non-executive directors of the Company have also been appointed for a specific term, subject to re-election. The term of office of each independent non-executive director is 1 year.

The code provision A.4.2 of the CG Code requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's Bye-laws deviates from such code provision in the following aspects with the reasons of the deviations/ measures taken to address the deviations specified below:

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

(a) The Bye-laws provides that any new director appointed by the Board shall be subject to election by shareholders of the Company at the Company's next following annual general meeting, instead of the first general meeting, after appointment.

- The reason for keeping such Bye-laws provision is to ensure the Company's compliance with paragraph 4(2) of Appendix 3 to the Listing Rules and also to facilitate the Company's process of re-election of directors since it enables the Company and the shareholders to consider the re-election of those new directors appointed by the Board during the year and of those directors retiring by rotation at the same general meeting.

(b) The Bye-laws has not stated that directors should be subject to retirement by rotation at least once every three years and besides, it provides that the Chairman of the Board and/or the Managing Director shall not be subject to retirement by rotation.

- Notwithstanding the foregoing Bye-laws provisions, in practice, Ms. Chau Choi Fa, the Managing Director of the Company, has voluntarily submitted herself for re-election by shareholders before and will continue to do so; and Mr. Chow Tak Hung, the Chairman of the Board, will also voluntarily submit himself for re-election by shareholders in the Company's annual general meeting, such that all directors of the Company are subject to retirement by rotation at least once every three years.

The Board will consider in due course whether amendments on the Company's Bye-laws are necessary.

Nomination Committee

The Nomination Committee of the Company comprises one executive director, namely Mr. Chow Tak Hung (Chairman of the Committee), and two independent non-executive directors, namely Mr. Yip Tai Him and Mr. Lam Kwok Cheong.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the Company's independent non-executive directors.

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee – continued

As set out in the Committee's Terms of Reference, the Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, character, personal ethics and integrity and time commitments of such individuals as well as the Company's needs and market conditions. An external recruitment agency may be engaged to carry out the selection process when necessary.

The Nomination Committee held one meeting during the year ended 31 December 2009 and the attendance record is set out under "Directors' Attendance Records" of this report. The Committee performed the following work during the year:

(a) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;

(b) recommended the re-appointment of Ms. Chow Woon Yin and Ms. Wong Siu Wah, the directors standing for re-election at the 2009 annual general meeting of the Company held on 29 May 2009; and

(c) assessed the independence of the Company's independent non-executive directors.

(5) Induction and Continuing Development for Directors

Each newly appointed director shall receive an induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Professional briefings and development to directors will be arranged whenever necessary.

A. BOARD OF DIRECTORS – continued

(6) Board Meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer, Managing Director, Qualified Accountant and Company Secretary normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Pursuant to the Company's Bye-laws, directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

A. BOARD OF DIRECTORS – continued

(6) Board Meetings – continued

Directors' Attendance Records

During the year ended 31 December 2009, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director/Committee member at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year ended 31 December 2009 are set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive directors:				
Mr. Chow Tak Hung	4/4	1/1	1/1	N/A
Ms. Chow Woon Yin	4/4	N/A	N/A	N/A
Ms. Wong Siu Wah	4/4	N/A	N/A	N/A
Ms. Chau Choi Fa	4/4	N/A	N/A	N/A
Independent non-executive directors:				
Dr. Lau Yue Sun	4/4	N/A	1/1	2/2
Mr. Yip Tai Him	4/4	1/1	1/1	2/2
Mr. Lam Kwok Cheong	4/4	1/1	N/A	2/2

(7) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and development, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, budgets, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. The Board will give directions to the senior management as to their powers of management, and circumstances where they should report back. Approval has to be obtained from the Board prior to any decision making on significant transactions or entering into any significant commitments on behalf of the Company.

The senior management has an obligation to supply the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each director have separate and independent access to the senior management.

In addition, the Board has established 3 Committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All these Committees are established with defined written terms of reference which are available to shareholders upon request.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the directors and senior management of the Group. Details of the remuneration of each director of the Company for the year ended 31 December 2009 are set out in note 12 to the financial statements.

Remuneration Committee

The Remuneration Committee comprises one executive director, namely Mr. Chow Tak Hung (Chairman of the Committee) and two independent non-executive directors, namely Dr. Lau Yue Sun and Mr. Yip Tai Him.

The primary functions of the Committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of directors and senior management. It is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT – continued

Remuneration Committee – continued

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

The Remuneration Committee held one meeting during the year ended 31 December 2009 for reviewing generally the remuneration policy and structure of the Group, and the remuneration packages as well as the annual bonuses of the executive directors and the senior management. The attendance record is set out under "Directors' Attendance Records" of this report.

D. ACCOUNTABILITY AND AUDIT

(1) Directors' Responsibilities for Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(2) Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company and, with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The Board has conducted an annual review of the effectiveness of the internal control system of the Group for the year ended 31 December 2009. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

D. ACCOUNTABILITY AND AUDIT – continued

(3) Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Yip Tai Him (Chairman of the Committee who possesses the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules), Dr. Lau Yue Sun and Mr. Lam Kwok Cheong. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Committee include review of the financial information of the Group, review of the relationship with and the terms of appointment of the external auditor, and review of the Group's financial reporting system, internal control system, risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2009. The attendance records are set out under "Directors' Attendance Records" of this report. The Committee performed the following work during the year:

(a) reviewed with the independent auditor the Group's annual audited financial statements for the year ended 31 December 2008, and reviewed the unaudited interim financial statements for the six months ended 30 June 2009, with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the external auditor and the terms of engagement.

D. ACCOUNTABILITY AND AUDIT – continued

(4) External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 26 to 27.

The remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2009 is set out below:

Type of services provided by the external auditor	**Amount of fees**
	HK$'000
Audit services	960
Non-audit services:	
Tax consultancy and compliance	325
Total	1,285

E. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective Committees normally attend shareholders' meetings of the Company to answer shareholders' questions. During the year ended 31 December 2009, the Company held one shareholders' meeting, which is the annual general meeting held on 29 May 2009. Six members of the Board were present at this meeting to address to shareholders' enquiries.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, business developments and operations, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

F. SHAREHOLDERS' RIGHT

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Pursuant to the amendments to the Listing Rules, which came into force on 1 January 2009, any vote of shareholders at a general meeting must be taken by poll. The poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 28.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009. No interim dividend was declared during the year.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2009, the Company's reserves available for distribution consisted of contributed surplus of HK$24,930,000 (2008: HK$24,930,000) and retained profits of HK$4,183,000 (2008: HK$4,136,000).

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

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of HK$24,554,000. Details of the movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group invested HK$11,517,000 in property, plant and equipment. Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Chow Tak Hung *(Chairman)*
Ms. Chow Woon Yin *(Deputy Chairman)*
Ms. Wong Siu Wah
Ms. Chau Choi Fa *(Managing Director)*

Independent non-executive directors:
Dr. Lau Yue Sun
Mr. Yip Tai Him
Mr. Lam Kwok Cheong

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Dr. Lau Yue Sun and Mr. Yip Tai Him retire and being eligible, offer themselves for re-election.

Each of the executive directors of the Company has entered into a service agreement with the Company for a term of three years commencing on 1 October 2008 and either of the executive director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing or by making a payment of three months' salary in lieu of the notice.

Further, each of the independent non-executive directors of the Company has entered into a letter of appointment with the Company and is appointed for a period of one year commencing on 29 May 2009 and either of the independent non-executive director or the Company may terminate the appointment by giving the other party not less than three months' notice in writing or by making a payment of three months' fee in lieu of the notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Save as disclosed below, as at 31 December 2009, none of the directors and chief executive had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which they would be deemed to taken to have under Sections 344 and 345 of the SFO) or which would be required to be disclosed pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the register referred therein pursuant to Section 352 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES – continued

Long positions in ordinary shares of HK$0.50 each of the Company:

Name of director	Family interest	Corporate interest	Total number of shares	Percentage of the Company's issued share capital
Mr. Chow Tak Hung *(note a)*	–	219,268,255	219,268,255	61.45%
Ms. Chau Choi Fa *(note b)*	219,268,255	–	219,268,255	61.45%

Notes:

(a) Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong Siu Wah are beneficial owners of 60%, 20% and 20% respectively of the issued share capital of Bright Asia Holdings Limited, which beneficially owns 219,268,255 ordinary shares of the Company.

(b) Mr. Chow Tak Hung is the husband of Ms. Chau Choi Fa whose personal interests are therefore also the family interests of Ms. Chau Choi Fa.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

During the year, no share options were granted under the share option scheme by the Company. In addition, as of 31 December 2009, there were no outstanding share options under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 2009, none of the directors or chief executive are aware of any other person who had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in ten per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SUBSTANTIAL SHAREHOLDERS – continued

Long position in ordinary shares of HK$0.50 each of the Company:

Name of shareholder	Capacity	Number of shares held	Percentage of the Company's issued share capital
Bright Asia Holdings Limited *(note)*	Beneficial owner	219,268,255	61.45%

Note: Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong Siu Wah are beneficial owners of 60%, 20% and 20% respectively of the issued share capital of Bright Asia Holdings Limited.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 31.9% (2008: 24.90%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 9.67% (2008: 6.92%) of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 27.36% (2008: 34.50%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 26.18% (2008: 10.24%) of the Group's total purchases.

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$100,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 32 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

CHOW TAK HUNG
Chairman

Hong Kong, 19 April 2010

Deloitte.
德勤

TO THE MEMBERS OF
WING LEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing Lee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 77, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 19 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	7	331,563	421,334
Cost of goods sold		(237,204)	(329,996)
Gross profit		94,359	91,338
Other income	8	3,983	10,076
Selling and distribution costs		(4,746)	(7,797)
Administrative expenses		(70,201)	(63,284)
Other expenses		(1,671)	(12,670)
Gain (loss) arising from fair value changes of investments held for trading		7,186	(21,990)
Gain (loss) on disposal of available-for-sale investments		571	(5,604)
Gain on disposal of investments held for trading		4,688	–
Gain (loss) arising from fair value changes of investment properties	16	26,864	(58,411)
Impairment loss on available-for-sale investments		(24)	(1,693)
Finance costs	9	(1,168)	(3,334)
Profit (loss) before taxation	10	59,841	(73,369)
Taxation (charge) credit	11	(7,147)	2,190
Profit (loss) for the year		52,694	(71,179)
Other comprehensive income:			
Exchange differences arising from translation of foreign operations		–	19,240
Available-for-sale investments:			
Fair value changes during the year		(24)	(4,054)
Impairment loss recognised		24	1,693
Reclassification to profit or loss upon disposal		–	5,604
Leasehold properties upon transfer to investment properties:			
Revaluation gain		–	25,355
Deferred tax on revaluation gain		–	(6,339)
Other comprehensive income for the year (net of tax)		–	41,499
Total comprehensive income (expense) for the year		52,694	(29,680)
Profit (loss) for the year attributable to:			
Owners of the Company		53,719	(70,824)
Minority interests		(1,025)	(355)
		52,694	(71,179)
Total comprehensive income (expense) attributable to:			
Owners of the Company		53,719	(29,964)
Minority interests		(1,025)	284
		52,694	(29,680)
Earnings (loss) per share	15		
– Basic		15.05 cents	(20.09) cents

AT 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	16	308,477	257,059
Property, plant and equipment	17	209,688	221,647
Prepaid lease payments	18	13,564	13,886
Available-for-sale investments	19	2,357	30,823
Deferred tax assets	20	235	297
		534,321	523,712
Current assets			
Inventories	21	41,559	48,802
Trade and other receivables	22	77,345	66,773
Investments held for trading	23	10,058	26,950
Fixed deposits	24	11,460	15,987
Bank balances and cash	24	27,917	56,954
		168,339	215,466
Current liabilities			
Trade and other payables	25	55,061	53,379
Dividend payable		4	4
Taxation payable		10,559	7,386
Bank loans due within one year	26	7,500	56,727
		73,124	117,496
Net current assets		95,215	97,970
Total assets less current liabilities		629,536	621,682
Non-current liabilities			
Bank loans due after one year	26	12,500	60,490
Deferred tax liabilities	20	10,080	6,930
		22,580	67,420
		606,956	554,262

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	27	178,412	178,412
Share premiums and reserves		427,364	373,645
Equity attributable to owners of the Company		605,776	552,057
Minority interests		1,180	2,205
		606,956	554,262

The consolidated financial statements on pages 28 to 77 were approved and authorised for issue by the Board of Directors on 19 April 2010 and are signed on behalf of the Board by:

CHOW TAK HUNG
Chairman

CHOW WOON YIN
Deputy Chairman

FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	PRC statutory reserve HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	174,229	76,758	1,545	(3,243)	–	4,574	11,478	12,641	308,253	586,235	1,921	588,156
Loss for the year	–	–	–	–	–	–	–	–	(70,824)	(70,824)	(355)	(71,179)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	18,601	–	–	18,601	639	19,240
Fair value changes on available-for-sale investments	–	–	–	(4,054)	–	–	–	–	–	(4,054)	–	(4,054)
Impairment loss on available-for-sale investments	–	–	–	1,693	–	–	–	–	–	1,693	–	1,693
Release upon disposal of available-for-sale investments	–	–	–	5,604	–	–	–	–	–	5,604	–	5,604
Revaluation gain on leasehold properties upon transfer to investment properties	–	–	–	–	25,355	–	–	–	–	25,355	–	25,355
Deferred tax on revaluation gain on leasehold properties upon transfer to investment properties	–	–	–	–	(6,339)	–	–	–	–	(6,339)	–	(6,339)
Total comprehensive income (expense) for the year	–	–	–	3,243	19,016	–	18,601	–	(70,824)	(29,964)	284	(29,680)
2007 final dividend paid	–	–	–	–	–	–	–	–	(4,214)	(4,214)	–	(4,214)
Issue of shares in lieu of 2007 final dividend	4,183	2,057	–	–	–	–	–	–	(6,240)	–	–	–
At 31 December 2008	178,412	78,815	1,545	–	19,016	4,574	30,079	12,641	226,975	552,057	2,205	554,262
Profit for the year	–	–	–	–	–	–	–	–	53,719	53,719	(1,025)	52,694
Fair value changes on available-for-sale investments	–	–	–	(24)	–	–	–	–	–	(24)	–	(24)
Impairment loss on available-for-sale investments	–	–	–	24	–	–	–	–	–	24	–	24
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	53,719	53,719	(1,025)	52,694
At 31 December 2009	178,412	78,815	1,545	–	19,016	4,574	30,079	12,641	280,694	605,776	1,180	606,956

The special reserve arose pursuant to a group reorganisation in 1997 being the difference of the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired and capital reduction in 2003. It was applied for the bonus issue by way of capitalisation of the reserve in 2005 and 2006.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC subsidiaries are required to maintain a statutory reserve fund, comprising enterprise expansion fund and staff welfare fund. Statutory reserve fund are non-distributable. Appropriations to such reserves are made out of net profit after taxation annually of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue. The staff welfare funds which is used for the welfare of the staff and workers of the PRC subsidiaries is of a capital nature. However, the staff welfare fund is no longer required by relevant laws and regulations effective after 2007. The balance of this fund has been transferred to statutory surplus reserve fund.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before taxation	59,841	(73,369)
Adjustments for:		
Amortisation of prepaid lease payments	322	322
Bad debts written off	9	2,892
Reversal of allowance of doubtful debts	(810)	–
Depreciation and amortisation of property, plant and equipment	23,476	25,070
Dividend income	(1,200)	(2,353)
Impairment loss on available-for-sale investments	24	1,693
Interest expenses	1,168	3,334
Interest income	(849)	(7,322)
(Gain) loss arising from fair value changes of investment properties	(26,864)	58,411
(Gain) loss arising from fair value changes of investments held for trading	(7,186)	21,990
(Gain) loss on disposal of available-for-sale investments	(571)	5,604
Gain on disposal of investments held for trading	(4,688)	–
(Reversal of) allowance for inventories	(12,053)	6,731
Operating cash flows before movements in working capital	30,619	43,003
Decrease (increase) in inventories	19,296	(4,225)
(Increase) decrease in trade and other receivables	(9,771)	19,514
Decrease (increase) in investments held for trading	28,766	(4,541)
Increase (decrease) in trade and other payables	1,682	(4,086)
Net cash from operations	70,592	49,665
Hong Kong Profits Tax paid	(656)	(2,638)
PRC income tax paid	(106)	(740)
NET CASH GENERATED FROM OPERATING ACTIVITIES	69,830	46,287

FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF CASH FLOWS

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,517)	(65,118)
Purchase of investment properties	(24,554)	(147,886)
Purchase of available-for-sale investments	(2,381)	(8,553)
Interest received	849	7,322
Proceeds from disposal of available-for-sale investments	31,394	130,744
Dividend received	1,200	2,353
Decrease in time deposits	4,527	1,739
NET CASH USED IN INVESTING ACTIVITIES	(482)	(79,399)
FINANCING ACTIVITIES		
New bank loans raised	1,688	48,241
Repayment of bank loans	(98,905)	(51,472)
Dividend paid	–	(4,214)
Interest paid	(1,168)	(3,334)
NET CASH USED IN FINANCING ACTIVITIES	(98,385)	(10,779)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,037)	(43,891)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	56,954	95,140
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	5,705
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	27,917	56,954
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS BANK BALANCES AND CASH	27,917	56,954

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company and ultimate holding company is Bright Asia Holdings Limited, a company which was incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Int 13	Customer loyalty programmes
HK(IFRIC) – Int 15	Agreements for the construction of real estate
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 7).

Improving disclosures about financial instruments

(Amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[5]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure, except for properties which were transferred from property, plant and equipment as evidenced by end of owner-occupation, which were measured at fair values at the dates of transfer. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost/deemed cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost/deemed cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Retirement benefit costs

Payments to defined contribution retirement benefits schemes including, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis except for those classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, available-for-sale financial assets and investments held for trading. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, fixed deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at investments held for trading, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Investments held for trading

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

Investments held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets, other than the investments held for trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and others receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and others receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and others receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities
Financial liabilities including trade and other payables, dividend payable and bank loans are subsequently measured at amortised cost, using the effective interest method.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share based payment transactions

Equity-settled share-based payment transactions

The equity settled shared-based payment transactions of the Group arise from the share options granted to directors and employees. The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income tax

As at 31 December 2009, no deferred tax assets are recognised in the Group's statement of financial position in relation to the estimated unused tax losses of HK$39,100,000 (2008: HK$35,468,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives and write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold in the period when such events take place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-back of the Company. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Investments held for trading	10,058	26,950
Loans and receivables (including cash and cash equivalents)	109,666	133,586
Available-for-sale financial assets	2,357	30,823
Financial liabilities		
Amortised costs	52,042	140,567

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, investments held for trading, available-for-sale investments, fixed deposits, bank balances, trade and other payables, dividend payable and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 26 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming the bank balances and bank borrowings at the end of the reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the year ended 31 December 2009, 10 basis points have been used for variable-rate bank balances while 100 basis points have been used for variable-rate bank borrowings. The management adjusted the sensitivity rate for variable-rate bank balances from 50 basis points to 10 basis points in the current year for the purpose of analysing interest rate risk as a result of decreased volatility in the financial market.

For variable-rate bank balances, if the interest rates had been 10 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease by HK$39,000 (loss for the year ended 31 December 2008: decrease/increase by HK$365,000).

For variable-rate bank borrowings, if the interest rates had been 100 basis points (2008: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by HK$249,000 (loss for the year ended 31 December 2008: increase/decrease by HK$1,160,000).

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Other price risk

The Group is exposed to price risk through its investments in listed debt and equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The level and volatility of the prices of the securities may be affected by general economic and market conditions, such as interest rates, availability of credit and inflation rates. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the prices of the respective equity instruments classified as investments held for trading had been 20% (2008: 40%) higher/lower, the Group's profit for the year ended 31 December 2009 increase/decrease by HK$2,012,000 (loss for year ended 31 December 2008: decrease/increase by HK$10,780,000) as a result of the changes in fair value of held-for-trading investments.

If the prices of the respective debt instruments classified as available-for-sale debt investments had been 5% (2008: 5%) higher/lower, the investment revaluation reserve of the Group for the year ended 31 December 2009 increase/decrease by HK$118,000 (year ended 31 December 2008: decrease/increase by HK$1,541,000) as a result of the changes in fair value of available-for-sale investments.

The management adjusted the sensitivity rate for investments held for trading from 40% to 20% in the current year for the purpose of analysing other price risk as a result of decreased volatility in the financial market.

Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Foreign currency risk – continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, excluding balances which are denominated in United States dollars in group entities with Hong Kong dollars as functional currency as Hong Kong dollars is pegged to United States dollars, are as follows:

	Assets		**Liabilities**	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Renminbi	463	410	–	–

Sensitivity analysis

The Group is mainly exposed to fluctuation in exchange rate of Renminbi against Hong Kong dollars. Exposures on balances which are denominated in United States dollars in Group entities with Hong Kong dollars as functional currency are not considered significant as Hong Kong dollars is pegged to US$. The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against Renminbi which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding Renminbi denominated monetary items and adjusts their translation at the year end for a 5% change in Renminbi rates. A negative number below indicates a decrease in profit or increase in loss where Hong Kong dollars strengthen 5% against Renminbi. For a 5% weakening of Hong Kong dollars against Renminbi, there would be an equal and opposite impact on the profit or loss for the year, and the balances below would be positive.

	2009 HK$'000	2008 HK$'000
Renminbi	(23)	(21)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated on the consolidated statement of financial position.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Credit risk – continued

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowance for doubtful debts estimated by the Group's management based on prior experience and their assessment of the current economic environment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and available-for-sale debt investments are limited because the majority of the counterparties and issuers of the debt instruments are corporations, financial institutions and banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no other significant concentration of credit risk. Trade receivables with exposure spread over a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2009, the Group has available unutilised short-term bank loan facilities of approximately HK$119,773,000 (2008: HK$40,443,000). Details of which are set out in note 26.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average effective interest rate	Repayable on demand	Less than 1 year	1 – 2years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	21,893	10,145	–	–	32,038	32,038
Variable rate bank loans	0.80	–	7,623	7,576	5,011	20,210	20,000
Dividend payable	–	4	–	–	–	4	4
		21,897	17,768	7,576	5,011	52,252	52,042
2008							
Non-derivative financial liabilities							
Trade and other payables	–	17,364	5,982	–	–	23,346	23,346
Variable rate bank loans	3.47	–	58,037	28,448	33,082	119,567	117,217
Dividend payable	–	4	–	–	–	4	4
		17,368	64,019	28,448	33,082	142,917	140,567

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

6. FINANCIAL INSTRUMENTS – continued

Fair value measurements recognised in the statement of financial position

Financial instruments measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Both the investments held for trading and available-for-sales investments of the Group as at 31 December 2009 are grouped in level 1 fair value measurements.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments by operating divisions.

The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary operating segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's operations are organised into three operating divisions namely manufacturing of and trading in electronic components, properties investment and securities investment. These divisions are based on the information reported to the chief operating decision maker.

Manufacturing of and trading in electronic components	–	manufacturing of and trading in electronic jacks and connectors in Mainland China (the "PRC") and Hong Kong
Properties investment	–	investments in properties in PRC and Hong Kong
Securities investment	–	investments in debt securities and equity securities of Hong Kong and overseas markets

7. SEGMENT INFORMATION – continued

The following is an analysis of the Group's revenue and results by operating segment:

Segment revenues and results

	Manufacturing of and trading in electronic components	Properties investment	Securities investment	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2009				
TURNOVER				
External sales	320,282	11,281	–	331,563
RESULTS				
Segment results	13,773	34,406	14,063	62,242
Finance costs				(1,168)
Unallocated income				132
Unallocated expenses				(1,365)
Profit before taxation				59,841
For the year ended 31 December 2008				
TURNOVER				
External sales	411,814	9,520	–	421,334
RESULTS				
Segment results	3,005	(51,900)	(20,814)	(69,709)
Finance costs				(3,334)
Unallocated income				1,144
Unallocated expenses				(1,470)
Loss before taxation				(73,369)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, interest income from bank deposits and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION – continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2009 HK$'000	2008 HK$'000
SEGMENT ASSETS		
Manufacturing of and trading in electronic components	363,481	415,518
Properties investment	325,839	307,658
Securities investment	29,448	58,426
Total segment assets	718,768	781,602
Unallocated assets	371	557
Elimination	(16,479)	(42,981)
Consolidated assets	702,660	739,178
SEGMENT LIABILITIES		
Manufacturing of and trading in electronic components	42,692	42,811
Properties investment	9,926	10,211
Securities investment	–	43,041
Total segment liabilities	52,618	96,063
Unallocated liabilities	59,565	131,834
Elimination	(16,479)	(42,981)
Consolidated liabilities	95,704	184,916

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and cash and bank balances held by head office;
- all liabilities are allocated to operating segments other than liabilities of the head office, amounts due to segments by the head office, deferred tax liabilities, bank loans, dividend and taxation payable; and
- amounts due to segments by the head office are eliminated for segment disclosure purpose.

7. SEGMENT INFORMATION – continued

Other segment information

2009	Manufacturing of and trade in electronic components HKS'000	Properties investment HK$'000	Securities investment HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit:				
Depreciation and amortization	23,798	–	–	23,798
Gain arising from fair value change on investment properties	–	26,864	–	26,864
Reversal of allowance for inventories	12,053	–	–	12,053
Gain arising from fair value changes of investments held for trading	–	–	7,186	7,186
Gain on disposal of investment held for trading	–	–	4,688	4,688
Gain on disposal of available-for-sale investments	–	–	571	571

2008				
Amounts included in the measure of segment loss:				
Depreciation and amortization	25,392	–	–	25,392
Loss arising from fair value change on investment properties	–	58,411	–	58,411
Allowance for inventories	6,731	–	–	6,731
Loss arising from fair value changes of investments held for trading	–	–	21,990	21,990
Loss on disposal of available-for-sale investments	–	–	5,604	5,604

Information about major customers

There is no customer contributing over 10% of the total turnover of the Group for both years.

8. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest on bank deposits	132	1,144
Interest on debt securities	717	6,178
Total interest income	849	7,322
Dividends from equity securities	1,200	2,353
Others	1,934	401
	3,983	10,076

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings wholly repayable within five years	1,168	3,334

10. PROFIT (LOSS) BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration (note 12)	8,323	4,496
Other staff's retirement benefits scheme contributions	817	363
Severance payments	223	–
Other staff costs	70,929	69,373
	80,292	74,232
Amortisation of prepaid lease payments	322	322
Auditor's remuneration	935	1,019
Bad debt written off (included in other expenses)	9	2,892
Cost of inventories recognised as expense (including reversal of allowance for inventories of HK$12,053,000 during the year ended 31 December 2009 (2008: allowance for inventories of HK$6,731,000) included in cost of goods sold)	237,204	329,996
Depreciation and amortisation of property, plant and equipment	23,476	25,070
Exchange losses (included in other expenses)	1,662	6,367
Operating lease rentals in respect of rented premises	630	285
and after crediting:		
Reversal of allowance of doubtful debts	810	–
Gross rental income less outgoings of HK$208,000 (2008: HK$257,000)	11,073	9,263

11. TAXATION

	2009 HK$'000	2008 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax calculated at 16.5% on the estimated assessable profit for the year	2,394	897
PRC income tax	1,643	344
	4,037	1,241
Overprovision in prior years		
– Hong Kong Profits Tax	(102)	(549)
– PRC income tax	–	(355)
	(102)	(904)
	3,935	337
Deferred taxation (note 20)		
– current year	3,212	(2,335)
– attributable to a change in tax rate	–	(192)
	3,212	(2,527)
	7,147	(2,190)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

11. TAXATION – continued

For PRC subsidiaries, 東莞彩燕電子有限公司, 東莞永衡電子有限公司, 星晨(羅定)電子有限公司 and 星晨實業(河源)有限公司, are entitled to exemption from PRC income tax for two years commencing from their first profit-making year, followed by a 50% reduction for the next three years. The tax concession given to 東莞彩燕電子有限公司, 東莞永衡電子有限公司, 星晨(羅定)電子有限公司 and 星晨實業(河源)有限公司 remains effective under the new EIT Law and will be expired between year 2009 to 2012.

The charge (credit) for the year is reconciled to the profit (loss) per the consolidated statement of comprehensive income as follows:

	2009 HK$'000	2008 HK$'000
Profit (loss) before taxation	59,841	(73,369)
Tax charge (credit) at applicable tax rate at 25%	14,960	(18,342)
Tax effect of income not taxable for tax purpose	(4,229)	(2,506)
Tax effect of expenses not deductible for tax purpose	1,035	9,272
Tax effect of tax losses not recognised	2,543	5,983
Effect on deferred taxation at 1 January 2008 resulting from a change in tax rate	–	(192)
Effect of different tax rates of subsidiaries operating in Hong Kong	(3,776)	6,930
Effect of tax concession granted to the PRC subsidiaries	(3,263)	(2,170)
Overprovision in prior years	(102)	(904)
Others	(21)	(261)
Tax charge (credit) for the year	7,147	(2,190)

12. DIRECTORS' REMUNERATION

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance related incentive bonus HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total directors' emoluments HK$'000
2009					
Executive directors					
Mr. Chow Tak Hung	–	1,048	1,680	12	2,740
Ms. Chow Woon Yin	–	1,048	680	12	1,740
Ms. Wong Siu Wah	–	1,048	680	15	1,743
Ms. Chau Choi Fa	–	1,048	680	12	1,740
Independent non-executive directors					
Dr. Lau Yue Sun	120	–	–	–	120
Mr. Yip Tai Him	120	–	–	–	120
Mr. Lam Kwok Cheong	120	–	–	–	120
	360	4,192	3,720	51	8,323
2008					
Executive directors					
Mr. Chow Tak Hung	–	1,019	–	12	1,031
Ms. Chow Woon Yin	–	1,019	–	12	1,031
Ms. Wong Siu Wah	–	1,019	–	24	1,043
Ms. Chau Choi Fa	–	1,019	–	12	1,031
Independent non-executive directors					
Dr. Lau Yue Sun	120	–	–	–	120
Mr. Yip Tai Him	120	–	–	–	120
Mr. Lam Kwok Cheong	120	–	–	–	120
	360	4,076	–	60	4,496

Note: The performance related incentive bonus payment is determined with reference to the operating results and individual performance for each year.

12. DIRECTORS' REMUNERATION – continued

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments in the year ended 31 December 2009 and 31 December 2008.

13. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included four (2008: three) executive directors of the Company whose emoluments are set out above. The aggregate emoluments of the remaining one (2008: two) highest paid individual(s) is/are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries and allowances	3,598	5,751
Performance related incentive bonus	–	–
Retirement benefits scheme contributions	12	22
	3,610	5,773

The emoluments of the employees were within the following bands:

	Number of employees	
	2009	2008
HK$2,000,001 – HK$3,000,000	–	1
HK$3,000,001 – HK$4,000,000	1	1

14. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividends recognised as distribution		
2007 final dividend of HK3.0 cents per share paid	–	10,454

In 2008, share scrip alternatives were offered in respect of the 2007 final dividends. These share scrip alternatives were accepted by certain shareholders, as follows:

	HK$'000
Dividends	
Cash	4,214
Share alternative	6,240
	10,454

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2009 is based on the profit for the year attributable to owners of the Company of HK$53,719,000 (2008: loss per share based on loss for the year attributable to owners of the Company of HK$70,824,000) and on the weighted average number of ordinary shares of 356,823,879 shares in issue during the year (2008: 352,515,938 shares).

No diluted earnings (loss) per share is presented as there were no potential dilutive shares in issue for both years.

16. INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
FAIR VALUE		
At 1 January	257,059	131,895
Currency realignment	–	864
Additions	24,554	150,888
Transfer from property, plant and equipment (note)	–	31,823
Increase (decrease) in fair value	26,864	(58,411)
At 31 December	308,477	257,059
The carrying value of the Group's investment properties comprises properties held under medium-term leases in:		
– Hong Kong	274,500	221,900
– the PRC	33,977	35,159
	308,477	257,059

Note: In 2008, there was a revaluation gain of HK$25,355,000 upon the transfer of leasehold properties to investment properties and the amount was credited to property revaluation reserve.

The fair value of the Group's investment properties at 31 December 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited ("RHL"), an independent firm of professional property valuers not connected with the Group. For properties situated in Hong Kong, the valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. For those located in PRC, a combination of the open market and depreciated replacement cost approaches were used in assessing the land portions of the properties and buildings and structures standing on the land respectively.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Moulds, plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2008	92,099	4,298	8,559	9,407	148,270	69,985	332,618
Currency realignment	7,406	–	–	152	7,292	1,933	16,783
Transfer	105,492	–	–	–	–	(105,492)	–
Additions	–	1,950	–	–	9,231	70,430	81,611
Transfer to investment properties	(14,493)	–	–	–	–	–	(14,493)
At 31 December 2008	190,504	6,248	8,559	9,559	164,793	36,856	416,519
Additions	3,557	–	–	514	6,146	1,300	11,517
At 31 December 2009	194,061	6,248	8,559	10,073	170,939	38,156	428,036
DEPRECIATION AND AMORTISATION							
At 1 January 2008	17,288	4,298	8,559	8,689	131,556	–	170,390
Currency realignment	586	–	–	134	6,717	–	7,437
Provided for the year	10,656	650	–	365	13,399	–	25,070
Eliminated on transfer to investment properties	(8,025)	–	–	–	–	–	(8,025)
At 31 December 2008	20,505	4,948	8,559	9,188	151,672	–	194,872
Provided for the year	10,277	650	–	543	12,006	–	23,476
At 31 December 2009	30,782	5,598	8,559	9,731	163,678	–	218,348
CARRYING VALUES							
At 31 December 2009	163,279	650	–	342	7,261	38,156	209,688
At 31 December 2008	169,999	1,300	–	371	13,121	36,856	221,647

17. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Land and buildings in Hong Kong	50 years
Buildings in Mainland China	20 years
Furniture and office equipment	$33^1/_3\%$
Leasehold improvements	$33^1/_3\%$
Motor vehicles	$33^1/_3\%$
Moulds, plant and machinery	$33^1/_3\%$

	2009 HK\$'000	2008 HK\$'000
The carrying value of the Group's land and buildings comprises:		
Properties and land held under		
– medium-term leases in Hong Kong	13,395	15,148
– medium-term land use right in the PRC	149,884	154,851
	163,279	169,999

18. PREPAID LEASE PAYMENTS

	2009 HK\$'000	2008 HK\$'000
The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease	13,886	14,208
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	322	322
Non-current asset	13,564	13,886
	13,886	14,208

19. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Debt securities listed overseas	2,357	30,823
The maturing of the debt securities falls into:		
Over one year but less than five years	2,357	24,521
Over five years	–	6,302
	2,357	30,823

Debt securities comprise bonds listed overseas and the average effective interest rate is 11.75% (2008: 7%) per annum. The maturity dates for the debt securities is 2014 (2008: ranged from 2020 to 2049). At the end of the reporting period, the investments are stated at fair value which are based on the market bid prices at relevant markets.

20. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	**Fair value changes of investment properties** HK$'000	**Allowance for bad and doubtful debt** HK$'000	**Total** HK$'000
At 1 January 2008	(21)	(2,925)	125	(2,821)
Effect on deferred tax balance at 1 January 2008 and resulting from a change in tax rate	(112)	311	(7)	192
Deferred taxation charged directly to other comprehensive income	–	(6,339)	–	(6,339)
Credit (charge) to profit or loss for the year (note 11)	(763)	3,082	16	2,335
At 31 December 2008	(896)	(5,871)	134	(6,633)
Credit (charge) to profit or loss for the year (note 11)	468	(3,546)	(134)	(3,212)
At 31 December 2009	(428)	(9,417)	–	(9,845)

20. DEFERRED TAXATION – continued

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	(10,080)	(6,930)
Deferred tax assets	235	297
	(9,845)	(6,633)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$8,103,000 (2008: HK$8,909,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group has unused tax losses of HK$45,640,000 (2008: HK$35,468,000) 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. Included in unrecognised tax losses are losses of HK$11,481,000 that will expire in 2013. Other losses may be carried forward indefinitely.

21. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	28,846	36,752
Work in progress	6,414	6,937
Finished goods	6,299	5,113
	41,559	48,802

A reversal of write-down of raw materials of HK$12,053,000 (2008: HK$nil) has been recognised and included in cost of sales in the current year resulting from the increase in the price of the finished products due to the recovery of economic environment in the second half of the year.

22. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	66,905	58,251
Less: Allowance for doubtful debts	–	(810)
	66,905	57,441
Other receivables	10,440	9,332
	77,345	66,773

Payment terms with customers are largely on credit. Invoices are normally payable due for payment within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0 – 3 months	63,892	51,783
4 – 6 months	3,013	5,658
	66,905	57,441

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$13,548,000 (2008: HK$20,191,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there is no adverse change in the credit standing of the debtors from the date of credit was initially granted. The Group does not hold any collateral over these balances. The average age of these receivables is 90 days (2008: 90 days). There are no balances included in other receivables which have been past due.

22. TRADE AND OTHER RECEIVABLES – continued

Aging of trade receivables which are past due but not impaired

	2009 HK$'000	2008 HK$'000
0 – 3 months	13,548	14,592
4 – 6 months	–	5,599
Total	13,548	20,191

No interest is charged on overdue trade receivables, the Group has provided fully for all receivables over eight months because historical experience is such that receivables past due beyond six months are generally not recoverable.

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	810	810
Reversal of allowance of doubtful debts	(810)	–
Balance at end of the year	–	810

At 31 December 2009, trade and other receivables denominated in foreign currencies other than the functional currencies of respective group entities amounted to approximately HK$53,936,000 (2008: HK$40,312,000), which is denominated in United States Dollars.

23. INVESTMENTS HELD FOR TRADING

The investments held for trading comprise equity securities listed in Hong Kong and are stated at fair value which are based on the quoted market bid prices at the Stock Exchange.

24. BANK BALANCES AND CASH/FIXED DEPOSITS

Bank balances carry interest at prevailing market rates which is 0.01% (2008: 0.01% to 1.5%) per annum. The time deposits carry fixed interest rate of 0.01% (2008: 0.01% to 2.95%) per annum.

Included in bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant group companies:

	2009 HK$'000	2008 HK$'000
United States dollars	14,411	16,714
Renminbi	463	410

25. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	10,145	5,982
Other payables	44,916	47,397
	55,061	53,379

The following is an aged analysis of the Group's trade payables presented based on the invoice date as at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Age		
0 – 3 months	9,967	5,720
4 – 6 months	178	262
	10,145	5,982

The average credit period on purchases of goods is 90 days.

26. BANK LOANS

	2009 HK$'000	2008 HK$'000
The bank loans are repayable as follows:		
Within one year	7,500	56,727
Between one to two years	7,500	27,752
Between two to three years	5,000	32,738
	20,000	117,217
Less: Amounts due within one year shown under current liabilities	7,500	56,727
Amounts due after one year	12,500	60,490

All bank loans as at 31 December 2009 are unsecured and carry interest at HIBOR plus 0.75% per annum (2008: HIBOR plus 0.75% to 1.25% per annum). The effective interest rates for the year on the Group's bank borrowings range from 0.80% to 1.95% (2008: 0.96% to 1.95%) per annum.

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2009 HK$'000	2008 HK$'000
Floating rate		
– expiring within one year	119,773	40,443

27. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	400,000,000	200,000
Issued and fully paid		
– at 1 January 2008	348,460,058	174,229
– issue in lieu of cash in respect of 2007 final dividends	8,363,821	4,183
– at 31 December 2008 and 31 December 2009	356,823,879	178,412

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

28. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 1 February 2003, the Company approved and adopted a share option scheme (the "Scheme") which will expire on 31 January 2013.

The purpose of the Scheme is to recognise and motivate the participants and to provide incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Under the Scheme, the directors may grant options to any eligible participants, including the Company's shareholders, all directors and any full-time employees of the Company or any subsidiaries and any suppliers, consultants or advisors who will provide or have provided services to the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

28. SHARE OPTIONS – continued

The exercisable period of the options granted are determined by the board of directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 28 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 10% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of, the shares of the Company in issue from time to time.

During the year ended 31 December 2009 and 31 December 2008, no share options were granted under the Scheme by the Company. In addition, as of 31 December 2009 and 2008, no share options under the Scheme were outstanding.

29. OPERATING LEASE ARRANGEMENTS

As lessor

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments in respect of investment properties rented:

	2009 HK$'000	2008 HK$'000
Within one year	11,942	8,660
In the second to fifth year inclusive	9,077	2,613
Over five years	227	454
	21,246	11,727

The properties held have committed tenants for periods of up to 5 years with average lease term of 3 years.

29. OPERATING LEASE ARRANGEMENTS – continued

As lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises rented under non-cancellable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	1,234	1,175
In second to fifth year inclusive	1,159	–
	2,393	1,175

Leases are negotiated and rentals are fixed for an average term of two years.

30. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of:		
– property, plant and equipment	386	153

31. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF scheme charged to the consolidated statement of comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The employees of the Company's PRC subsidiaries are members of state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into two sale and purchase agreements to acquire two investment properties for total consideration of approximately HK$69.7 million (2008: HK$24.0 million).

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activities
Morning Star Industrial Company Limited	Hong Kong	HK$5,000,000	Trading in electronic jacks and connectors
星晨(羅定)電子有限公司 (note a)	PRC	HK$30,000,000	Manufacture of trading in electronic jacks and connectors
星晨實業(河源)有限公司 (note b)	PRC	HK$120,000,000	Manufacture of trading in electronic jacks and connectors
Extra Rich Development Limited	Hong Kong	HK$10,000	Property holding
Ocean World International Limited	BVI/Hong Kong	US$1,000	Investment holding and trading

Notes:

(a) 星晨(羅定)電子有限公司 is a wholly foreign investment enterprise established in the PRC for a term of 12 years commencing 2 January 2004.

(b) 星晨實業(河源)有限公司 is a wholly foreign investment enterprise established in the PRC for a term of 10 years commencing 16 August 2004.

33. PRINCIPAL SUBSIDIARIES – continued

Pursuant to Article 20 of the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), subsidiaries in the PRC are entitled to apply for extension of the operation period. The directors intend to apply for such extension and consider that the subsidiaries in the PRC are able to renew the operating period at a minimal cost.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets or liabilities of the Group. 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 securities subsisting at 31 December 2009 or at any time during the year.

FINANCIAL SUMMARY

	Year ended 30 September	Fifteen months ended 31 December	Year ended 31 December		
	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(restated)				
RESULTS					
Turnover	308,251	411,738	394,334	421,334	331,563
Profit (loss) before taxation	76,288	70,711	90,527	(73,369)	59,841
Taxation (charge) credit	(465)	4,152	(5,773)	2,190	(7,147)
Profit (loss) for the period/year	75,823	74,863	84,754	(71,179)	52,694
Attributable to:					
Owners of the Company	75,823	74,900	85,254	(70,824)	53,719
Minority interests	–	(37)	(500)	(355)	(1,025)
	75,823	74,863	84,754	(71,179)	52,694

	As at 30 September	As at 31 December			
	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(restated)				
ASSETS AND LIABILITIES					
Total assets	571,806	646,096	778,612	739,178	702,660
Total liabilities	(102,473)	(119,874)	(190,456)	(184,916)	(95,704)
Net assets	469,333	526,222	588,156	554,262	606,956
Attributable to:					
Owners of the Company	469,333	524,070	586,235	552,057	605,776
Minority interests	–	2,152	1,921	2,205	1,180
	469,333	526,222	588,156	554,262	606,956

AT 31 DECEMBER 2009

SUMMARY OF INVESTMENT PROPERTIES

Details of the Group's major investment properties held at 31 December 2009 are as follows:

Property address	Existing use	Lease term
Shop No. 7 on Ground Floor, Rialto Building, 2 Landale Street, Hong Kong	Commercial	Medium-term lease
Shop nos. C2A and C2B and C2D on Ground Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong	Commercial	Medium-term lease
Ground Floor and Cockloft, No. 61 Wellington Street, Central, Hong Kong	Commercial	Medium-term lease
Ground Floor, Flat A and Flat B and Flat C on 1st Floor, including Flat Roof, Wah Fung Building, Nos. 296 – 298 Lockhart Road, Hong Kong	Commercial	Medium-term lease
Flat B on G/F (Shop B on G/F), Hung Fook Mansion, 360 Lockhart Road, Hong Kong	Commercial	Medium-term lease
Ground Floor, Nin Fung Mansion, 412 Lockhard Road, Hong Kong	Commercial	Medium-term lease
Shops A, B, C on G/F and Flats A, B, C on 1/F, Kam Tak Mansion, 88-90 Queen's Road East, Hong Kong	Commercial	Medium-term lease

SUMMARY OF INVESTMENT PROPERTIES

AT 31 DECEMBER 2009

Property address	Existing use	Lease term
Shop E on Ground Floor and Mess Floor, Cheong Hong Mansion, Nos. 25-33 Johnston Road, Nos. 1-3 Thomas Road, No. 2 Fenwick Street, Hong Kong	Commercial	Medium-term lease
Ground Floor, 46 Morrison Hill Road, Wanchai, Hong Kong	Commercial	Medium-term lease
Qingfeng Road West, Second Industrial Area, Sijia Administrative Area, Shijie Town, Dongguan City, Guangdong Province, PRC	Commercial	Medium-term lease