S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1184)

商界展關懷
caringcompany 2009/10
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香港社會服務聯會頒發

ANNUAL REPORT 2009

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley *JP*
(Chairman and Managing Director)
Mr. Wong Sui Chuen
Mr. Lock Shui Cheung

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

Mr. Cheung Chi Kwan
Mr. Liu Chun Ning, Wilfred
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian

AUDIT COMMITTEE

Mr. Wong Tak Yuen, Adrian *(Chairman)*
Dr. Chang Chu Cheng
Mr. Cheung Chi Kwan

REMUNERATION COMMITTEE

Mr. Wong Sui Chuen *(Chairman)*
Dr. Lui Ming Wah *SBS JP*
Mr. Wong Tak Yuen, Adrian

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

6th Floor, Tower B
Hunghom Commercial Centre
37 Ma Tau Wai Road
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

INVESTOR AND MEDIA RELATIONS

Jovian Financial Communication Limited

LEGAL ADVISOR

Angela Ho & Associates
1106, Tower 1, Lippo Centre
89 Queensway
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

WEBSITE

http://www.sasdragon.com.hk

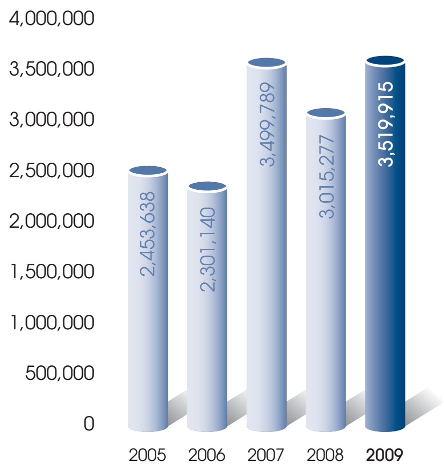
STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

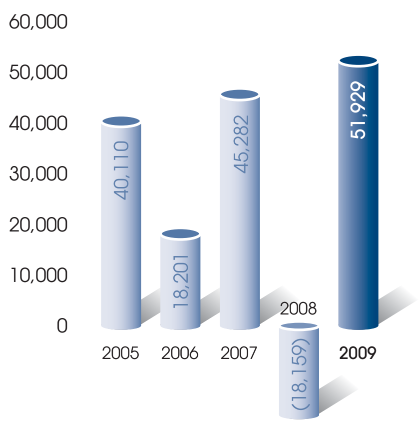
FINANCIAL HIGHLIGHTS

- Revenue increased by 16.7% to HK$3,520 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 435.4% to HK$73.9 million
- Profit attributable to equity holders was HK$51.9 million (2008: loss of HK$18.2 million)
- Basic earnings per share amounted to HK20.01 cents (2008: loss per share of HK7.00 cents)
- Proposed final dividend per share was HK6.5 cents (2008: HK2.0 cents)
- Total dividend per share for 2009 was HK9.0 cents (2008: HK3.0 cent)

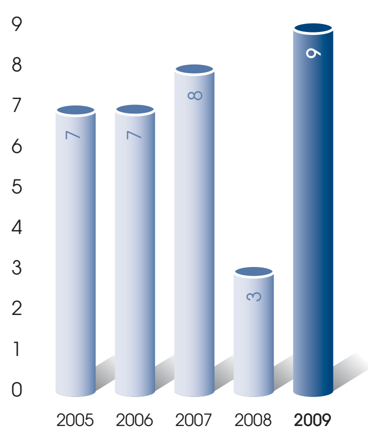
Revenue
(HK$'000)



Profit attributable to Equity holders
(HK$'000)



Dividend
(HK cents)



Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors of S.A.S. Dragon Holdings Limited and its subsidiaries (the "Group"), I am pleased to report the annual results of the Group for the year ended 31 December 2009.

S.A.S. Dragon is a leading electronic supply claim services provider with a vast array of electronic component products and services that bring technology and engineering together to create innovative solutions for the benefit of our customers in the Greater China.

Taking advantage on the rapid economic recovery during the second half of 2009, our operational nimbleness and discipline enabled us to stay ahead of the curve to deliver record high annual results for 2009. For the year ended 31 December 2009, the Group's sales was increased by 16.7% to a record of HK$3.52 billion and the Group achieved a record net profit attributable to shareholders of HK$51.9 million in 2009 compared with a loss of HK$18.2 million in 2008, mainly due to exceptional loss items in 2008.

Eyeing the global economy and electronic market will remain challenging in short to medium term. We remain prudent to manage the operations and maintain our operating cost at competitive level. With all of our fundamental competitive strength intact, we are confident that we are in a good position to embrace the full recovery of economy and capture the massive opportunities on the recovery of demands for electronic products. On the other hand, we are closely attuned to market developments in which new opportunities may emerge, and we stand ready to seize them.

We envision the energy saving LED lighting will become the next-generation lighting soon for perhaps no issue is more critical to the world than energy. By now, we have developed and procured almost full range of LED lighting solutions for our customers. We will further develop LED modules and fixtures and our target is to become a total solution provider to the LED lighting market in the new future.

We grow our core business groups in order to continue to deliver returns from diversified sources and reduce economic cycle risks.

Finally, on behalf of the Board of Directors, I would like to thank all our employees for their contribution and sacrifices. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term support and dedication in 2009.

Yim Yuk Lun, Stanley *JP*
Chairman

Hong Kong, 16 April 2010

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

Concurred to our previous expectation, the electronics market has demonstrated significant improvement in second half of 2009. After those effective implementation of stimulus spending measures by various governments and the bottoming out of consumer confidence at 1Q 2009, demands from China and other developing countries recorded continuous increase. Since February 2009, the Group benefited from the recovery trend and made record sales of electronic components and kit solutions for wide range of electronic products.

Consumer Electronic Products

In 2009, China government has raise the price caps on the home appliances enjoying subsidy under the rural home appliance subsidy program and extend the urban home appliance replacement subsidy program to more areas. Strong domestic demand of LCD TV, DVD players, Set Top Box, portable navigation devices and PMP boosted the Group's revenue from the distribution of components of consumer electronic products.

Mobile Phone Products

Global handset shipments turned positive in 4Q 2009 along with the stabilization in the global economy. Furthermore, the rural-subsidy program and aggressive subsidies from telecom operators have driven up domestic demands of handsets. The Group recorded satisfactory sales on distribution of components to handset manufacturers and EMS factories.

Computer Products

The launch of Windows 7 has boosted solid growth of global PC shipment. China PC shipment is growing ahead of the world due to steady economic recovery under the government stimulus package. The Group recorded satisfactory sales on distribution of components for PC manufacturers for domestic and emerging markets.

LED Lighting Products

The concept of energy saving and environmental awareness has made LED the leading candidate for the next-generation lighting. Since 2007, the Group is benefited to provide wide range of LED lighting solutions for indoor lighting products, namely replacement solutions of fluorescent lamp, spotlight and incandescent bulb, and for outdoor lighting products likes the streetlight and tunnel lights.

Properties investment

As of 31 December 2009, the Group was holding 7 investment properties (31 December 2008: 6), all are commercial units located at Hong Kong. The aggregate market value of investment properties amounted to HK$112.8 million (31 December 2008: HK$119.4 million). The above properties are held as long-term investment and for leasing.

During the year under review, the investment properties generated a total rental income of HK$4.6 million (2008: HK$4.2 million) with an average return of 4.1% per annum (2008: 3.6% per annum) and recognized increase in fair value in the financial statements of HK$18.4 million (2008: HK$5.4 million).

OUTLOOK

Amid recovering consumer demand, we believe electronics market has bottomed out in 1H 2009 and emerged from the financial crisis. A number of market research firms are forecasting double-digit growth of shipments of electronic components for 2010. The Group is positive on the business outlook and will continue to focus on China market to catch up the accelerating economic growth in the coming years.

Considered as a good start in 2010, based on the increased sales and purchase volumes of electronic components with Hon Hai Group in 1Q 2010, the Group revises upward both the purchase caps and sales caps for the three years ending 31 December 2012 in relation to the continuing connected transaction with Hon Hai Group as follows:

	For the financial year ending 31 December 2010 HK$'000	For the financial year ending 31 December 2011 HK$'000	For the financial year ending 31 December 2012 HK$'000
Revised Purchase Caps	308,000	616,000	924,000
Revised Sales Caps	770,000	1,431,100	2,093,410

Details of the above revision please refer to the announcement of the Company dated 9 April 2010.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's turnover increased by 16.7% to HK$3,519,915,000 (2008: HK$3,015,277,000), gross profit increased by 20.7% to HK$181,381,000 (2008: HK$150,217,000), and EBITDA (represented gross profit plus other income minus distribution and selling expenses and administrative expenses plus depreciation and amortisation) increased by 435.4% to HK$73,874,000 (2008: HK$13,799,000).

Net profit attributable to equity holders of the Company increased to HK$51,929,000 compared with a loss of HK$18,159,000 recorded in 2008. Basic earnings per share was HK20.01 cents compared with basic loss per share of HK7.00 cents in 2008.

Liquidity and Financial Resources

As of 31 December 2009, the Group's current ratio was 124% (31 December 2008: 121%), net gearing ratio was 61% (31 December 2008: 76%), which was calculated based on the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss and available-for-sale investments) of approximately HK$286,280,000 (31 December 2008: HK$314,354,000) and total equity of HK$465,512,000 (31 December 2008: HK$413,794,000).

The Group recorded debtors turnover of approximately 46 days for the year under review (2008: 33 days) based on the amount of trade and bills receivable as at 31 December 2009 divided by sales for the year and multiplied by 365 days (2008: 366 days).

The Group recorded inventory turnover and average payable period of approximately 43 days and 38 days respectively for the year under review (2008: approximately 47 days and 25 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2009 divided by cost of sales for the year and multiplied by 365 days (2008: 366 days).

Foreign Exchange Risk Management

The Group has foreign currency sales and purchases and foreign bank deposits and borrowing which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exposure closely and consider the usage of hedging instruments when the need arise.

Employee and Remuneration Policy

At 31 December 2009, the Group employed approximately 380 employees in the PRC and Hong Kong. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

Directors and Senior Management Profiles

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 50, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group's management team. He is currently the Chairman of Hong Kong Trade Services Council of Federation of Hong Kong Industries, the treasurer of the Hong Kong Electronic Industries Association, a member of HKTDC-Electronics/Electronical Appliances Industries Advisory Committee, a member of Yan Chai Hospital Advisory Board, a member of Shanghai Committee of Chinese People's Political Consultative Conference and a member of Yun Fu City Committee of Chinese People's Political Consultative Conference.

Mr. Wong Sui Chuen, aged 56, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over fifteen years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Lock Shui Cheung, aged 47, was appointed as an Executive Director of the Company in January 2010. He holds a higher diploma in Marine Electronics from Hong Kong Polytechnic University and a Master's degree in Business Administration from the University of Hull, England. He has more than twenty years sales and management experience in electronic components distribution business with various global companies including Toshiba Electronics, National Semiconductor and Arrow Electronics.

Non-Executive Director

Dr. Chang Chu Cheng, aged 66, was appointed as a Non-Executive Director of the Company in 1994. Dr. Chang gained his Doctorate in Solid State Electronics from the University of Manchester Institute of Science & Technology in 1969 and lectured in physics and electronics at the Chinese University of Hong Kong prior to the founding of Varitronix in 1978. He is presently the Chairman of iView Limited and Honorary Chairman of Varitronix International Limited. He is also currently an independent non-executive director of Fujikon Industrial Holdings Limited, an Honorary Advisor of Hong Kong Critical Components Manufacturers Association and an Honorary Chairman of Hong Kong Photographic and Optics Manufacturers Association.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 72, was appointed as an Independent Non-Executive Director of the Company in 1994. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. In addition to being board member of other committees, Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and committee member of CMA.

Mr. Liu Chun Ning, Wilfred, aged 48, was appointed as an Independent Non-Executive Director of the Company in 2001. Mr. Liu is an Executive Director in charge of the securities business of Chong Hing Banking Group. He holds a Bachelor's degree in economics from the University of Newcastle-upon- Tyne (UK).

Mr. Wong Tak Yuen, Adrian, aged 55, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontairo, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Cheung Chi Kwan, aged 50, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Lau Ping Cheung, Andy, aged 39, joined the Group in 2007 as the Sales Vice President of S.A.S. Electronic Company Limited. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in 2003. He has over seventeen years' experience in electronic field on sales, marketing and R&D project development.

Mr. Cheung Chin Hung, Richard, aged 54, joined the Group in 1997 as the Director of RSL Electronic Company Limited. He has a Bachelor's degree in Economics, from University of Waterloo in Ontario, Canada. Prior to joining our Group, he worked with Sunrise Technology Limited as Sales Director.

Mr. Wang Yi, Michael, aged 43, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 43, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than 16 years management experience in electronics field on sales and marketing.

Mr. Chang Wei Hua, Benson, aged 45, joined the Group in 2007 as the Director and General Manager of Hi-Level Technology Limited. He graduated from Tung-Nan Institute of Technology in Taiwan with a Bachelor's degree in Electronics Engineering. He has more than twenty years management experience in electronic field on sales, marketing and R & D project.

Mr. Wei Wei, aged 40, joined the Group in 2007 as the Director and Executive Vice President of Hi-Level Technology Limited. He graduated from Huazhong Univesity of Science & Technology in WuHan with a Bachelor's degree in Electronics Engineering. He has more than eighteen years management experience in electronics field on sales, marketing and R & D project.

Mr. Siu Wai Ming, Raymond, aged 48, joined the Group in 2008 as the Sales Director of HAS Electronic Company Limited. He graduated from Hong Kong Morrison Hill Technical Institute with a Diploma in Electronics Engineering. He has more than twenty years experience in electronics components field.

Mr. Yim Tsz Kit, Jacky aged 25, joined the Group in 2009 as the Marketing Director of S.A.S. Systems Company Limited. He has a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Mr.Chin Kan Tak, Danny, aged 53, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wong Wai Tai, Peter, aged 38, joined the Group in 2005 as the Financial Controller of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over fifteen years experience in accounting, auditing, taxation and financial management.

The Group continues to achieve high standards of corporate governance which, it believes, is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company complied with the applicable Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009, except for the deviations from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

The Board currently consists of 3 executive directors, namely Mr. Yim Yuk Lun, Stanley *JP* , Mr. Wong Sui Chuen and Lock Shui Cheung and 1 non-executive director, namely Dr. Chang Chu Cheng and 4 independent non-executive directors ("INEDs") (collectively the "Directors"), namely Mr. Cheung Chi Kwan, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian.

The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decision; to review the Group's financial performance and operative initiatives.

The role of INEDs is to bring an independent and objective view to the Board's deliberations and decisions. The Company has received annual confirmation of independence from the four INEDs pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent within the definition of the Listing Rules.

The Board held a total of four board meetings during the year. The attendance of the Directors at meetings of the Board and Board Committees are disclosed below in this report.

Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Yim Yuk Lun, Stanley *JP* acting as both the Chairman and the Managing Director of the Group is acceptable and in the best interest of the Group. Mr. Yim is responsible for the formulation of corporate strategies and the overall direction for the Group's management team.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive directors of the Company have not been appointed for a specific term. However, according to the Bye-laws of the Company, one-third of the directors for the time being shall retire from office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those in the Code.

In considering the nomination of a new director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. Furthermore, as the full Board is responsible for selection and approval of candidates for appointment as executive director to the board, the Company has not established a Nomination Committee for the time being.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Chang Chu Cheng. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2009 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the Auditors of the Company.

During the financial year ended 31 December 2009, the Group has engaged the external auditors to provide the following services and their respective fees charged are set out as below:

Type of Services	Amount HK$'000
Audit fee	1,276
Other non-audit services	174

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, namely Mr. Wong Sui Chuen, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian, majority of whom are independent non-executive directors, and is chaired by Mr. Wong Sui Chuen.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and to review the specific remuneration packages of Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. One meeting has been held during the year under review.

The following table summarizes the attendance of Directors at meetings of the Board and the above committees during the year:

	Board	Audit Committee	Remuneration Committee
Number of Meetings	4	2	1
Executive Directors			
Yim Yuk Lun, Stanley *JP*	4/4	N/A	N/A
Wong Sui Chuen	4/4	N/A	1/1
Lau Ping Cheung	4/4	N/A	N/A
Non-Executive Directors			
Dr. Chang Chu Cheng	4/4	2/2	N/A
Independent Non-Executive Directors			
Cheung Chi Kwan	4/4	2/2	N/A
Liu Chun Ning, Wilfred	3/4	N/A	N/A
Dr. Lui Ming Wah *SBS JP*	4/4	N/A	1/1
Wong Tak Yuen, Adrian	4/4	2/2	1/1

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority for the achievement of business objectives, safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with relevant legislation and regulations. The system is designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against the risks of material misstatement, fraud or losses.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company provides extensive information in its annual report and press release. Also the Group disseminates information relating to its business electronically through its website at www.sasdragon.com.hk.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. All shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 37 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 22.

An interim dividend of HK2.5 cents per share, amounting to approximately HK$6,487,268 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6.5 cents per share to the shareholders on the register of members on 4 June 2010.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 25.47% and 58.37% respectively of the Group's total purchases for the year.

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales for the year.

Hon Hai Precision Industry Co., Ltd., a shareholder holding more than 5% of the Company's share capital, was one of the Group's five largest customers. Save for this company, none of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

INVESTMENT PROPERTIES

At 31 December 2009, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK$112,800,000. The revaluation resulted in a surplus of HK$14,700,000 and is recognised in the consolidated statement of comprehensive income. Details are set out in note 15 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2009 are set out on page 88.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2009, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$166,415,000 as disclosed in note 36 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP* *(Chairman and Managing Director)*
Wong Sui Chuen
Lau Ping Cheung *(resigned on 31 December 2009)*
Lock Shui Cheung *(appointed on 1 January 2010)*

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

Cheung Chi Kwan
Liu Chun Ning, Wilfred
Dr. Lui Ming Wah *SBS JP*
Wong Tak Yuen, Adrian

In accordance with Clauses 86(2), 87(1) and 87(2) of the Company's Bye-Laws, Mr. Yim Yuk Lun, Stanley, JP, Mr. Lock Shui Cheung and Dr. Chang Chu Cheng retire and, being eligible, offer themselves for re-election.

The term of office for all directors is the period up to his retirement by rotation in accordance with the above Bye-Laws.

No director 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' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley *JP*	Beneficial owner	13,990,000	5.39%
	Held by controlled corporation (note)	63,771,400	24.58%
		77,761,400	29.97%
Chang Chu Cheng	Beneficial owner	1,800,000	0.69%
Wong Sui Chuen	Beneficial owner	862,000	0.33%

Note: These shares are held by Unimicro Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Yim Yuk Lun, Stanley *JP*.

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2009.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 30 to the consolidated financial statements.

During the year, the movements in the share options to subscribe for the Company's shares were as follows:

	Date of grant	Exercise price per share	Exercisable period	Options granted during the year ended 31 December 2008 and outstanding as at 1 January 2009	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options cancelled during the year	Options transferred during the year (Note)	Options outstanding and exercisable as at 31 December 2009
Director										
Lau Ping Cheung	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	500,000	-	-	-	-	(500,000)	-
Lau Ping Cheung	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	500,000	-	-	-	-	(500,000)	-
Employees	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	2,250,000	-	-	-	-	500,000	2,750,000
Employees	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	2,250,000	-	-	-	-	500,000	2,750,000
				5,500,000	-	-	-	-	-	5,500,000

Note: Options transferred upon resignation of Lau Ping Cheung as director during the year.

Share options granted in July 2007 under the Company's share option scheme are exercisable during the period from 3 July 2008 to 2 July 2010 in two batches.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouses or children under the age of eighteen had right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai Precision Industry Co., Ltd. ("Hon Hai")	Held by controlled corporation (note)	46,000,000	17.73%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	46,000,000	17.73%
Chung Shun Ming	Beneficial owner	27,343,400	10.54%
CCB International Asset Management Limited	Beneficial owner	16,950,000	6.53%

Note: Hon Hai owns 100% interest in Foxconn and is accordingly deemed to be interested in those ordinary shares of the Company beneficially owned by Foxconn.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2009.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in note 35 to the consolidated financial statements,

(i) there were no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly; and

(ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 35 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;

(ii) on normal commercial terms; and

(iii) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board of Directors on the basis of their merit, qualifications, competence and job nature.

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 eligible directors and employees, details of the scheme is set out in note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, 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$91,900.

AUDITOR

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

On behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR
Hong Kong, 16 April 2010

Deloitte.
德勤

TO THE MEMBERS OF S.A.S. DRAGON HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the *"Company"*) and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 86, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the 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
16 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	3,519,915	3,015,277
Cost of sales		(3,338,534)	(2,865,060)
Gross profit		181,381	150,217
Other income		13,684	19,968
Distribution and selling expenses		(30,435)	(27,690)
Administrative expenses		(104,279)	(141,796)
Increase in fair value of investment properties		14,700	1,109
Share of results of associates		(134)	(76)
Finance costs	8	(6,921)	(20,753)
Profit (loss) before tax		67,996	(19,021)
Income tax (expense) credit	11	(8,180)	2,272
Profit (loss) for the year	12	59,816	(16,749)
Other comprehensive income			
Fair value loss on available-for-sales investment		(43)	(525)
Exchange differences arising on translation of foreign operations		–	2,148
Reclassification adjustment on disposal of available-for-sale investment		(256)	–
Share of translation reserve of an associate		42	(192)
Gain on revaluation of properties		3,751	4,325
Other comprehensive income for the year		3,494	5,756
Total comprehensive income for the year		63,310	(10,993)
Profit (loss) for the year attributable to:			
Owners of the Company		51,929	(18,159)
Minority interests		7,887	1,410
		59,816	(16,749)
Total comprehensive income attributable to:			
Owners of the Company		55,423	(12,403)
Minority interests		7,887	1,410
		63,310	(10,993)
Earnings (loss) per share (HK cents) – basic	14	HK20.01 cents	(HK7.00 cents)

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current Assets			
Investment properties	*15*	112,800	119,400
Property, plant and equipment	*16*	142,537	156,045
Goodwill	*17*	16,419	16,419
Interests in associates	*18*	316	408
Available-for-sale investments	*20*	7,447	7,654
Club memberships	*21*	3,278	3,278
		282,797	303,204
Current Assets			
Inventories	*23*	393,987	370,783
Trade and other receivables	*24*	475,926	298,630
Bills receivable	*24*	15,279	1,125
Financial assets at fair value through profit or loss	*25*	57,133	34,770
Available-for-sale investments	*20*	–	5,142
Taxation recoverable		76	1,104
Pledged bank deposits	*22*	10,751	24,757
Bank balances and cash	*22*	250,724	119,259
		1,203,876	855,570
Current Liabilities			
Trade and other payables	*26*	319,391	209,496
Bills payable	*26*	79,949	23,734
Derivative financial instruments	*27*	2,383	1,375
Tax liabilities		7,225	3,642
Bank borrowings – due within one year	*28*	563,398	466,846
		972,346	705,093
Net Current Assets		231,530	150,477
Total Assets less Current Liabilities		514,327	453,681

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and Reserves			
Share capital	*29*	25,949	25,949
Share premium and reserves		403,744	359,855
Equity attributable to owners of the Company		429,693	385,804
Minority interests		35,819	27,990
Total Equity		465,512	413,794
Non-current Liabilities			
Bank borrowings – due after one year	*28*	41,490	31,436
Deferred tax liabilities	*31*	7,325	8,451
		48,815	39,887
		514,327	453,681

The consolidated financial statements on pages 22 to 86 were approved and authorised for issue by the Board of Directors on 16 April 2010 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Properties revaluation reserve HK$'000	Investments revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	25,949	29,298	1,109	11,145	65,669	24,149	824	(521)	430	255,151	413,203	30,983	444,186
Loss for the year	-	-	-	-	-	-	-	-	-	(18,159)	(18,159)	1,410	(16,749)
Fair value loss on available-for-sale investment	-	-	-	-	-	-	(525)	-	-	-	(525)	57	(468)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	2,148	-	-	2,148	555	2,703
Share of translation reserve of an associate	-	-	-	-	-	-	-	(192)	-	-	(192)	-	(192)
Gain on revaluation of properties	-	-	-	-	-	4,325	-	-	-	-	4,325	-	4,325
Other comprehensive income	-	-	-	-	-	4,325	(525)	1,956	-	-	5,756	612	6,368
Total comprehensive income for the year	-	-	-	-	-	4,325	(525)	1,956	-	(18,159)	(12,403)	2,022	(10,381)
Dividend paid to minority interest	-	-	-	-	-	-	-	-	-	-	-	(5,015)	(5,015)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	574	-	574	-	574
Dividends paid (note 13)	-	-	-	-	(15,570)	-	-	-	-	-	(15,570)	-	(15,570)
At 31 December 2008	25,949	29,298	1,109	11,145	50,099	28,474	299	1,435	1,004	236,992	385,804	27,990	413,794
Profit for the year	-	-	-	-	-	-	-	-	-	51,929	51,929	7,887	59,816
Fair value loss on available-for-sale investment	-	-	-	-	-	-	(43)	-	-	-	(43)	(8)	(51)
Reclassification adjustment on disposal of available-for-sale investment	-	-	-	-	-	-	(256)	-	-	-	(256)	(50)	(306)
Share of translation reserve of an associate	-	-	-	-	-	-	-	42	-	-	42	-	42
Gain on revaluation of properties	-	-	-	-	-	3,751	-	-	-	-	3,751	-	3,751
Other comprehensive income	-	-	-	-	-	3,751	(299)	42	-	-	3,494	(58)	3,436
Total comprehensive income for the year	-	-	-	-	-	3,751	(299)	42	-	51,929	55,423	7,829	63,252
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	-	143	-	143	-	143
Dividends paid (note 13)	-	-	-	-	(11,677)	-	-	-	-	-	(11,677)	-	(11,677)
At 31 December 2009	25,949	29,298	1,109	11,145	38,422	32,225	-	1,477	1,147	288,921	429,693	35,819	465,512

The capital reserve of the Group represents the aggregate of:

(i) the reserve of HK$10,455,000 arising on the acquisition of shares in subsidiaries from minority shareholders pursuant to a group reorganisation prior to 1994; and

(ii) the differences between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation in September 1994, and the nominal value of the Company's shares issued in exchange of HK$700,000.

At 31 December 2009, the property revaluation reserve includes an amount of HK$18,658,000 (2008: HK$14,907,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

The contributed surplus of the Group represents the net aggregate of:

(i) the credit arising from the reduction of nominal value of the consolidated shares from HK$1.00 each to HK$0.10 each by cancelling HK$0.90 paid up on each issued share, after a transfer of HK$10,565,000 towards the elimination of the accumulated losses of the Company as at 31 December 1997, of HK$70,510,000.

(ii) the credit arising from cancellation of the share premium account of HK$237,881,000, after a transfer of HK$180,003,000 towards the elimination of the accumulated losses of the Company as at 31 December 2002, of HK$57,878,000; and

(iii) the distribution to shareholders of HK$11,677,000 (2003 to 2009: HK$89,966,000) for the year ended 31 December 2009.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	67,996	(19,021)
Adjustments for:		
Interest income	(719)	(6,183)
Finance costs	6,921	20,753
Share of results of associates	134	76
Net foreign exchange (gain) loss	(2,863)	8,462
Dividend income from listed securities	(241)	(201)
Increase in fair value of investment properties	(14,700)	(1,109)
Decrease in fair value of derivative financial instruments	1,008	683
Change in fair value of financial assets at fair value through profit or loss	(4,691)	8,618
Depreciation of property, plant and equipment	13,523	13,100
Allowance for (reversal of allowance) trade and other receivables	3,975	(5,332)
Allowance for (reversal of allowance) inventories	7,078	(5,229)
Gain on disposal of property, plant and equipment	(768)	(110)
Gain on disposal of available-for-sale investment	(256)	–
Equity-settled share-based payment expenses	143	574
Operating cash flows before movements in working capital	76,540	15,081
(Increase) decrease in inventories	(30,282)	139,047
(Increase) decrease in trade and other receivables	(181,271)	151,901
(Increase) decrease in bills receivable	(14,154)	23,887
(Increase) decrease in financial assets held for trading	(26,119)	5,850
Increase (decrease) in bills payable	56,215	(74,028)
Increase (decrease) in trade and other payables	109,895	(107,170)
Cash (used in) generated from operations	(9,176)	154,568
Hong Kong Profits Tax paid	(6,106)	(3,075)
Hong Kong Profits Tax refunded	1,411	3,353
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(13,871)	154,846

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Proceeds on disposal of investment property	31,200	8,639
Decrease in pledged bank deposits	14,006	37,786
Proceeds from redemption of structured deposits	8,389	–
Proceeds from disposal of available-for-sale investment	5,306	–
Proceeds on disposal of property, plant and equipment	1,800	143
Interest received	719	6,183
Dividend received from available-for-sale investments	241	201
Payment for acquisition of property, plant and equipment	(6,496)	(12,815)
Payment for acquisition of an investment property	(700)	–
Payment for acquisition of structured deposits	–	(21,060)
Proceeds from disposal of prepaid lease payments	–	1,269
Proceeds from disposal of club memberships	–	187
NET CASH FROM INVESTING ACTIVITIES	54,465	20,533
FINANCING ACTIVITIES		
Bank borrowings raised	3,080,318	2,764,483
Repayment of bank borrowings	(2,973,712)	(2,950,304)
Dividends paid	(11,677)	(15,570)
Interest paid	(6,921)	(20,753)
Dividend paid to minority interests	–	(5,015)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	88,008	(227,159)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,602	(51,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	119,259	179,501
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,863	(8,462)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	250,724	119,259

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 37.

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 ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation 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	Customers 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 on 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 for 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.

New and revised HKFRS affecting presentation and disclosure only

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 resulted in a redesignation of the Group's reportable segments (see note 7).

Improving Disclosure about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosure 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.

New and revised HKFRS that may affect the reported results and/or financial position

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

In the current year, no borrowing costs were capitalised for qualifying asset, the adoption of HKAS 23 (Revision 2007) has no financial impact to the consolidated statement of comprehensive income nor consolidated statement of financial position.

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

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 Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights 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 (Amendment)	Group Cash-settled Share-based Payment 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	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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 Group's accounting for 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* introduced 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 certain properties and certain financial instruments, which are measured at revalued amounts or 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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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.

Where 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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business or jointly controlled entity (which is accounted for using proportionate consolidation) is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interest in jointly controlled entity using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business or a jointly controlled entity (see above).

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 in the ordinary course of business is recognised when goods are delivered and title has passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, are recognised on a straight-line basis over the term of the relevant lease.

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 asset 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.

Investment properties

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property 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 profit or loss in the period in which the asset is derecognised.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost or valuation less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Certain of the Group's leasehold land and buildings were revalued at 31 December 1994. The surplus arising on revaluation of these properties was credited to asset revaluation reserve. Advantage has been taken of the transitional relief provided by paragraph 80A of HKAS 16 "Property, Plant and Equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. Prior to 30 September 1995, the revaluation increase arising on the revaluation of these assets was credited to the property revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives using the straight-line method.

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 other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

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, except for properties that are classified and accounted for as investment properties under the fair value model. For the properties, if the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

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 year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or 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 associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is 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 that 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.

Club memberships

Club memberships with indefinite useful life are carried at cost less an subsequent accumulated impairment losses.

Club memberships are tested for impairment annually and whenever there is any indication that they may be impaired by comparing their carrying amounts with their recoverable amounts. If the recoverable amount of club memberships is estimated to be less than its carrying amount, the carrying amount of the club memberships is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of club memberships is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for that club memberships in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method for electronic products and the weighted average cost method for other inventories.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on 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 as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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.

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 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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL 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 includes any interest earned on the financial assets.

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, bills receivable, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 impacted.

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.

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 trade receivables 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 credit period ranged from 30 days to 120 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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.

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 Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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, bills payable and bank borrowings 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately. Unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 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.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in the share options reserve in equity.

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 during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve in equity.

At the time when the share options are exercised, the amount previously recognised in share options 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 options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses (other than goodwill and club memberships)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying value of trade and other receivables (net of allowance) is HK$475,926,000 (2008: HK$298,630,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of inventories

Management of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2009, an allowance for inventory of HK$37,727,000 (2008: HK$30,837,000) was recognised in the statement of financial position.

Income tax

As at 31 December 2009, unused tax losses of the Group amounted to approximately HK$89,944,000 (2008: HK$83,023,000), of which approximately HK$15,804,000 (2008: HK$8,425,000) has been recognised as deferred tax asset, no deferred tax asset has been recognised in respect of the remaining approximately HK$74,140,000 (2008: HK$89,107,000) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to allowance for doubtful debts of the Group amounted to approximately HK$10,207,000 (2008: HK$10,620,000), a deferred tax asset has been recognised in respect of approximately HK$1,006,000 (2008: HK$1,006,000). No deferred tax asset has been recognised in respect of the remaining approximately HK$9,201,000 (2008: HK$9,614,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the repayment of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Fair value through profit or loss		
Held for trading	34,838	5,943
Designated at FVTPL	22,295	28,827
Loans and receivables (including cash and cash equivalents)	733,225	428,488
Available-for-sale financial assets	7,447	12,796
Financial liabilities		
Amortised cost	973,425	709,314
Derivative financial instruments	2,383	1,375

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bills receivable, financial assets at fair value through profit or loss, pledged bank deposits, bank balances, trade and other payables, bills payable, derivative financial instruments and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and foreign currency trade and other receivables, bills receivable, financial assets at fair value through profit or loss, available-for-sale investments, pledged bank deposits, bank balances, trade and other payables, bills payable and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary liabilities (including intercompany payables within the Group) and monetary assets at the reporting date are as follows:

	Liabilities		Assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars ("USD")	**264,903**	302,781	**510,463**	252,322
Australia dollars ("AUD")	**–**	–	**16,278**	43,186
Renminbi ("RMB")	**780**	–	**5,135**	1,741
Hong Kong dollars ("HK$")	**46,725**	37,975	**–**	–

The carrying amounts of the Group's foreign currency denominated non-monetary financial assets designated at FVTPL at the reporting date are as follows:

	Assets	
	2009	2008
	HK$'000	HK$'000
USD	**22,295**	28,827

The Group currently does not have a foreign currency hedging policy. However, management will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arise.

In addition, the carrying amount of foreign exchange forward contract as at year end amounted to approximately HK$260,000 classified as current liabilities (2008: HK$1,375,000), in which the Group was in the position of buying USD with notional amount of USD25,000,000 (2008: buying and selling USD with notional amount of USD28,000,000 and USD18,000,000 respectively).

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in relevant foreign currencies against HK dollars (excluding the structured deposits and foreign forward contracts). 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances. A 5% strengthening of the HK dollars against USD, AUD and RMB will decrease/increase the Group's profit/loss for the year by the following amount. For 5% weakening of HK dollars against USD, AUD and RMB, there would be an equal and opposite impact on the profit or loss.

	USD		AUD		RMB	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase in profit for 2009/decrease in loss for 2008 (decrease in profit for 2009/increase in loss for 2008)	**(10,153)**	1,107	**(680)**	(1,803)	**(2,133)**	(1,658)

No sensitivity analysis was prepared in relation to the currency risk of non-monetary financial assets designated at FVTPL and foreign exchange forward contracts as the directors consider the exposure is limited.

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) **Financial risk management objectives and policies** *(Continued)*

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 22 and 28 for details). 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 exposures to interest rates on financial 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 London Inter Bank Offer Rate ("LIBOR") and Hong Kong Inter Bank Offer Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

Sensitivity analysis
The sensitivity analyses below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings at the end of reporting period. The analysis is prepared assuming the amount of variable-rate bank balances and bank borrowings at the end of reporting period was outstanding for the whole year. For variable-rate bank balances, 20 basis point increase and 5 basis point decrease (2008: 50 basis point increase or decrease) are used. For variable-rate bank borrowings, 20 basis point (2008: 50 basis point) increase or decrease is used.

If interest rates had been 20 basis point higher for variable-rate bank balances and variable-rate bank borrowings/5 basis point lower for variable-rate bank balances and 20 basis point lower for variable-rate bank borrowings and all other variables were held constant (2008:50 basis point higher/lower and all other variables were held constant), the Group's profit for the year ended 31 December 2009 would decrease by approximately HK$941,000 if interest rate is higher/increase by approximately HK$1,131,000 if interest rate is lower (2008:loss for the year would increase/decrease by HK$2,267,000.) This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Sensitivity analysis does not include interest rate swap as the directors consider the exposure is limited in relation to the interest rate risk of interest rate swap.

The management adjusted the sensitivity rate from 50 basis point to 20 basis points and 5 basis points, as applicable, for assessing interest rate risk after considering the current financial environment.

(iii) Other price risk

The Group is exposed to other price risk through its investments in structured deposits classified as financial assets designated at fair value through profit or loss, listed equity securities and quoted equity funds classified as available-for-sale investment, other than the available-for-sale investment stated at cost. The management manages this exposure by maintaining a portfolio of investments with different risks.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(iii) Other price risk *(Continued)*

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

If the market prices of the respective listed equity instruments and the quoted prices of the equity funds and structured deposits had been 5% (2008: 20%) higher/lower and all other variables were held constant:

- profit for the year would increase/decrease by approximately HK$2,857,000 (2008: loss for the year would decrease/increase by approximately HK$12,719,000) as a result of the changes in fair value of financial assets through profit or loss; and

- investment revaluation reserve would increase/decrease by approximately HK$72,000 (2008: increase/decrease by HK$1,359,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The sensitivity rate applied is 5% in current year (2008: 20%) as a result of than change in current financial environment.

Credit risk

As at 31 December 2009, 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 in the consolidated statement of financial position.

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 structured deposits classified as financial assets at fair value through profit or loss, liquid funds and bills receivables is limited because the counterparties are banks with good reputation.

Other than the concentration of credit risk on structured deposits classified as financial assets at fair value through profit or loss, which are deposited with tow banks with high credit ratings, the Group has no significant concentration of credit risk on other financial assets and trade receivables, with exposure spread over a number of counterparties and customers.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

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.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised overdraft and bank loan facilities of approximately HK$21,000,000 (2008: HK$48,000,000) and HK$601,363,000 (2008: HK$867,834,000) respectively.

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 extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	-	194,851	55,432	38,305	-	288,588	288,588
Bills payable	-	58,722	21,227	-	-	79,949	79,949
Bank borrowings-variable rate	*1.60	301,551	154,036	116,825	42,154	614,566	604,888
		555,124	230,695	155,130	42,154	983,103	973,425
Derivatives – net settlement							
Foreign exchange forward contracts	-	-	260	-	-	260	260
Interest rate swap	-	-	-	2,123	-	2,123	2,123
		-	260	2,123	-	2,383	2,383

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

The liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the expected cash flows of the contracts.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity risk tables *(Continued)*

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2008 HK$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	–	96,876	69,063	21,359	–	187,298	187,298
Bills payable	–	3,360	15,461	4,913	–	23,734	23,734
Bank borrowings-variable rate	*2.23	278,911	139,196	59,146	32,137	509,390	498,282
		379,147	223,720	85,418	32,137	720,422	709,314
Derivatives – net settlement							
Foreign exchange forward contracts		1,375	–	–	–	1,375	1,375

* Weighted average effective interest rate determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

(c) 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 in active liquid markets are determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using forward exchange rates, prices or rates from observable current market transactions or unobservable inputs, such as risk multiple and coupon payment index of underlying stock.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 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 and 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).

	2009			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets				
Financial assets at fair value through profit and loss	34,838	–	22,295	57,133
Available-for-sale investments	–	1,447	–	1,447
	34,838	1,447	22,295	58,580
Financial liabilities at FVTPL				
Derivative financial liabilities	–	2,383	–	2,383

There were no transfers between Level 1, 2 and 3 in current year.

Reconciliation of Level 3 fair value measurement of financial assets

	Structured deposits HK$'000
At 1 January 2009	28,827
Gain recognised in profit or loss (including in change in fair value of financial assets at fair value through profit and loss)	
– realised	796
– unrealised	1,061
Settlements	(8,389)
At 31 December 2009	22,295

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Reconciliation of Level 3 fair value of measurement of financial assets (Continued)

Structured deposits are principal protected that only the interest or yield on the deposit may be affected by movements in the relevant reference value and that the principal amount deposited will be repayable in full at the end of the deposit period. It is valued using valuation techniques with observable and unobservable inputs principally comprised interest rate, foreign currency forward rates and Taiwan listed securities prices, subject to change in the weighting of components of the portfolio. The deposits are classified as Level 3 due to unobservability of the risk filter multiple that includes inputs of swap spreads, equity market volatility, implied foreign exchange option volatility and certain index of underlying stock.

The consolidated financial statements including structured deposits which are measured at fair value. Fair value is estimate using net present value of estimated future cash flow, adjusted as appropriate for market risk (currency risk and other price risk), which included some assumptions that are not supportable by observable market price or risks and was estimated by high credit rating financial institution. Whilst such valuations are sensitive to estimates, it is believed that changing of one or more of assumptions to reasonably possible alternative assumptions would not have a big impact on the Group's financial position. The total amount of the gain in fair value estimated using this valuation technique that was recognised in the consolidated statement of comprehensive income during the year is HK$1,857,000 (2008: loss in fair value of HK$1,095,000).

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts for the year.

The Group is engaged in the distribution of electronic components and semiconductors products that can be used in customer electronic products, mobile phone products, computer products, telecommunication and lighting products, properties investments and distribution of sports products. In addition, its jointly controlled entity accounted for using proportionate consolidation is engaged in the manufacturing and sales of liquid crystal display modules.

HKFRS 8 "Operating Segments" which came into effect from 1 January 2009 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 to assess their performance. The Group's chairman, who is also the managing director, is the chief operating decision maker as he collectively make strategic decision towards the Group's operation. 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, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was geographical segments by location of customers, irrespective of the origin of the goods.

The Group's chairman and managing director regularly review only revenue analysis excluding the revenue generated by the jointly controlled entity by geographical location of customers for the purposes of resource allocation and performance assessment. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Entity-wide disclosures

Revenue from major business product and services

The following is an analysis of the Group's revenue from its major business products and services:

	2009 HK$'000	2008 HK$'000
Distribution of electronics components and semiconductors products	3,442,890	2,926,749
Distribution of sports products	30,467	26,155
Manufacturing and sales of liquid crystal display modules (operated through the jointly controlled entity)	41,937	58,130
Office building rental	4,621	4,243
	3,519,915	3,015,277

Geographical information

The Group's operations are located in different places of domicile, including mainland PRC and Hong Kong.

The following is an analysis of the Group's revenue by geographical locations of customers for the year:

	Sales revenue by Geographical market	
	2009 HK$'000	2008 HK$'000
Place of domicile of relevant group entities		
– Mainland PRC	2,142,428	1,978,093
– Hong Kong	1,042,980	711,401
Other places		
– Taiwan	306,133	278,621
– Others	28,374	47,162
	3,519,915	3,015,277

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Entity-wide disclosures *(Continued)*

Geographical information (Continued)

The following is an analysis of the carrying amount of non-current assets excluding financial instruments by geographical area in which the assets are located.

	Carrying amount of non-current assets	
	2009	2008
	HK$'000	HK$'000
Hong Kong	187,558	205,360
Mainland PRC	86,554	88,860
Others	1,238	1,330
	275,350	295,550

Information about major customers

During the years ended 31 December 2009 and 2008, no customer was contributing over 10% of the total sales of the Group.

8. FINANCE COSTS

	2009	2008
	HK$'000	HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	6,899	20,355
– bank borrowings not wholly repayable within five years	22	398
	6,921	20,753

9. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the directors were as follows:

2009

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Lau Ping Cheung HK$'000	Dr. Chang Chu Cheng HK$'000	Cheung Chi Kwan HK$'000	Liu Chun Ning, Wilfred HK$'000	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Total HK$'000
Fees	-	-	-	-	100	-	50	50	200
Other emoluments									
Salaries and other benefits	2,610	488	703	-	-	-	-	-	3,801
Equity-settled share-based payment expenses	-	-	24	-	-	-	-	-	24
Retirement benefits scheme contributions	157	8	12	-	-	-	-	-	177
Performance related incentive payments (note)	-	100	-	-	-	-	-	-	100
Total emoluments	2,767	596	739	-	100	-	50	50	4,302

2008

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Lau Ping Cheung HK$'000	Dr. Chang Chu Cheng HK$'000	Cheung Chi Kwan HK$'000	Liu Chun Ning, Wilfred HK$'000	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Total HK$'000
Fees	-	-	-	-	100	-	50	50	200
Other emoluments									
Salaries and other benefits	3,724	582	850	-	-	-	-	-	5,156
Equity-settled share-based payment expenses	-	-	96	-	-	-	-	-	96
Retirement benefits scheme contributions	224	22	23	-	-	-	-	-	269
Performance related incentive payments (note)	2,264	19	26	-	-	-	-	-	2,309
Total emoluments	6,212	623	995	-	100	-	50	50	8,030

Note: Performance related incentive payments were determined with reference to the Group's operating results, individual performance and comparable market statistics.

During the years ended 31 December 2009 and 2008, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2009 and 2008, no directors waived any emoluments.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, two (2008: two) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining three (2008: three) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	2,313	2,763
Equity-settled share-based payment expenses	59	239
Performance related incentive payments	1,058	370
Retirement benefits scheme contributions	88	103
	3,518	3,475

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
HK$nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	2	3

11. TAXATION

	2009 HK$'000	2008 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	7,840	1,730
Under(over)provision in prior years	1,466	(992)
	9,306	738
Deferred tax (note 31)		
Current year	(1,126)	(2,354)
Attributable to change in tax rate	–	(656)
	(1,126)	(3,010)
	8,180	(2,272)

11. TAXATION *(Continued)*

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.

No PRC income tax is payable by the Group since the Mainland PRC subsidiaries incurred tax losses for both years.

The tax charge (credit) for the year can be reconciled to the profit (loss) before tax as follows:

	2009 HK$'000	2008 HK$'000
Profit (loss) before tax	67,996	(19,021)
Tax at Hong Kong Profits Tax rate of 16.5%	11,219	(3,138)
Tax effect of expenses not deductible for tax purpose	793	1,657
Tax effect of income not taxable for tax purpose	(2,761)	(1,895)
Under(over)provision in respect of prior years	1,466	(992)
Tax effect of tax losses/other deferred tax assets not recognised	1,634	3,571
Utilisation and recognition of tax losses/other deferred tax assets previously not recognised	(4,171)	(819)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	–	(656)
Tax charge (credit) for the year	8,180	(2,272)

12. PROFIT (LOSS) FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit (loss) for the year has been arrived at after charging and (crediting):		
Staff costs, including directors' remunerations		
– salaries and other benefits	46,483	61,895
– equity-settled share-based payment expenses	143	574
– performance related incentive payments	4,205	3,557
– retirement benefits scheme contributions	3,165	3,314
	53,996	69,340
Auditor's remuneration	1,276	1,848
Depreciation of property, plant and equipment	13,523	13,100
Change in fair value of derivative financial instruments	1,008	683
Allowance (reversal of allowance) for trade and other receivables	3,975	(5,332)
Cost of inventories recognised as an expense (including allowance for inventories for the year ended 31 December 2009 of HK$7,078,000 (2008: Reversal of allowance for inventories of HK$5,229,000 (Note)))	3,338,534	2,865,060
Change in fair value of financial assets at fair value through profit or loss	(4,691)	8,618
Net foreign exchange (gain) loss	(2,249)	9,168
Interest income	(719)	(6,183)
Dividend income from listed securities	(241)	(201)
Gain on disposal of property, plant and equipment	(768)	(110)
Gain on disposal of available-for-sales investments	(256)	–
Rental income from investment properties, net of outgoings of HK$42,000 (2008: HK$24,000)	(4,624)	(4,219)

Note: The reversal of allowance for inventories arose because of the subsequent sale prices for the relevant inventories were higher than the net realisable value of such inventories which were written down in prior years.

13. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividends recognised as distribution during the year:		
2009 Interim dividend of HK 2.5 cents (2008: 2008 interim dividend of HK 1.0 cents) per share	6,487	2,595
2008 Final dividend of HK 2.0 cents (2008: 2007 final dividend of HK 5.0 cents) per share	5,190	12,975
	11,677	15,570

The final dividend of HK 6.5 cents in respect of the year ended 31 December 2009 (2008: final dividend of HK 2.0 cents in respect of the year ended 31 December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the year is based on the gain attributable to equity holders of the Company of approximately HK$51,929,000 (2008: loss of HK$18,159,000) and on 259,490,720 (2008: 259,490,720) ordinary shares in issued during the year.

No diluted earnings (loss) per share for both years was presented since the exercise price of the Company's share options were higher than the average market price per share for both years.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2008	111,830
Reclassified from property, plant and equipment	15,100
Net increase in fair value recognised in profit or loss	1,109
Disposals	(8,639)
At 31 December 2008	119,400
Additions	700
Reclassified from property, plant and equipment	9,200
Net increase in fair value recognised in profit or loss	14,700
Disposals	(31,200)
At 31 December 2009	112,800

The fair values 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 B.I. Appraisals Limited ("B.I."). B.I. are members of the Institute of Valuers and the valuation was arrived at by reference to market evidence of transaction prices for similar properties or, whenever appropriate, taking into account the current rent passing and the reversionary income potential of each of the properties.

The investment properties are held under medium term leases in Hong Kong and held for rental income under operating leases.

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2008	146,711	22,469	4,039	23,832	26,452	16,571	240,074
Exchange adjustments	244	231	353	84	113	76	1,101
Additions	24,489	4,896	343	2,602	850	235	33,415
Reclassified to investment properties	(11,765)	–	–	–	–	–	(11,765)
Disposals	–	–	–	(247)	(29)	(342)	(618)
At 31 December 2008	159,679	27,596	4,735	26,271	27,386	16,540	262,207
Additions	415	28	417	2,413	3,223	–	6,496
Reclassified to investment properties	(7,847)	–	–	–	–	–	(7,847)
Disposals	(1,123)	(13,079)	–	(8,337)	(7,843)	(1,730)	(32,112)
At 31 December 2009	151,124	14,545	5,152	20,347	22,766	14,810	228,744
Comprising:							
At cost	105,774	27,624	5,152	20,347	22,766	14,810	196,473
At valuation – 1994	45,350	–	–	–	–	–	45,350
	151,124	27,624	5,152	20,347	22,766	14,810	241,823
DEPRECIATION							
At 1 January 2008	31,436	19,308	199	15,105	15,628	12,770	94,446
Exchange adjustments	21	94	22	21	20	13	191
Provided for the year	3,864	1,303	403	2,908	3,364	1,258	13,100
Reclassified to investment properties	(990)	–	–	–	–	–	(990)
Eliminated on disposals	–	–	–	(247)	(22)	(316)	(585)
At 31 December 2008	34,331	20,705	624	17,787	18,990	13,725	106,162
Provided for the year	3,794	1,671	460	3,328	3,222	1,048	13,523
Reclassified to investment properties	(2,398)	–	–	–	–	–	(2,398)
Eliminated on disposals	(92)	(13,079)	–	(8,336)	(7,843)	(1,730)	(31,080)
At 31 December 2009	35,635	9,297	1,084	12,779	14,369	13,043	86,207
CARRYING VALUES							
At 31 December 2009	115,489	5,248	4,068	7,568	8,397	1,767	142,537
At 31 December 2008	125,348	6,891	4,111	8,484	8,396	2,815	156,045

16. 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:

Leasehold land and buildings	Over the shorter of the term of the relevant lease or 25 years
Leasehold improvements	Over the term of the relevant lease
Others	5 years

The carrying values of leasehold land and buildings held by the Group at the end of the reporting period comprises:

	2009 HK$'000	2008 HK$'000
Land and buildings in Hong Kong:		
Long lease	–	623
Medium-term lease	51,437	59,250
Land and buildings in Mainland PRC:		
Long term	64,052	65,475
	115,489	125,348

All owner-occupied leasehold land is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

17. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2008 and 31 December 2008 and 31 December 2009	16,419

Goodwill acquired in business combinations was allocated, at acquisition, to the individual cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	2009 and 2008 HK$'000
Distribution of sports products	1,369
Distribution of electronic components and semiconductors products	15,050
	16,419

17. GOODWILL *(Continued)*

The basis of the recoverable amounts of the CGUs and their major underlying assumptions are summarised below:

Distribution of sports products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using a steady 5% (2008: 5%) growth rate, and discount rate of 7% (2008: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Distribution of electronic components and semiconductors products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with no growth rate applied in the first year of projection period and 7.5% growth rate to apply from the second year of projection period thereafter (2008: 7.5% growth rate to apply for the whole projection period), and discount rate of 6% (2008: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

For the year ended 31 December 2009, management of the Group determines that there is no impairment of the CGUs containing goodwill.

18. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of unlisted investments in associates	939	939
Share of post-acquisition losses and other comprehensive income	(623)	(531)
	316	408

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	30	Trading of electronic products
Now Electron Inc.	Incorporated	Republic of Korea	Ordinary	29	Trading of electronic products

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

	2009 HK$'000	2008 HK$'000
Total assets	1,481	2,221
Total liabilities	(1,279)	(1,692)
Net assets	202	529
Group's share of net assets of associates	316	408
Revenue	3,735	10,182
Loss and other comprehensive income for the year	(473)	(335)
Group's share of loss and other comprehensive income of associates for the year	(134)	(76)

18. INTERESTS IN ASSOCIATES *(Continued)*

The Group has discontinued recognition of its share of losses of an associate. The amounts of unrecognised share of the associate, both for the year and cumulatively, are as follows:

	2009 HK$'000	2008 HK$'000
Unrecognised share of losses of associate for the year	2	22
Accumulated unrecognised share of losses of associate	380	378

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2009 and 2008, the Group had interest in the following jointly controlled entity:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
Kitronix Limited	Incorporated	Hong Kong	Ordinary	35	Manufacturing and sales of liquid crystal display modules

The summarised financial information in respect of the Group's interest in a jointly controlled entity which is accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2009 HK$'000	2008 HK$'000
Current assets	8,279	9,444
Non-current assets	9,244	9,681
Current liabilities	2,154	3,904
Non-current liabilities	1,680	–
Income recognised in profit or loss	42,382	58,790
Expenses recognised in profit or loss	43,915	58,651
Other comprehensive income	–	–

20. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Available-for-sale investments comprise:		
At fair value		
Investments in overseas listed equity securities	–	207
Investments in unlisted equity funds/club debenture	1,447	6,589
	1,447	6,796
At cost		
Investments in unlisted equity securities in Hong Kong	6,000	6,000
Total	7,447	12,796
Analysed for reporting purposes as:		
Current assets	–	5,142
Non-current assets	7,447	7,654
	7,447	12,796

Included in Group's available-for-sale investments with aggregate amount of HK$Nil (2008: HK$5,142,000) denominated in USD which is other than the functional currency of the relevant group entities.

The above unlisted equity securities investments represent investments in equity securities issued by private entities which are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

21. CLUB MEMBERSHIPS

	2009 and 2008 HK$'000
Club memberships outside Hong Kong, at cost	3,278

During the year, the club memberships were tested for impairment by comparing their carrying amounts with their recoverable amounts. The directors determined that no impairment loss was charged for the year and are of the opinion that the club memberships are worth at least their carrying amounts.

22. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2009 and 2008, the pledged bank deposits represent amount pledged to banks to secure short-term banking facilities granted to the Group.

The bank balances and pledged bank deposits carry fixed interest rate of which range from 0.07% to 0.14% (31 December 2008: from 2% to 3.3%) per annum and variable interest rate of which range from 0.001% to 3.6% (31 December 2008: 0.1% to 7.6%) per annum, respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2009 HK$'000	2008 HK$'000
USD	185,768	64,523
AUD	16,278	43,186
RMB	5,054	1,602
	207,100	109,311

23 INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	2,928	1,518
Work-in-progress	579	1,242
Finished goods	390,480	368,023
	393,987	370,783

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2009 HK$'000	2008 HK$'000
Trade receivables	439,696	272,927
Less: allowance for doubtful debts	(7,999)	(6,127)
	431,697	266,800
Other receivables	28,265	20,174
Prepayment and deposits paid	15,964	11,656
Total trade and other receivables	475,926	298,630
Bills receivable	15,279	1,125

The Group allows a credit period ranged from 30 days to 120 days to its trade customers.

The following is an aged analysis of trade and bills receivable net of allowance for doubtful debts presented based on the due date at the end of the reporting period.

	2009 HK$'000	2008 HK$'000
Current	320,344	161,080
Within 30 days	96,393	64,758
More than 30 days and within 60 days	17,672	22,085
More than 60 days and within 90 days	480	5,864
More than 90 days	12,087	14,138
	446,976	267,925

Before accepting any new customer, the Group assess the potential customer's credit quality by investigating their historical credit record and define credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

other receivables are unsecured, interest-free, repayable on demand and expected to be settled within twelve months from reporting date.

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$126,632,000 (2008: HK$106,845,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2008: 67 days).

Ageing of trade receivables which are past due but not impaired

	2009 HK$'000	2008 HK$'000
Within 30 days	96,393	64,758
More than 30 days and within 60 days	17,672	22,085
More than 60 days and within 90 days	480	5,864
More than 90 days	12,087	14,138
Total	126,632	106,845

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	6,127	17,018
Impairment losses recognised on receivables	3,975	–
Amounts written off as uncollectible	(2,103)	(5,559)
Reversal of bad debt provision	–	(5,332)
Balance at end of the year	7,999	6,127

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$7,999,000 (31 December 2008: HK$6,127,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE *(Continued)*

The Group trade and other receivables and bills receivable that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2009 HK$'000	2008 HK$'000
USD	271,176	158,971
RMB	81	139
	271,257	159,110

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK$'000	2008 HK$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	17,255	1,988
Unlisted equity funds	17,583	3,955
	34,838	5,943
Financial assets designated at fair value through profit or loss:		
Structured deposits	22,295	28,827
	57,133	34,770

Included in financial assets designated at fair value through profit or loss is principal protected structured deposits of HK$22,295,000 (2008: HK$28,827,000) placed with two banks. Under the relevant agreements, one of such structured deposits contains embedded derivative in which its return is determined by reference to the changes in exchange rate of foreign currencies including AUD, Canadian Dollar, Swiss France, Euro, British Pound, Japanese Yen, New Zealand Dollar, Norwegian Krone, Swedish Krona and USD, while the return for the other deposit is determined by reference to the changes in quoted price of certain equity securities listed overseas. The fair value is based on the mark to market valuation amount provided by the counterparty financial institution, which are based on discounted cash flow analysis taking into account of observable market data and unobservable inputs (see note 6(c) for details).

Included in Group's financial assets at fair value through profit or loss are balances with aggregate amount of approximately HK$22,295,000 (2008: HK$28,827,000) denominated in USD which is other than the functional currency of the relevant group entities.

26. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	2009 HK$'000	2008 HK$'000
Trade payables	265,763	173,486
Other payables	22,825	13,812
Accruals and deposits received	30,803	22,198
Total trade and other payables	319,391	209,496
Bills payable	79,949	23,734

The average credit period on purchase of goods ranged from 30 days to 120 days. The Group has financial risk management policies in place to ensure that all payables within the credit timeframe.

Other payables are unsecured, interest-free and repayable on demand.

Included in Group's trade and other payables and bills payable with aggregate amount of approximately HK$204,072,000 (2008: HK$134,504,000) denominated in USD which is other than the functional currency of the relevant group entities.

The following is an aged analysis of trade and bills payable presented based on the due date at the end of the reporting period.

	2009 HK$'000	2008 HK$'000
Current	232,901	89,730
Within 30 days	88,940	48,987
More than 30 days and within 60 days	15,201	35,228
More than 60 days and within 90 days	–	5,463
More than 90 days	8,670	17,812
	345,712	197,220

27. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2009	2008
	HK$'000	HK$'000
Fair value of derivatives not under hedge accounting		
Foreign currency forward contracts – net settled	260	1,375
Interest rate swap	2,123	–
	2,383	1,375

As at 31 December 2009, the Group has certain outstanding foreign exchange forward contracts with monthly settlement to which the Group is committed are as follows:

Notional amount	Maturity	Forward exchange rates
Two contracts to buy USD in total notional amount of USD25,000,000	Ranging from 3 November 2010 to 15 February 2011	HK$/USD ranging from 7.725 to 7.736

As at 31 December 2008, the Group has certain outstanding foreign exchange forward contracts with monthly settlement to which the Group is committed are as follows:

Notional amount	Maturity	Forward exchange rates
Six contracts to buy USD in total notional amount of USD28,000,000	Ranging from 25 February 2009 to 31 May 2010	HK$/USD ranging from 7.69 to 7.755
Two contracts to buy or sell USD in total notional amount of USD18,000,000	Ranging from 13 May 2009 to 8 September 2009	HK$/USD ranging from 7.749 to 7.85

The Group uses interest rate swap to swap a portion of the floating rate borrowings from floating rates to fixed rates of which hedge accounting is not applied. The interest rate swap is settled in each quarter. Major terms of the interest rate swap as at 31 December 2009 are set out below:

Notional amount	Maturity	Swap
HK$100,000,000	24 July 2014	HIBOR to 2.98%

28. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank borrowings comprise:		
Bank import loans	406,389	266,684
Other bank loans	198,499	231,598
	604,888	498,282
Analysed as:		
Secured	579,557	489,887
Unsecured	25,331	8,395
	604,888	498,282
Carrying amount repayable:		
Within one year	563,398	466,846
More than one year, but not exceeding two years	10,579	19,167
More than two years, but not exceeding five years	30,301	8,893
More than five years	610	3,376
	604,888	498,282
Less: Amount due within one year shown under current liabilities	(563,398)	(466,846)
	41,490	31,436

At 31 December 2009, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.60% (2008: 2.23%).

Included in Group's borrowings with aggregate amount of approximately HK$60,832,000 (2008: HK$168,277,000) denominated in USD which is other than the functional currency of the relevant group entities.

29. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	259,490,720	25,949

	Number of non-redeemable convertible preference shares	Amount HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	46,000,000	4,600
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	–	–

30. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a resolution passed on 28 June 2002, the Company adopted a share option scheme (the "Scheme") for recognition of past services contributed by, and giving incentives to the eligible directors and employees.

According to the Scheme, the board of directors (the "Board") of the Company may at their discretion grant options to any director, executive and employee of each member of the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 28 days from the date of grant. The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. There is no minimum period that a grantee must hold an option before it can be exercised. The Board may also provide restrictions on the exercise of a share option during the period a share option may be exercised. The exercise price is determined by the Board of the Company, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue as at the date of adoption of the Scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to each individual under the Scheme and any other share option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Details of the share options granted under the Scheme are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options
Tranche 1	03.07.2007	03.07.2007 to 02.07.2008	03.07.2008 to 02.07.2010	1.50	3,000,000
Tranche 2	03.07.2007	03.07.2007 to 02.07.2009	03.07.2009 to 02.07.2010	1.50	3,000,000
					6,000,000

The following table discloses movements of the Company's share options held by a director and employees during the years ended 31 December 2008 and 2009:

	Date of grant	Exercise price per share	Exercisable period	Options granted outstanding as at 1 January 2008	Options granted durinig the year	Options exercised durinig the year	Options lapsed durinig the year	Options cancelled durinig the year	Options outstanding and exercisable as at 31 December 2008	Options transferred during the year (note)	Options outstanding and exercisable as at 31 December 2009
Director											
Lau Ping Cheung	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	500,000	-	-	-	-	500,000	(500,000)	-
Lau Ping Cheung	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	500,000	-	-	-	-	500,000	(500,000)	-
Employees	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	2,500,000	-	-	(250,000)	-	2,250,000	500,000	2,750,000
Employees	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	2,500,000	-	-	(250,000)	-	2,250,000	500,000	2,750,000
				6,000,000	-	-	(500,000)	-	5,500,000	-	5,500,000

Note: Options transferred upon resignation of Lau Ping Cheung as director during the year.

31. DEFERRED TAXATION

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

	Accelerated (decelerated) tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Other deductible temporary differences HK$'000	Total HK$'000
At 1 January 2008	4,590	7,912	(710)	(331)	11,461
(Credit) Charge to profit or loss and other comprehensive income	(2,318)	536	(720)	148	(2,354)
Effect of change in tax rate	(262)	(452)	41	17	(656)
At 31 December 2008	2,010	7,996	(1,389)	(166)	8,451
(Credit) Charge to profit or loss and other comprehensive income	(2,427)	2,519	(1,218)	–	(1,126)
At 31 December 2009	(417)	10,515	(2,607)	(166)	7,325

At 31 December 2009, the Group had unused tax losses of HK$89,944,000 (31 December 2008: HK$97,532,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$15,804,000 (2008: HK$8,425,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$74,140,000 (2008: HK$89,107,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At 31 December 2009, the Group had deductible temporary differences in relation to allowance for doubtful debts of HK$10,207,000 (2008: HK$10,620,000). A deferred tax asset has been recognised in respect of HK$1,006,000 (2008: HK$1,006,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$9,201,000 (2008: HK$9,614,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. RETIREMENT BENEFITS SCHEME

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

The retirement benefits cost of the ORSO Scheme and MPF Scheme charged to profit or loss represents contributions payable to the funds by the Group at rates specified in the rules of the schemes. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Under the ORSO Scheme and MPF Scheme, no forfeited contributions are available to reduce the contributions payable in the future years.

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

33. PLEDGE OF ASSETS

At 31 December 2009, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(a) investment properties and leasehold land and buildings with carrying values of HK$103,010,000 (2008: HK$108,400,000) and HK$71,473,000 (2008: HK$86,846,000), respectively;

(b) bank deposits of HK$10,751,000 (2008: HK$24,757,000);

(c) trade receivables of HK$100,194,000 (2008: HK$151,680,000);

(d) structured deposits of HK$22,295,000 (2008: HK$28,827,000);

(e) inventories of HK$Nil (2008: HK$74,240,000); and

(f) investments held-for-trading of HK$17,583,000 (2008: HK$Nil).

34. OPERATING LEASE

The Group as lessee

	2009 HK$'000	2008 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises	1,160	2,817

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	538	742
In the second to fifth year inclusive	40	107
	578	849

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse. Leases are negotiated for lease terms of one to two years with fixed rental.

The Group as lessor

Property rental income earned during the year was HK$4,621,000 (2008: HK$4,243,000). The properties held have committed tenants for the next two (2008: two) years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 HK$'000	2008 HK$'000
Within one year	3,503	3,530
In the second to fifth year inclusive	804	3,360
	4,307	6,890

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Related parties who are also connected parties

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected parties pursuant to the Listing Rules. The significant transactions during the year and balances at the end of the reporting period with a substantial shareholder and its subsidiaries are as follows:

(a) Transactions

Name of party	Nature of transactions	2009 HK$'000	2008 HK$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") (note) and its subsidiaries	Purchases of electronic products	32,379	30,735
	Sales of electronic products	453,557	446,158

(b) Balances

Name of party	Nature of transactions	2009 HK$'000	2008 HK$'000
Hon Hai and its subsidiaries	Balance at 31 December		
	– trade receivables	132,518	114,977
	– trade payables	18,389	8,675

Note: Hon Hai is a substantial shareholder of the Company, who held 17.73% of the issued share capital of the Company as at 31 December 2009 and 2008 indirectly.

(II) Related parties, other than connected parties

The significant transactions with related parties, other than connected parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

(a) Transactions

Name of party	Nature of transactions	2009 HK$'000	2008 HK$'000
Venturers of Kitronix Limited, jointly controlled entity of the Company	Purchases of electronic products	294	3
	Sales of electronic products	1,348	10,368
Associates:			
Now Electron Inc.	Sales of electronic products	2,724	4,993

35. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(II) Related parties, other than connected parties *(Continued)*

(b) Balances

Name of party	Nature of transactions	2009 HK$'000	2008 HK$'000
Venturers of Kitronix Limited, jointly controlled entity of the Company	Balance at 31 December – trade receivables	84	731
Associates:			
Bestime Technology Development Limited	Balance at 31 December – trade receivables	662	659
Now Electron Inc.	Balance at 31 December – trade receivables	323	879

(c) Compensation of key management personnel

The compensation of directors of the Company for both years are set out in note 9.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2009 and 31 December 2008 are as follows:

	2009 HK$'000	2008 HK$'000
Total assets	358,254	358,754
Total liabilities	134,336	123,328
Net assets	223,918	235,426
Capital and reserves		
Share capital	25,949	25,949
Share premium and reserves (note)	197,969	209,477
Total equity	223,918	235,426

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contri-buted surplus HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	29,298	1,109	157,946	430	36,285	225,068
Loss and other comprehensive income for the year	–	–	–	–	(595)	(595)
Recognition of equity-settled share-based payment expenses	–	–	–	574	–	574
Dividends recognised as distribution	–	–	(15,570)	–	–	(15,570)
At 31 December 2008	29,298	1,109	142,376	1,004	35,690	209,477
Profit and other comprehensive income for the year	–	–	–	–	26	26
Recognition of equity-settled share-based payment expenses	–	–	–	143	–	143
Dividends recognised as distribution	–	–	(11,677)	–	–	(11,677)
At 31 December 2009	29,298	1,109	130,699	1,147	35,716	197,969

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 and 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital held by the Company 2009 %	2008 %	Principal activities
Dragon Trading Limited	British Virgin Islands	Ordinary US$40,000	100	100	Investment holding
Hi-Level Technology Limited	Hong Kong	Ordinary HK$25,000,000	51	51	Distribution of electronic products
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	100	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital held by the Company 2009 %	2008 %	Principal activities
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	**100**	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	**100**	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	**100**	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	**100**	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Distribution of LED lighting products
S.A.S. Systems Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Distribution of system solutions
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**70**	70	Distribution of electronic products
Sportline Limited	Hong Kong	Ordinary HK$200,000	**100**	100	Distribution of sports products
時捷電子科技(深圳)有限公司**	Mainland PRC	Registered capital HK$20,000,000	**100**	100	Distribution of electronic products

* The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meetings of the company or to participate in any distribution on winding up.

** Foreign wholly-owned enterprise

With the exception of Dragon Trading Limited and S.A.S. Investment Company Limited, all the subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and 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 outstanding at the end of the year or at any time during the year.

RESULTS

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Revenue	2,453,638	2,301,140	3,499,789	3,015,277	**3,519,915**
Profit (loss) before tax	50,891	27,521	62,973	(19,021)	**67,996**
Income tax (expense) credit	(8,126)	(5,149)	(9,884)	2,272	**(8,180)**
Profit (loss) for the year	42,765	22,372	53,089	(16,749)	**59,816**
Profit (loss) for the year attributable to:					
Owners of the Company	40,110	18,201	45,282	(18,159)	**51,929**
Minority interests	2,655	4,171	7,807	1,410	**7,887**
	42,765	22,372	53,089	(16,749)	**59,816**

ASSETS AND LIABILITIES

	At 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total Assets	1,214,528	1,196,686	1,558,273	1,158,774	**1,486,673**
Total Liabilities	(843,381)	(822,845)	(1,114,087)	(744,980)	**(1,021,161)**
Net Assets	371,147	373,841	444,186	413,794	**465,512**
Equity attributable to owners of the Company	364,637	366,160	413,203	385,804	**429,693**
Minority interests	6,510	7,681	30,983	27,990	**35,819**
Total Equity	371,147	373,841	444,186	413,794	**465,512**

Particulars of Investment Properties

Location	Lot No.	Category of lease	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11623/588444 shares of Kowloon Inland Lot No. 10985	Medium term	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No.12 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No.5 on 8th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No.8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial

The Group has 100% interest in the above properties.