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GRANDE
THE GRANDE HOLDINGS LIMITED
嘉域集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

RESULTS

The Board of Directors (the “Board”) of The Grande Holdings Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2009 HK\$ million	2008 HK\$ million
REVENUE	3	2,361	2,432
Cost of sales		<u>(1,999)</u>	<u>(2,080)</u>
Gross profit		362	352
Other income		144	204
Gain on disposal of subsidiaries		3	29
Reversal of losses on disposal of subsidiaries		–	123
Distribution costs		(47)	(92)
Administrative expenses		(349)	(403)
Impairment loss recognised in respect of goodwill		(55)	(194)
Impairment loss recognised in respect of brands and trademarks		(110)	–
Other expenses		(138)	(270)
Finance costs	6	(91)	(44)
Share of loss of associates		<u>–</u>	<u>(3)</u>
LOSS BEFORE SETTLEMENT OF COURT PROCEEDINGS AND TAX		(281)	(298)
Settlement of court proceedings	14	<u>(969)</u>	<u>–</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

		2009	2008
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
LOSS BEFORE TAX		(1,250)	(298)
Tax	5	<u>(7)</u>	<u>(3)</u>
LOSS FOR THE YEAR	6	(1,257)	(301)
OTHER COMPREHENSIVE INCOME/ (LOSS), NET OF TAX			
Exchange differences on translating foreign operations		<u>11</u>	<u>(43)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(1,246)</u>	<u>(344)</u>
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		(1,266)	(240)
Minority interests		<u>9</u>	<u>(61)</u>
		<u>(1,257)</u>	<u>(301)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		(1,253)	(255)
Minority interests		<u>7</u>	<u>(89)</u>
		<u>(1,246)</u>	<u>(344)</u>
		<i>HK\$</i>	<i>HK\$</i>
LOSS PER SHARE	8		
Basic		<u>(2.75)</u>	<u>(0.52)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
NON-CURRENT ASSETS			
Property, plant and equipment		213	321
Investment properties		40	42
Interest in associates		–	–
Available-for-sale investments		48	56
Deferred tax assets		84	49
Brands and trademarks		1,677	1,774
Other assets		8	11
Goodwill		530	585
		<hr/> 2,600	<hr/> 2,838
CURRENT ASSETS			
Inventories		179	314
Accounts and bills receivables	9	141	176
Amounts due from associates		–	2
Amounts due from related companies	10	2	–
Prepayments, deposits and other receivables	11	425	452
Tax recoverable		2	7
Deferred tax assets		–	36
Held-for-trading investments		9	96
Derivative financial instruments		–	1
Pledged deposits with banks		27	10
Cash and bank balances		315	132
		<hr/> 1,100	<hr/> 1,226
CURRENT LIABILITIES			
Accounts and bills payable	12	189	145
Amounts due to associates		–	3
Amounts due to related companies	10	23	62
Accrued liabilities and other payables	13	432	193
Tax liabilities		7	7
Trust receipt loans		264	78
Current portion of secured bank loans		227	303
Unsecured bank loans		8	31
Obligations under finance leases		15	19
Derivative financial instruments		30	188
Exchangeable bonds issued by a subsidiary		–	171
		<hr/> 1,195	<hr/> 1,200
Settlement obligations of court proceedings	14	890	–
		<hr/> 2,085	<hr/> 1,200

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		2009	2008
	<i>Notes</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
NET CURRENT (LIABILITIES)/ASSETS		<u>(985)</u>	<u>26</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,615</u>	<u>2,864</u>
NON-CURRENT LIABILITIES			
Non-current portion of secured bank loans		–	54
Obligations under finance leases		–	12
Debenture		53	214
Derivative financial instruments		61	78
Provision for retirement and long service payments		–	2
Amounts due to related companies	10	535	270
Accrued liabilities and other payables	13	84	106
		<u>733</u>	<u>736</u>
NET ASSETS		<u>882</u>	<u>2,128</u>
CAPITAL AND RESERVES			
Share capital		46	46
Share premium		1,173	1,173
Reserves		<u>(1,115)</u>	<u>138</u>
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		104	1,357
MINORITY INTERESTS		<u>778</u>	<u>771</u>
TOTAL EQUITY		<u>882</u>	<u>2,128</u>

NOTES:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for accounting periods beginning on or after 1 January 2009:

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

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, except for the application of the following new HKFRSs:

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. The revised standard prohibits the presentation of income and expenses directly in the statement of changes in equity. All income and expenses are required to be shown in either one statement of comprehensive income or two statements (the income statement and the statement of comprehensive income). The Group has elected to present all income and expenses in one statement of comprehensive income. However, the revised standard has had no impact on the reported results or financial position of the Group. Comparative information has been represented to conform with the revised standard.

HKAS 27 (Amendment) has removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, an impairment loss would be recognised. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

HKFRS 7 (Amendment) requires additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. The Group has taken advantage of the transitional provisions in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, HKAS 14 “Segment reporting”, the predecessor standard, required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s most senior executive management. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2009, and is in the process of assessing their impact on future accounting periods:

HKAS 24 (Revised)	(vi)	Related party disclosures
HKAS 27 (Revised)	(i)	Consolidated and separate financial statements
HKAS 32 (Amendment)	(iv)	Classification of right issues
HKAS 39 (Amendment)	(i)	Eligible hedged items
HKFRS 1 (Revised)	(iii)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	(ii)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	(i)	Business combinations
HKFRS 9	(vii)	Financial instruments
HKFRSs (Amendments)	(i)	Amendment to HKFRS 5 as part of Improvements to HKFRSs (2008)
HKFRSs (Amendments)	(iii)	Improvements to HKFRSs (2009)
HK(IFRIC) – Int 14 (Amendment)	(vi)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 17	(i)	Distributions of non-cash assets to owners
HK(IFRIC) – Int 19	(v)	Extinguishing financial liabilities with equity instruments

- (i) Effective for annual periods beginning on or after 1 July 2009.
- (ii) Effective for annual periods beginning on or after 1 January 2010.
- (iii) Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
- (iv) Effective for annual periods beginning on or after 1 February 2010.
- (v) Effective for annual periods beginning on or after 1 July 2010.
- (vi) Effective for annual periods beginning on or after 1 January 2011.
- (vii) Effective for annual periods beginning on or after 1 January 2013.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate. The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

As at 31 December 2009, the Group had net current liabilities of HK\$95 million, excluding the outstanding settlement obligations of HK\$890 million in respect of certain court proceedings as detailed in note 14. As set out in note 17, on 23 April 2010, the Company’s ultimate holding company, Accolade Inc. (“Accolade”) has confirmed its commitment to assume the aforesaid outstanding settlement obligations from the Company.

Subject to any unforeseeable changes on market conditions, the directors have a reasonable expectation that the Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the individual business liquidity and cash flow requirements for the next twelve months. While the Company is in ongoing negotiation with certain creditors on refinancing or rescheduling the payment terms, Accolade has confirmed its intention to provide continuous financial support in funding the working capital requirements of the Company. The directors consider that Accolade has the financial capability to provide its financial support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated financial statements.

3. REVENUE

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, sub-contracting service income, licensing income and realised gain on trading investments, but excludes intra-group transactions.

An analysis of the Group's revenue by principal activity for the year is as follows:

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
By principal activity:		
Sales of goods and services	2,183	2,263
Licensing income	148	141
Realised gain on investments trading	30	28
	<hr/> 2,361 <hr/>	<hr/> 2,432 <hr/>

4. SEGMENT REPORTING

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009 as explained in note 1. The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, a group of the chief operating decision maker, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group currently organises its operations into the following reportable operating segments:

Operating segments	Principal activities
Branded distribution	Trading of audio and video products, licensing business and investments trading
– Emerson	– Comprising a group listed on the NYSE Alternext U. S.
– Distribution and licensing	– Others including the brands and trademarks, namely, Akai, Sansui and Nakamichi
Electronics manufacturing services	Manufacture and trading of electronic products

In contrast, HKAS 14 "Segment reporting", the predecessor standard, 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.

(a) Segment information

	Branded distribution		Electronics		Inter-segment elimination	Unallocated	Consolidated
	Emerson	Distribution and licensing	Sub-total	manufacturing services			
2009	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Revenue:							
Sales of goods and services to external customers	1,514	42	1,556	627	–		2,183
Licensing income from external customers	51	80	131	17	–		148
Realised gain on investments trading	–	30	30	–	–		30
Inter-segment sales	–	10	10	2	(12)		–
Total	<u>1,565</u>	<u>162</u>	<u>1,727</u>	<u>646</u>	<u>(12)</u>		<u>2,361</u>
Results:							
Segment results	<u>45</u>	<u>51</u>	<u>96</u>	<u>(6)</u>	<u>–</u>		90
Unallocated corporate expenses						(77)	(77)
						(77)	13
(Loss)/gain on disposal of property, plant and equipment	(1)	64	63	–	–	1	64
Change in fair value of investment properties	–	–	–	(2)	–	–	(2)
Impairment loss recognised in respect of:							
Property, plant and equipment	–	–	–	(14)	–	–	(14)
Brands and trademarks	–	(110)	(110)	–	–	–	(110)
Goodwill						(55)	(55)
Available-for-sale investments						(2)	(2)
Gain on disposal of subsidiaries						3	3
Allowance for doubtful debts						(5)	(5)
Change in fair value of exchangeable bonds						1	1
Loss on financial derivatives						(92)	(92)
Settlement of court proceedings						(969)	(969)
Interest income						9	9
Interest expenses						(91)	(91)
Taxation						(7)	(7)
Loss for the year						<u>(1,284)</u>	<u>(1,257)</u>
Assets:							
Segment assets	<u>1,147</u>	<u>3,135</u>	<u>4,282</u>	<u>4,233</u>	<u>(4,907)</u>	<u>92</u>	<u>3,700</u>
Liabilities:							
Segment liabilities	<u>799</u>	<u>3,620</u>	<u>4,419</u>	<u>2,927</u>	<u>(5,766)</u>	<u>1,238</u>	<u>2,818</u>
Other information:							
Depreciation and amortisation	<u>6</u>	<u>5</u>	<u>11</u>	<u>53</u>		<u>4</u>	<u>68</u>
Capital expenditure	<u>35</u>	<u>1</u>	<u>36</u>	<u>1</u>		<u>–</u>	<u>37</u>

The segment information reported for the prior period have been represented to conform with the current year requirements of HKFRS 8:

	Emerson <i>HK\$ million</i>	Branded distribution Distribution and licensing <i>HK\$ million</i>	Sub-total <i>HK\$ million</i>	Electronics manufacturing services <i>HK\$ million</i>	Inter-segment elimination <i>HK\$ million</i>	Unallocated <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
2008 (represented)							
Revenue:							
Sales of goods and services to external customers	1,490	139	1,629	634	–		2,263
Licensing income from external customers	55	86	141	–	–		141
Realised gain on investments trading	–	28	28	–	–		28
Total	<u>1,545</u>	<u>253</u>	<u>1,798</u>	<u>634</u>	<u>–</u>		<u>2,432</u>
Results:							
Segment results	<u>(62)</u>	<u>70</u>	<u>8</u>	<u>(11)</u>	<u>–</u>		(3)
Unallocated corporate expenses						(29)	(29)
						(29)	(32)
Gain on disposal of property, plant and equipment	–	46	46	7	–	2	55
Share of loss of associates	–	(3)	(3)	–	–	–	(3)
Gain on disposal of subsidiaries						29	29
Impairment loss recognised in respect of:							
Goodwill						(194)	(194)
Available-for-sale investments						(14)	(14)
Allowance for doubtful debts						(8)	(8)
Change in fair value of exchangeable bonds and convertible debenture						(77)	(77)
Loss on financial derivatives						(149)	(149)
Reversal of losses on disposal of subsidiaries						123	123
Interest income						16	16
Interest expenses						(44)	(44)
Taxation						(3)	(3)
Loss for the year						<u>(348)</u>	<u>(301)</u>
Assets:							
Segment assets	<u>1,066</u>	<u>3,762</u>	<u>4,828</u>	<u>4,799</u>	<u>(5,665)</u>	<u>102</u>	<u>4,064</u>
Liabilities:							
Segment liabilities	<u>762</u>	<u>3,501</u>	<u>4,263</u>	<u>3,156</u>	<u>(5,894)</u>	<u>411</u>	<u>1,936</u>
Other information:							
Depreciation and amortisation	<u>7</u>	<u>6</u>	<u>13</u>	<u>49</u>		<u>5</u>	<u>67</u>
Capital expenditure	<u>4</u>	<u>10</u>	<u>14</u>	<u>53</u>		<u>–</u>	<u>67</u>

(b) Geographical information

	Revenue		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2009	2008	2009	2008	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Asia	784	789	1,512	2,094	4	66
North America	1,569	1,586	418	93	21	1
Europe	8	57	1	1	–	–
Unallocated	–	–	1,677	1,774	12	–
	<u>2,361</u>	<u>2,432</u>	<u>3,608</u>	<u>3,962</u>	<u>37</u>	<u>67</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
The tax charge/(credit) comprises:		
Current year provision		
Hong Kong	1	–
Overseas	5	47
Over provision in prior year		
Overseas	(2)	(45)
Deferred tax		
Hong Kong	–	1
Overseas	3	–
	<u>7</u>	<u>3</u>

6. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Depreciation of property, plant and equipment:		
Owned assets	53	54
Leased assets	14	12
	<u>67</u>	<u>66</u>
Operating lease rentals:		
Land and buildings	29	11
Property, plant and equipment	4	5
	<u>33</u>	<u>16</u>
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	20	32
Interest on bank loans wholly repayable beyond five years	–	2
Obligations under finance leases	1	2
Debenture	14	1
Interest on amounts due to related companies	32	7
Interest on settlement obligations of court proceedings	6	–
Others	18	–
	<u>91</u>	<u>44</u>
Auditors' remuneration:		
Current year	10	9
Over provision in prior year	–	(1)
	<u>10</u>	<u>8</u>
Staff costs:		
Salaries and other benefits	118	219
Retirement benefit costs	17	4
	<u>135</u>	<u>223</u>

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Cost of inventories recognised as expenses	1,881	1,886
Amortisation of other assets included in other expenses	1	1
Allowance for doubtful debts	5	8
Research and development expenditure	–	1
Gain on disposal of property, plant and equipment	(64)	(55)
Impairment loss recognised in respect of property, plant and equipment	14	–
Impairment loss recognised in respect of available-for-sale investments	2	14
Change in fair value of held-for-trading investments	–	13
Change in fair value of investment properties	2	–
Change in fair value of exchangeable bonds and convertible debenture	(1)	77
Loss on financial derivatives	92	149
Net foreign exchange loss/(gain)	15	(18)
Interest income	(9)	(16)
	<u> </u>	<u> </u>

7. DIVIDENDS

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
2008 interim dividend of HK5 cents per share on 460.2 million ordinary shares	–	23
2007 final dividend of HK8 cents per share on 460.2 million ordinary shares	–	37
2007 second interim dividend satisfied by way of a distribution in specie of seven ordinary shares of Lafe Corporation Limited (“Lafe shares”) for every five ordinary shares of the Company (the fair value on distribution date of Lafe shares was HK\$1.10 each which equates to a dividend of HK\$1.54 per share on 460.2 million ordinary shares)	–	708
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

8. LOSS PER SHARE

The calculation of loss per share is based on loss attributable to shareholders of the Company of HK\$1,266 million (2008: HK\$240 million) and on the weighted average of approximately 460.2 million ordinary shares (2008: 460.2 million ordinary shares) in issue during the year.

Diluted loss per share has not been presented as the Company did not have any potential ordinary shares during the above two years.

9. ACCOUNTS AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of accounts and bills receivables (net of allowance for doubtful debts) is as follows:

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
0 – 3 months	138	161
3 – 6 months	1	2
Over 6 months	2	13
	<hr/>	<hr/>
	141	176
	<hr/> <hr/>	<hr/> <hr/>

10. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from related companies are unsecured, non-interest bearing and has no fixed terms of repayment. Included in the amounts due to related companies was an amount of HK\$545 million (2008: HK\$324 million) which is unsecured, bearing interest at the Hong Kong dollar prime rates and repayable on demand except for an amount of HK\$535 million (2008: HK\$270 million) which is subject to repayment only after one year from the reporting date. The remaining balance is unsecured, non-interest bearing and repayable on demand.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Prepayments	8	12
Deposits	18	4
VAT receivables	6	24
Other receivables	389	411
Other assets	4	1
	<hr/>	<hr/>
	425	452
	<hr/> <hr/>	<hr/> <hr/>

Included in the other receivables was an amount of HK\$378 million (2008: HK\$370 million) due from former associates. The Group disposed of its entire shareholding interests in these associates in May 2008.

12. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
0 – 3 months	163	113
3 – 6 months	1	4
Over 6 months	25	28
	<u>189</u>	<u>145</u>

13. ACCRUED LIABILITIES AND OTHER PAYABLES

	2009		2008	
	Current <i>HK\$ million</i>	Non-Current <i>HK\$ million</i>	Current <i>HK\$ million</i>	Non-Current <i>HK\$ million</i>
Accrued expenses and provisions	170	35	138	49
Other payables	214	47	46	52
Other borrowings	41	–	–	–
Deposits received	7	2	9	5
	<u>432</u>	<u>84</u>	<u>193</u>	<u>106</u>

14. SETTLEMENT OF COURT PROCEEDINGS

On 3 October 2009, the Company and all other defendants of the court proceedings in HCCL No. 37 of 2005 and HCCL No. 40 of 2005 entered into a settlement agreement (the “Settlement Agreement”) with the plaintiffs, whereby the Company, without admission of liability, takes up an amount of HK\$969 million plus interest as its maximum obligations payable to the plaintiffs within twelve months from the date of the Settlement Agreement. The entire settlement amount was accrued and expensed during the year. As at 31 December 2009, the outstanding balance of the settlement obligations was HK\$890 million.

Pursuant to a letter of commitment dated 15 October 2009, Accolade is committed to assist in funding and financing the Company to meet its financial obligations under the Settlement Agreement by way of loans which are unsecured and bear annual interest at the US dollar prime rate published by The Hong Kong and Shanghai Banking Corporation Limited. Accolade will not call for repayment on such loans to be advanced to the Company unless the Company has arranged for alternative sources of funds and/or has generated sufficient funds to finance its continuing operations after repayment.

As set out in note 17, on 23 April 2010, Accolade has confirmed its commitment to assume the above outstanding settlement obligations as of 31 December 2009 from the Company.

15. LEGAL PROCEEDINGS

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., for approximately US\$37 million in the United States. In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case has been pending since December 2006. There has been and will continue to be significant written and deposition discovery. Trial is set for late July 2010. The Company is aggressively defending this action. The Group's legal advisers advise that it is difficult to forecast the probable outcome at this time.

16. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
(a) Legal charges over brands and trademarks, account receivables, inventories and bank balances	572	547
(b) Legal charges over available-for-sale investments	47	55
(c) Legal charges over plant and equipment	30	37
(d) Legal charges over freehold buildings outside Hong Kong	20	—
(e) Pledge of brands and trademarks	602	—
(f) Pledge of freehold buildings outside Hong Kong	71	73
(g) Pledge of investment properties	39	41
(h) Pledge of medium-term buildings outside Hong Kong	—	36
(i) Pledge of marketable securities	225	235
(j) Pledge of bank deposits	27	10
	<u>1,633</u>	<u>1,034</u>

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, 391,199 shares (approximately 1.45% equity interests) in Emerson Radio Corp. ("Emerson") were sold in the open market for approximately US\$1.15 million which was applied as partial repayment for certain financial obligations owing to a bank. In addition, there were 3,389,401 Emerson shares (approximately 12.55% equity interests) pledged to the bank as security for outstanding obligations not exceeding US\$4.95 million.

On 2 March 2010, Emerson declared an extraordinary cash dividend of US\$1.1 per common share payable on 24 March 2010 to the shareholders of Emerson at the close of trading on 15 March 2010.

On 23 April 2010, Accolade has confirmed its commitment to assume the outstanding settlement obligations as of 31 December 2009 in respect of the court proceedings as detailed in note 14.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2009 given the business environment in the coming year is still uncertain.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year 2009, the Group's loss attributable to shareholders was HK\$1,266 million as compared to a loss of HK\$240 million for the year 2008. The loss for 2009 included a settlement compensation of HK\$969 million in respect of certain court proceedings as detailed in note 14 and a recognition of aggregate impairment loss of HK\$165 million in respect of certain trademarks and goodwill consequent upon the contraction of global consumer electronics markets during the year.

The revenue was HK\$2,361 million for the year as compared to HK\$2,432 million for 2008. The gross profit from operating activities was HK\$362 million as compared to HK\$352 million for 2008.

The core business segments of the Group comprise the Branded Distribution Division and the Electronics Manufacturing Services Division.

THE BRANDED DISTRIBUTION DIVISION

The Division comprises the Emerson operations and the Distribution and Licensing operations for Akai, Sansui and Nakamichi brands.

Emerson

Emerson is a popular brand in the North America focusing on various entry level and moderately priced audio and video products and household appliances. The trade name "Emerson Radio" dates back to 1912 and is one of the oldest and well respected brands in the consumer electronics industry.

Emerson's revenue for 2009 was HK\$1,565 million as compared to HK\$1,545 million for 2008. It recorded an operating profit of HK\$45 million for 2009 as compared to a loss of HK\$62 million in 2008. The improvement in the operating results was mainly attributable to the implementation of effective cost control measures and prudent operational strategies of leveraging Emerson's core competencies to offer a broader variety of electronic products to customers; and the entering into of licenses with third parties for the use of the Emerson trade name and trademark.

Exports for the first half of 2009 was hit hard by the financial tsunami spreading across the globe. In the second half of 2009, a series of economic stimulus policies and measures were implemented by the government of the United States, which started to bear fruit and stabilize the consumers' sentiment. The Group is cautiously optimistic of the business performance of Emerson in 2010.

Global Licensing

This segment has the responsibility of managing the global licensing operations of Nakamichi, Akai and Sansui brands. The Group's strategy is to qualify and appoint exclusive licensees for each brand in different geographical regions, granting them the rights to source, market, promote and distribute the approved branded products with their own resources, expertise and knowledge in the domestic markets.

The revenue of this segment was HK\$152 million for 2009 as compared to HK\$253 million for 2008. The operating profit for 2009 was HK\$51 million as compared to HK\$70 million for 2008. The decrease in revenue and operating profit was attributable to the continuing negative sentiment over the consumer markets in Europe and Asia during 2009 consequent upon the financial tsunami in late 2008.

There have been some signs of recovery in the global consumer markets since the second half of 2009. The Group will continue to focus on expanding its licensing operations for the Akai, Sansui and Nakamichi brands and improving their competitive edge and market awareness.

THE ELECTRONICS MANUFACTURING SERVICES DIVISION

The Electronics Manufacturing Services Division ("EMS") provides OEM manufacturing services including high precision engineering contract services with the state-of-the-art Surface Mount Technology machines in its PRC plants to both the overseas and domestic customers.

The EMS revenue for 2009 was HK\$644 million as compared to HK\$634 million for 2008. The EMS operating loss for 2009 was HK\$6 million as compared to a loss of HK\$11 million in 2008. The improvement in the operating result was attributable to the reduction of operating costs through cost-efficient rationalization programs implemented during the year.

In view of the shrinkage of the consumer electronics markets in the overseas markets, the EMS operation will continue to vigorously develop its OEM customer base in the PRC. The Group will also continue to put effort to increase production efficiency in order to enhance its competitiveness.

Looking ahead, the overall market sentiment is gradually improving. The Group will endeavor to maintain a steady business growth and maximize the return for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had total assets of HK\$3,700 million which were financed by total equity of HK\$882 million including minority interests of HK\$778 million and total liabilities of HK\$2,818 million. The Group had a current ratio of approximately 0.53 as compared to that of approximately 1.02 at 31 December 2008.

As at 31 December 2009, the Group had HK\$342 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources, borrowings from related companies and short-term borrowings which were charged by banks at fixed and floating interest rates. As at 31 December 2009, the Group had HK\$499 million short-term bank borrowings.

The Group had inventories of approximately HK\$179 million as at 31 December 2009 representing a decrease of HK\$135 million as compared to the previous year.

As at 31 December 2009, the Group's gearing ratio was 200% which is calculated based on the Group's net borrowings of HK\$1,768 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK\$882 million.

As at 31 December 2009, the Group had net current liabilities of HK\$95 million, excluding the outstanding settlement obligations of HK\$890 million in respect of certain court proceedings as detailed in note 14. As set out in note 17, on 23 April 2010, Accolade has confirmed its commitment to assume the aforesaid outstanding settlement obligations from the Company.

Subject to any unforeseeable changes on market conditions, the directors have a reasonable expectation that the Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the individual business liquidity and cash flow requirements for the next twelve months. While the Company is in ongoing negotiation with certain creditors on refinancing or rescheduling the payment terms, Accolade has confirmed its intention to provide continuous financial support in funding the working capital requirements of the Company. The directors consider that Accolade has the financial capability to provide its financial support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated financial statements. As at 31 December 2009, Accolade had through its subsidiary provided HK\$545 million to the Group and out of which HK\$535 million is subject to repayment only after one year from the reporting date.

TREASURY POLICIES

The Group's major borrowings are in US dollars, Renminbi, Japanese Yen and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars, Renminbi or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Renminbi against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

CHARGES ON GROUP ASSETS

As at 31 December 2009, certain of the Group's assets with a total carrying values of approximately HK\$1,633 million were pledged to banks to secure banking and other borrowing facilities granted to the Group. Details are set out in note 16.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the year under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, independent non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. Details of corporate governance are set out in the annual report.

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

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

LEGAL PROCEEDINGS

Details of the legal proceedings of the Group are set out in note 15.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2009.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 17.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors. The financial information set out in this preliminary announcement represents an extract from these consolidated financial statements and have been agreed by the Company's auditors, Moore Stephens.

On behalf of the Board
Christopher W. Ho
Chairman

Hong Kong, 26 April 2010

As at the date of this announcement, the Board of the Company comprises: Mr. Christopher W. Ho, Mr. Adrian C. C. Ma, Mrs. Christine L. S. Asprey and Mr. Paul K. F. Law as executive directors; Mr. Michael A. B. Binney as non-executive director; and Mr. Henry C. S. Chong, Mr. Herbert H. K. Tsoi and Mr. Martin I. Wright as independent non-executive directors.