The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

2 December 2010

The Directors
World Wide Touch Technology (Holdings) Limited

CMB International Capital Limited

Dear Sirs,

We report on the financial information of World Wide Touch Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance sheets of the Company as at 31 December 2009 and 30 June 2010, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This financial information has been prepared by the directors of the Company and is set out in Sections I to II below for inclusion in Appendix I to the prospectus of the Company dated 2 December 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 17 July 2009 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 2 of Section I below, which was completed on 27 November 2009, the Company became the holding company of the subsidiaries comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 2 of Section I below. All of these companies are private companies.

No audited financial statements have been prepared by the Company as it has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. The details of the statutory auditors of the subsidiaries comprising the Group are set out in Note 2 of Section I below.

The directors of the Company have prepared consolidated financial statements of the Company for the years ended 31 December 2007, 2008 and 2009 in accordance with Hong Kong Financial

Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the previously issued audited financial statements or, where appropriate, unaudited financial statements of the Company and its subsidiaries, after making such adjustments as are appropriate.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information 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.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 December 2009 and 30 June 2010 and of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Group's results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Section I below included in Appendix I to the Prospectus which comprises the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the "Stub Period Comparative Financial Information").

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 4 of Section I below which are in conformity with HKFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the Prospectus, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 4 of Section I below which are in conformity with HKFRSs.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, and the financial information of the Company as at 31 December 2009 and 30 June 2010:

(a) CONSOLIDATED BALANCE SHEETS

	Section I Note	As at 31 December 2007	2008	2009	As at 30 June 2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	8	165,563	240,186	340,526	387,396
Land use right	9	5,467	5,385	5,270	5,212
Intangible assets	10	–	–	11,383	21,446
Deferred income tax assets	22	–	709	278	139
Prepayments	14	1,887	1,725	3,299	9,593
		172,917	248,005	360,756	423,786
Current assets					
Inventories	11	44,420	32,928	105,691	188,837
Trade receivables	13	63,862	46,549	227,932	262,586
Prepayments, deposits and other receivables	14	4,482	6,229	32,801	32,119
Financial assets at fair value through profit or loss	15	1,947	1,056	1,403	1,141
Amounts due from related companies	16	7	20	–	–
Amounts due from directors	16	10,482	56,844	–	–
Pledged bank deposits	17(a)	19,088	56,423	83,431	82,323
Cash and cash equivalents	17(b)	1,000	12,630	36,057	17,647
		145,288	212,679	487,315	584,653
Total assets		318,205	460,684	848,071	1,008,439

	Section I Note	As at 31 December 2007	2008	2009	As at 30 June 2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY					
Owner's equity attributable to the Company's equity holders					
Share capital	18	215,250	215,250	215,250	215,250
Reserves	19	(151,230)	(63,048)	26,857	93,951
		64,020	152,202	242,107	309,201
LIABILITIES					
Non-current liabilities					
Bank borrowings	20	18,860	–	49,000	44,000
Deferred tax liabilities	22	–	2,590	–	3,992
		18,860	2,590	49,000	47,992
Current liabilities					
Trade and bills payables	23	122,158	124,726	248,425	279,686
Accruals and other payables	24	28,616	38,139	52,211	72,697
Bank borrowings	20	3,151	79,245	186,577	219,652
Finance lease obligations	21	54,424	37,724	54,976	48,249
Current income tax liabilities		16,542	15,637	14,161	17,587
Amount due to a related company	16	10,434	10,421	–	–
Amounts due to directors	16	–	–	614	13,375
		235,325	305,892	556,964	651,246
Total liabilities		254,185	308,482	605,964	699,238
Total equity and liabilities		318,205	460,684	848,071	1,008,439
Net current liabilities		(90,037)	(93,213)	(69,649)	(66,593)
Total assets less current liabilities		82,880	154,792	291,107	357,193

(b) BALANCE SHEETS

	Section I Note	As at 31 December 2009	As at 30 June 2010
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Investments in subsidiaries	12	250,000	250,000
Total assets		250,000	250,000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	18	215,250	215,250
Share premium	19	34,750	34,750
Accumulated losses	19	(50)	(107)
		249,950	249,893
LIABILITY			
Current liabilities			
Amount due to a subsidiary		50	107
Total equity and liabilities		250,000	250,000
Net current liabilities		(50)	(107)
Total assets less current liabilities		249,950	249,893

(c) CONSOLIDATED INCOME STATEMENTS

	Section I Note	Years ended 31 December 2007 HK$'000	2008 HK$'000	2009 HK$'000	Six months ended 30 June 2009 HK$'000 (unaudited)	2010 HK$'000
Revenue	25	674,293	749,788	888,348	327,355	668,705
Cost of sales	27	(521,845)	(585,701)	(629,802)	(248,397)	(481,041)
Gross profit		152,448	164,087	258,546	78,958	187,664
Other income/(losses) – net	26	19,045	(443)	1,198	256	(35)
Distribution costs	27	(6,262)	(4,242)	(6,135)	(2,429)	(5,168)
Administrative expenses	27	(57,116)	(57,926)	(81,727)	(40,500)	(52,277)
Operating profit		108,115	101,476	171,882	36,285	130,184
Finance income	30	539	227	265	240	23
Finance costs	30	(11,253)	(4,780)	(8,454)	(3,148)	(7,479)
Finance costs – net	30	(10,714)	(4,553)	(8,189)	(2,908)	(7,456)
Profit before income tax		97,401	96,923	163,693	33,377	122,728
Income tax expense	31	(17,775)	(10,878)	(10,563)	(3,004)	(18,415)
Profit for the year/period	32	79,626	86,045	153,130	30,373	104,313
Attributable to:						
Equity holders of the Company		79,626	86,045	151,655	30,373	104,313
Minority interests		–	–	1,475	–	–
		79,626	86,045	153,130	30,373	104,313
Earnings per share for profit attributable to equity holders of the Company						
– basic (expressed in HK cents per share)	32	3.70	4.00	7.05	1.41	4.85
– diluted (expressed in HK cents per share)	32	N/A	N/A	N/A	N/A	N/A
Dividends	33	51,000	–	51,000	5,000	15,390

No statement of comprehensive income is presented as there is no other comprehensive income during the Relevant Periods.

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company								
	Share capital (Note 18)	Merger reserve (Note 19)	Capital reserve (Note 19)	Share issuance costs	Share-based compensation reserve (Note 28)	Statutory reserve (Note 19)	Retained earnings	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2007									
At 1 January 2007	215,250	(215,150)	–	–	–	–	35,294	–	35,394
Profit for the year	–	–	–	–	–	–	79,626	–	79,626
Dividends	–	–	–	–	–	–	(51,000)	–	(51,000)
At 31 December 2007	215,250	(215,150)	–	–	–	–	63,920	–	64,020
For the year ended 31 December 2008									
At 1 January 2008	215,250	(215,150)	–	–	–	–	63,920	–	64,020
Profit for the year	–	–	–	–	–	–	86,045	–	86,045
Share-based compensation	–	–	–	–	2,137	–	–	–	2,137
Transfer to statutory reserve	–	–	–	–	–	5,756	(5,756)	–	–
At 31 December 2008	215,250	(215,150)	–	–	2,137	5,756	144,209	–	152,202
For the year ended 31 December 2009									
At 1 January 2009	215,250	(215,150)	–	–	2,137	5,756	144,209	–	152,202
Profit for the year	–	–	–	–	–	–	151,655	1,475	153,130
Share of net asset value by minority shareholders	–	–	–	–	–	–	(3,100)	3,100	–
Professional fees in relation to the proposed initial public offering	–	–	–	(17,924)	–	–	–	–	(17,924)
Share-based compensation	–	–	–	–	5,699	–	–	–	5,699
Release of share-based compensation reserve to capital reserve	–	–	7,836	–	(7,836)	–	–	–	–
Deemed contribution from equity holders upon Reorganisation	–	–	4,575	–	–	–	–	(4,575)	–
Transfer to statutory reserve	–	–	–	–	–	6,822	(6,822)	–	–
Dividends	–	–	–	–	–	–	(51,000)	–	(51,000)
At 31 December 2009	215,250	(215,150)	12,411	(17,924)	–	12,578	234,942	–	242,107
For the six months ended 30 June 2010									
At 1 January 2010	215,250	(215,150)	12,411	(17,924)	–	12,578	234,942	–	242,107
Profit for the period	–	–	–	–	–	–	104,313		104,313
Professional fees in relation to the proposed initial public offering	–	–	–	(21,829)	–	–	–	–	(21,829)
Transfer to statutory reserve	–	–	–	–	–	3,845	(3,845)	–	–
Dividends	–	–	–	–	–	–	(15,390)	–	(15,390)
At 30 June 2010	215,250	(215,150)	12,411	(39,753)	–	16,423	320,020	–	309,201

	Attributable to the equity holders of the Company								
	Share capital (Note 18)	**Merger reserve (Note 19)**	**Capital reserve (Note 19)**	**Share issuance costs**	**Share-based compensation reserve (Note 28)**	**Statutory reserve (Note 19)**	**Retained earnings**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2009 (unaudited)									
At 1 January 2009	215,250	(215,150)	–	–	2,137	5,756	144,209	–	152,202
Profit for the period	–	–	–	–	–	–	30,373	–	30,373
Share-based compensation	–	–	–	–	4,274	–	–	–	4,274
Transfer to statutory reserve	–	–	–	–	–	5,515	(5,515)	–	–
Dividends	–	–	–	–	–	–	(5,000)	–	(5,000)
At 30 June 2009	215,250	(215,150)	–	–	6,411	11,271	164,067	–	181,849

(e) CONSOLIDATED CASH FLOW STATEMENTS

	Note	Years ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
					(unaudited)	
Cash flow from operating activities						
Cash generated from operations	34	91,626	163,132	49,320	8,417	60,787
Interest paid		(11,253)	(4,780)	(8,454)	(3,148)	(7,479)
Hong Kong profits tax paid		–	(9,902)	(14,198)	(1,259)	(10,429)
PRC taxation paid		–	–	–	–	(429)
Net cash generated from operating activities		80,373	148,450	26,668	4,010	42,450
Cash flows from investing activities						
Purchase of property, plant and equipment		(26,758)	(77,313)	(95,147)	(52,470)	(62,744)
Additions of intangible assets		–	–	(12,824)	(485)	(11,972)
Interest received		539	227	265	240	23
Proceeds from disposal of property, plant and equipment		126	–	–	–	–
Proceeds from disposal of financial assets at fair value through profit or loss		40,023	–	–	–	–
(Increase)/decrease in pledged bank deposits		(4,715)	(37,335)	(27,008)	(45,093)	1,108
Decrease/(increase) in amounts due from directors		22,286	(46,362)	52,458	54,954	(2,340)
Net cash generated from/(used in) investing activities		31,501	(160,783)	(82,256)	(42,854)	(75,925)
Cash flows from financing activities						
New bank borrowings		2,973	60,385	354,646	144,384	158,715
Repayments of bank borrowings		(25,754)	(2,973)	(204,751)	(79,245)	(124,258)
Increase in finance lease obligations		4,400	327	2,250	14,825	–
Capital repayment of finance lease obligations		(32,863)	(33,585)	(23,146)	(13,289)	(12,721)
Repayment of amount due to a related company		(6)	(13)	(10,421)	(10,421)	–
Dividends paid		(51,000)	–	(46,000)	–	(289)
Net cash (used in)/generated from financing activities		(102,250)	24,141	72,578	56,254	21,447
Net increase/(decrease) in cash and cash equivalents		9,624	11,808	16,990	17,410	(12,028)
Cash and cash equivalents at beginning of the year/period		(8,802)	822	12,630	12,630	29,620
Cash and cash equivalents at end of the year/period	17	822	12,630	29,620	30,040	17,592
Analysis of the balance of cash and cash equivalents						
Cash at banks and on hand		1,000	12,630	36,057	30,048	17,647
Bank overdrafts		(178)	–	(6,437)	(8)	(55)
		822	12,630	29,620	30,040	17,592

NOTES TO THE FINANCIAL INFORMATION

1 General information

World Wide Touch Technology (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 17 July 2009 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the trading and manufacturing of electronic products.

The Financial Information is presented in thousands of units of Hong Kong dollars, unless otherwise stated.

2 Group reorganisation

Prior to the completion of the reorganisation as described below (the "Reorganisation"), the business of the Group was carried out by World Fair International Limited ("World Fair Hong Kong") and its subsidiaries. Before the completion of the Reorganisation, World Fair Hong Kong was a company incorporated in Hong Kong which was beneficially wholly owned by Mr. Wong Kwok Fong ("Mr. Wong") and Ms. Ching Pui Yi ("Ms. Ching") (together, the "Controlling Shareholders").

The following changes in group structure took place during the Relevant Periods:

(a) On 30 September 2008, the Group adopted a Share Incentive Scheme (Note 28) pursuant to which a 2.83% equity interest in World Fair Hong Kong was agreed to be granted to certain key management personnel (the "Minority Shareholders") upon fulfillment of certain vesting conditions.

(b) In May 2009, Success Charm Holdings Limited ("Success Charm") was incorporated in the British Virgin Islands and was wholly owned by the Controlling Shareholders. In May 2009, Charming Lion Limited ("Charming Lion"), Cherry Light Limited ("Cherry Light"), Ever Firm Limited ("Ever Firm"), Silkray Limited ("Silkray") were also incorporated in the British Virgin Islands and were wholly owned by Success Charm.

(c) In July 2009, Shining Union Limited ("Shining Union") and Up Castle Limited ("Up Castle") were incorporated in Hong Kong and were wholly owned by Cherry Light and Silkray, respectively.

(d) On 4 November 2009, World Design Technology Limited ("World Design") was incorporated in the British Virgin Islands and was wholly owned by Success Charm.

(e) On 9 November 2009, World Fair Hong Kong entered into an agreement with the Controlling Shareholders to acquire a 0.01% equity interest in Cybertouch-Tech Company Limited ("Cybertouch").

(f) On 13 November 2009, Ever Firm entered into an agreement with World Fair Hong Kong to acquire the entire equity interest in Cybertouch.

(g) On 27 November 2009, Charming Lion entered into an agreement with the Minority Shareholders and World Fair Technology Holdings Limited, a company incorporated in Hong Kong which is beneficially wholly owned by the Controlling Shareholders, to acquire the entire equity interest in World Fair Hong Kong.

(h) On 27 November 2009, the Company acquired the entire equity interest in Success Charm from the Controlling Shareholders by issuing 2,152,490,000 shares at HK$0.1 each to the Controlling Shareholders and the Minority Shareholders. Upon completion of the Reorganisation on 27 November 2009, the Company became the holding company of the subsidiaries now comprising the Group.

On 18 December 2009, Cyber Energy Limited ("Cyber Energy") was incorporated in Hong Kong and was wholly owned by World Design.

The directors regard Swan Hills Holdings Limited, a company incorporated in Commonwealth of The Bahamas on 6 May 2009, as being the ultimate holding company.

As at the date of the Financial Information, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective interest held by the Group	Principal activities	Name of statutory auditors 2007 (Note)	2008 (Note)	2009 (Note)
Directly held:								
Success Charm	11 May 2009	British Virgin Islands	27,774,264 shares of US$1 each	100%	Investment holding	N/A	N/A	N/A
Indirectly held:								
Charming Lion	6 May 2009	British Virgin Islands	2 shares of US$1 each	100%	Investment holding	N/A	N/A	N/A
Cherry Light	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding	N/A	N/A	N/A
Cybertouch	13 October 2000	Hong Kong	10,000 shares of HK$1 each	99.99%	Inactive	(a)	(a)	(a)
Cyber Energy	18 December 2009	Hong Kong	1 share of HK$1 each	100%	Inactive	N/A	N/A	N/A
Ever Firm	6 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding	N/A	N/A	N/A
Shining Union	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Investment holding and management and holding of patents, trademarks and designs	N/A	N/A	N/A
Silkray	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding	N/A	N/A	N/A
Up Castle	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Investment holding and research and development	N/A	N/A	N/A
World Design	4 November 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding	N/A	N/A	N/A
He Shan World Fair Electronics Technology Ltd.	18 November 2004	The PRC	US$57,250,000	100%	Manufacturing of printed circuit board touch pad	(c)	(c)	(c)
World Fair Hong Kong	27 December 1996	Hong Kong	100,000 shares of HK$1 each	100%	Trading of electronic products	(b)	(a)	(a)

Notes:

(a) PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

(b) The financial year end date of World Fair Hong Kong has been changed from 30 June to 31 December with effect from 1 July 2007. The statutory financial statements of World Fair Hong Kong for the year ended 30 June 2007 and the period ended 31 December 2007 were audited by Bright Brilliance CPA Limited.

(c) Heshan Haitian Joint Accounting Firm (鶴山市海天合伙會計師事務所), Certified Public Accountants, the PRC.

(N/A) No audited financial statements have been issued as these companies are newly established/incorporated and are not yet subject to statutory audit requirement, or there is no statutory audit requirement in the place of incorporation/establishment of these companies.

3 Basis of presentation

The Reorganisation has been accounted for as a reorganisation of business under common control using the principle of merger accounting as presented in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. Accordingly the Financial Information presents the consolidated results, cash flow and financial position of the Group as if the group structure upon completion of the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation or establishment of the companies comprising the Group, whichever is earlier.

4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 6.

As at the date of this report, the following standards, amendments and interpretations to existing standards have been published by the HKICPA but are not yet effective for the accounting period ended 30 June 2010 and have not been early adopted by the Group.

- HKAS 24 (Revised), "Related party disclosures" (effective for annual period beginning on or after 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - the name of the government and the nature of their relationship;

  - the nature and amount of any individually-significant transactions; and

  - the extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. This amendment is not expected to have significant impact to the Group.

- HKAS 32 (Amendment), "Classification of rights issues" (effective for annual periods beginning on or after 1 February 2010). Under HKAS 32 (Amendment), "Classification of rights issues", for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. This amendment is not expected to have significant impact to the Group.

- HK(IFRIC) – Int 14 (Amendment), "Prepayments of a minimum funding requirement" (effective for annual period beginning on or after 1 July 2010). Some entities that are subject to a minimum funding requirement have elected to prepay their pension contributions. The prepaid contributions are recovered through lower minimum funding requirements in future years. The previous version of HK(IFRIC) – Int 14 did not permit the recognition of an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was an unintended consequence of the interpretation, which has been amended to require that an asset is recognised in these circumstances. This amendment is not relevant to the Group.

- HK(IFRIC) – Int 19, "Extinguishing financial liabilities with equity instruments" (effective for annual period beginning on or after 1 July 2010). The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor (i.e. a "debt for equity swap"). A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. If the fair value of the equity instruments cannot be reliably measured then the fair value of the existing financial liability is used to measure the gain or loss. The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes. This interpretation applies to all debtors that enter into debt for equity swap transactions in full or partial settlement of a financial liability. This interpretation is not relevant to the Group.

- HKFRS 7 (Amendment), "Financial instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2010). Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This amendment is not expected to have significant impact to the Group.

- HKFRS 9, "Financial Instruments" (effective for annual period beginning on or after 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Group will apply this new standard prospectively from 1 January 2013.

In May 2010, the HKICPA published certain other improvements to the HKFRS which will be effective for periods beginning on or after 1 January 2011. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

• HKAS 1 (Amendment)	Presentation of financial statements
• HKAS 21 (Amendment), HKAS 28 (Amendment) and HKAS 31 (Amendment)	Transition requirements for amendments arising as a result of HKAS 27 Consolidated and separate financial statement
• HKAS 34 (Amendment)	Interim financial reporting
• HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
• HKFRS 3 (Amendment)	Business combination
• HKFRS 7 (Amendment)	Financial instruments: Disclosures
• HK(IFRIC) – Int 13 (Amendment)	Customer loyalty programmes

The Group is currently assessing the impact of the adoption of the other new standards, amendments to standards and interpretations above that are applicable to the Group in future periods.

In November 2010, the HKICPA approved HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand

Clause". The Interpretation requires that the amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet, as the borrower under such an agreement does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Similarly, in the contractual maturity analysis disclosed by the borrower in accordance with HKFRS 7 "Financial Instruments: Disclosures", amounts repayable under such loan agreement shall be classified in the earliest time bracket. The Group has early applied this interpretation during the Relevant Periods and has classified certain bank borrowings and finance lease obligations where the relevant loan agreements contain repayment on demand clauses as current liabilities. Consequently, the Group's term loans and hire purchase finance lease obligations, which were repayable after one year from the respective balance sheet date amounted to HK$24,573,000, HK$14,580,000, HK$71,474,000 and HK$88,908,000 as at 31 December 2007, 2008, 2009 and 30 June 2010, respectively, have been classified as current liabilities. Should these borrowings be classified as non-current liabilities based on the repayment schedule (disregarding the repayable on demand clause in the loan agreement), the Group would have a net current liabilities position of HK$65,464,000 and HK$78,633,000 as at 31 December 2007 and 2008, and have a net current assets position of HK$1,825,000 and HK$22,315,000 as at 31 December 2009 and 30 June 2010, respectively. In addition, the liquidity analysis set out in Note 5 is presented with respect to the earliest date on which the lender could demand repayment.

4.2 Consolidation

The Financial Information includes the financial statements of the Company and all of its subsidiaries made up to 31 December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting right. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

4.3 Transaction with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is equity. Gains or losses on disposals to minority interests are also recorded in equity.

4.4 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

4.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States ("US") dollar. The Financial Information is presented in Hong Kong dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) Group companies

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

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

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

– all resulting exchange differences are recognised as a separate component of equity.

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

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

4.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	2.5%
– Leasehold improvements, furniture and fixtures and office equipment	10 to 50%
– Machinery and factory equipment	10 to 50%
– Computer equipment	20 to 50%
– Motor vehicles	10 to 25%

Construction-in-progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

4.7 Land use right

The up-front prepayments made for land use right are accounted for as operating leases. They are expensed in the consolidated income statement on a straight-line basis over the periods of lease, or when there is impairment, the impairment is expensed in the consolidated income statement.

4.8 Intangible assets

(a) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives.

(b) Research and developments costs

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

– it is technically feasible to complete the product so that it will be available for use;

– management intends to complete the product and use or sell it;

– there is an ability to use or sell the product;

– it can be demonstrated how the product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell the product are available; and

– the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are recognised as part of the product include the product development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product development costs recognised as assets are amortised over their estimated useful lives of three years.

4.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.10 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, receivables due from related parties and cash and cash equivalents.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within – 'other income – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

4.11 Inventories

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

4.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectible, it is written off in the consolidated income statement within "administrative expenses". Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated income statement.

4.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

4.14 Share capital

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

4.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

4.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent it relates to items recognised in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

4.18 Employee benefits

(a) Pension obligations

The Group maintains defined contribution plans in both Hong Kong and the PRC. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Under the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plan

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a legal or construction obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Share-based compensation expenses

Pursuant to an equity-settled share incentive scheme (details of which are set out in Note 28 (iii) to the Financial Information), under which the Group receives services from employees as consideration for equity instruments of a subsidiary of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market performance and service vesting conditions. Non-market performance and service vesting conditions are included in the assumptions of the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

4.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Sundry income

Sundry income is recognised when the right to receive payment is established.

4.21 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use right, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4.22 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

4.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group under policies approved by the directors of the Company or directors of the companies comprising the Group where appropriate.

Management regularly manages the financial risks of the Group. The management closely monitors the risk exposures on changes in foreign currency exchange rates and may consider entering into foreign forward exchange contracts from time to time so as to better manage these foreign exchange exposures, where necessary.

(a) Market risk

Foreign exchange risk

The Group operates principally in Hong Kong and in the PRC. It is exposed to foreign exchange risk primarily with respect to Hong Kong dollar and Chinese Renminbi ("RMB") denominated transactions. Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in currency that is not the Company's functional currency. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's borrowings are denominated in Hong Kong dollar, US dollar or RMB. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, if RMB had strengthened/weakened by 5% with all other variables held constant, the post tax profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 would have been HK$236,000, HK$218,000, HK$1,452,000 and HK$557,000 lower/higher, respectively, mainly as a result of foreign exchange losses/gains on revaluation of RMB denominated receivables and payables.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of suppliers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

Price risk

The Group is exposed to equity price change arising from its financial assets at fair value through profit or loss. The Group's financial instruments are equity securities and equity linked structure notes which are subject to change in market prices of the securities or the underlying listed securities. The Group is not exposed to significant equity price risk as the amounts of financial assets at fair value through profit or loss as at 31 December 2007, 2008 and 2009 and 30 June 2010 are not significant.

The Group does not expose to significant commodity price risk.

Interest rate risk

Except for the cash held at bank and pledged bank deposits, the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2007, 2008 and 2009 and 30 June 2010, if interest rates on cash held at banks and pledged bank deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 would have been approximately HK$158,000, HK$487,000, HK$908,000 and HK$391,000 respectively higher/lower, mainly as a result of higher/lower interest income on cash at banks and pledged bank deposits.

The Group's interest rate risk arises from bank borrowings which are interest bearing at floating rates and are repayable based on the bank repayment schedule. Borrowings issued at floating rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2007, 2008 and 2009 and 30 June 2010, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 would have been approximately HK$630,000, HK$976,000, HK$2,426,000 and HK$1,328,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group does not expose to any fair value interest-rate risk as the Group does not hold any fixed rates itself borrowings as at 31 December 2007, 2008 and 2009 and 30 June 2010.

(b) Credit risk

Credit risk mainly arises from trade and other receivables, financial assets at fair value through profit or loss, amounts due from related parties, pledged bank deposits and cash and cash equivalents.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables from one customer accounted for approximately 82%, 99%, 54% and 39% of the Group's trade receivables. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and require them, and other customers with credit histories that the management is not satisfied with, to pay a deposit of on average of 30% of the sales amount, or to provide the Group with a letter of credit when placing orders. In order to minimise the credit risk of the Group, the management has implemented internal control 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 debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

Based on the Group's historical experience in collection of trade and other receivables and amounts due from related parties the directors and the management are of opinion that adequate provision has been made for uncollectible receivables.

The financial assets at fair value through profit or loss of the Group are placed in a financial institution which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this financial institution as it has no default history in the past.

Cash and cash equivalents and pledged bank deposits were deposited in over ten financial institutions, which management believes are reputable and without significant credit risk.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flow. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment (see Note 4.1). The amounts disclosed in the table are the contractual undiscounted cash flows.

Group:

	Within One year	**Between one and two years**	**Between two and five years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Trade and bills payables	122,158	–	–	122,158
Accruals and other payables	16,625	–	–	16,625
Bank borrowings	4,568	20,064	–	24,632
Finance lease obligations	58,089	–	–	58,089
Amount due to a related company	10,434	–	–	10,434
	211,874	20,064	–	231,938
At 31 December 2008				
Trade and bills payables	124,726	–	–	124,726
Accruals and other payables	24,761	–	–	24,761
Bank borrowings	82,454	–	–	82,454
Finance lease obligations	39,341			39,341
Amount due to a related company	10,421	–	–	10,421
	281,703	–	–	281,703
At 31 December 2009				
Trade and bills payables	248,425	–	–	248,425
Accruals and other payables	39,128	–	–	39,128
Bank borrowings	191,129	27,481	22,391	241,001
Finance lease obligations	59,122	–	–	59,122
Amounts due to directors	614	–	–	614
	538,418	27,481	22,391	588,290
At 30 June 2010				
Trade and bills payables	279,686	–	–	279,686
Accruals and other payables	58,856	–	–	58,856
Bank borrowings	227,973	22,796	22,797	273,566
Finance lease obligations	51,556	–	–	51,556
Amounts due to directors	13,375	–	–	13,375
	631,446	22,796	22,797	677,039

Company:

At 31 December 2009				
Financial guarantee contract to a subsidiary	15,646	–	–	15,646
At 30 June 2010				
Financial guarantee contract to a subsidiary	102,217	–	–	102,217

5.2 Capital risk management

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

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

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits.

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. Management considers a gearing ratio of not more than 50% to be appropriate. The table below analyses the Group's capital structure at 31 December 2007, 2008 and 2009 and 30 June 2010 as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total bank borrowings	22,011	79,245	235,577	263,652
Total finance lease obligations	54,424	37,724	54,976	48,249
Less: Cash and cash equivalents and pledged bank deposits	(20,088)	(69,053)	(119,488)	(99,970)
Net debt	56,347	47,916	171,065	211,931
Total equity	64,020	152,202	242,107	309,201
Total capital	120,367	200,118	413,172	521,132
Gearing ratio	47%	24%	41%	41%

5.3 Fair value estimation

(a) Financial assets and liabilities

The carrying amounts of the Group's financial assets, (including trade receivables, other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents), and the Group's financial liabilities, (including trade and bills payables, other payables, short-term bank borrowings, finance lease obligations and amount due to a related company) approximate their fair values due to their short maturities. The face value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(b) Financial instruments

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated balance sheet are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed shares classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise equity linked structure notes classified as financial assets at fair value through profit or loss.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. None of financial instruments of the Group is included in level 3.

6 Critical accounting estimates and judgements

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

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

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each balance sheet date.

(b) Impairment of property, plant and equipment, land use right and intangible assets

Property, plant and equipment, land use right and intangible assets are reviewed for impairment whenever events or change in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(c) Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or writedown technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

(d) Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(e) Income taxes

The Group is subject to income taxes in jurisdictions in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(f) Share-based compensation expenses

The fair value of the equity instruments granted under the Group's share incentive scheme, details of which are set out in Note 28 (iii), is measured on the grant date based on the discounted cash flows method under the income approach using a five-year cash flows projections of the Group and the related estimated terminal value. There are a number of assumptions and estimates involved in the preparation of cash flows projections including the revenue growth rates, the gross profit margin rates and the discount rates. Management prepares the cash flows projections by reference to the Group's historical financial performance and expectations in respect to market developments. Judgement is required to determine key assumptions adopted regarding the cash flows projections, and changes of these assumptions could affect the projected cash flows and therefore the value of the equity instruments granted through the incentive scheme.

The Group is also required to estimate the probability of occurrence of non-market performance conditions and the expected percentage of grantees that will be entitled to the equity instruments (i.e. service conditions) at the end of the vesting period. The Group recognises an expense over the vesting period for those equity instruments expected to vest. Changes in these estimates could have a material effect on the amount of such awards expected to vest, which may in turn significantly impact the share-based compensation expense.

(g) Research and development costs

Critical judgment by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group's management.

7 Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (the "CEO") that are used to make strategic decisions.

The CEO considers the business from a product perspective.

The reportable operating segments derive their revenue primarily from the manufacturing and sale of capacitive touch products, fingerprint biometric devices, lighting source products and wireless charging devices.

Although the fingerprint biometric devices and lighting source segment do not meet the quantitative thresholds required by HKFRS 8, management has concluded that these segments should be reported, as they are closely monitored by the directors as a potential growth business and are expected to materially contribute to the Group's revenue in the future.

Other products include plastic products, medical light-emitting diode products and mining machine system products. These are not qualified as reportable segment as these segments do not meet the quantitative threshold required by HKFRS 8 and accordingly, the segment information of these operations are included in "other segments".

Reportable segment information is reconciled to profit before income tax as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue from external customers					
Capacitive touch products	614,727	722,158	689,364	308,098	383,267
Fingerprint biometric devices	–	69	42,281	3,597	67,212
Lighting source	40,962	4,849	17,775	519	42,279
Wireless charging devices	–	–	102,431	–	122,896
Other segments	18,604	22,712	36,497	15,141	53,051
Segment revenue for reportable and other segments	674,293	749,788	888,348	327,355	668,705
Segment gross profit					
Capacitive touch products	127,800	152,592	190,593	72,341	90,774
Fingerprint biometric devices	–	23	17,820	1,425	24,697
Lighting source	14,342	1,738	6,744	173	15,819
Wireless charging devices	–	–	30,525	–	36,725
Other segments	10,306	9,734	12,864	5,019	19,649
Segment gross profit for reportable and other segments	152,448	164,087	258,546	78,958	187,664
Other segment item – amortisation of intangible assets					
Fingerprint biometric devices	–	–	(1,167)	–	(1,131)
Lighting source	–	–	(274)	–	(259)
Wireless charging devices	–	–	–	–	(64)
Other segments	–	–	–	–	(455)
	–	–	(1,441)	–	(1,909)
Unallocated:					
Depreciation shared by various reportable segments	(4,187)	(4,848)	(6,240)	(2,919)	(4,497)
Amortisation of land use right	(150)	(82)	(115)	(58)	(58)
Share-based compensation expenses	–	(2,137)	(5,699)	(4,274)	–
Other income/(losses) – net	19,045	(443)	1,198	256	(35)
Other distribution costs and administrative expenses	(59,041)	(55,101)	(74,367)	(35,678)	(50,981)
Finance costs – net	(10,714)	(4,553)	(8,189)	(2,908)	(7,456)
	(55,047)	(67,164)	(93,412)	(45,581)	(63,027)
Profit before income tax	97,401	96,923	163,693	33,377	122,728

The revenue from external parties reported to the CEO is measured in a manner consistent with that in the Financial Information.

The CEO assesses the performance of the operating segments based on a measure of gross profit margin, which are in a manner consistent with that of the Financial Information.

Other income, distribution and administrative expenses are not allocated to segments, as they are inseparable for each product and not attributable to particular reportable segments.

Interest income and expenses are not allocated to segments, as this type of activities are managed by the central finance and accounting function, which manages the working capital of the Group.

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets				
Capacitive touch products	154,589	198,684	295,690	269,551
Fingerprint biometric devices	–	69	48,684	81,414
Lighting source	13,351	810	21,973	60,352
Wireless charging devices	–	–	74,508	101,076
Other segments	7,584	9,232	18,787	42,403
Segment assets for reportable and other segments	175,524	208,795	459,642	554,796
Other segment item – intangible assets				
Fingerprint biometric devices	–	–	8,690	12,798
Lighting source	–	–	1,802	3,125
Wireless charging devices	–	–	–	1,211
Other segments	–	–	891	4,312
	–	–	11,383	21,446
Unallocated				
Property, plant and equipment shared by various reportable segments	75,787	93,499	144,038	154,988
Land use right	5,467	5,385	5,270	5,212
Deferred income tax assets	–	709	278	139
Inventories shared by various reportable segments	22,534	17,369	70,469	129,035
Prepayments, deposits and other receivables	6,369	7,954	36,100	41,712
Financial assets at fair value through profit or loss	1,947	1,056	1,403	1,141
Amounts due from related companies	7	20	–	–
Amounts due from directors	10,482	56,844	–	–
Pledged bank deposits	19,088	56,423	83,431	82,323
Cash and cash equivalents	1,000	12,630	36,057	17,647
	142,681	251,889	377,046	432,197
Total assets	318,205	460,684	848,071	1,008,439

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the Financial Information. Segment assets represented property, plant and equipment attributable to various reportable segments, trade receivables and inventories attributable to various reportable segments.

Unallocated segment assets comprise property, plant and equipment and inventories shared by various reportable segments, land use right, deferred income tax assets, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, amounts due from related companies and directors, pledged bank deposits and cash and cash equivalents which are inseparable for each product and are not attributable to particular reportable segments.

Reportable segments liabilities are reconciled to total liabilities as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities				
Capacitive touch products	115,389	118,794	192,779	160,302
Fingerprint biometric devices	–	3	11,824	28,111
Lighting source	628	206	4,971	17,683
Wireless charging devices	–	–	28,645	51,401
Other segments	6,141	5,723	10,206	22,189
Segment liabilities for reportable and other segments	122,158	124,726	248,425	279,686
Unallocated:				
Accruals and other payables	28,616	38,139	52,211	72,697
Bank borrowings	22,011	79,245	235,577	263,652
Finance leases obligations	54,424	37,724	54,976	48,249
Current income tax liabilities	16,542	15,637	14,161	17,587
Deferred income tax liabilities	–	2,590	–	3,992
Amount due to a related company	10,434	10,421	–	–
Amounts due to directors	–	–	614	13,375
Total liabilities	254,185	308,482	605,964	699,238

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the Financial Information. Segment liabilities represented trade payables which are allocated based on the operations of the segment.

Unallocated segment liabilities comprise, accruals and other payables, interest-bearing liabilities, current income tax liabilities, deferred income tax liabilities, amount due to a related company and amounts due to directors which are inseparable for each product and not attributable to particular reportable segments.

Revenues from external customers are derived from the sales of goods net of returns and rebates.

	Years ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Analysis of revenue					
Sales of goods	674,293	749,788	888,348	327,355	668,705

The Group's entities are mainly domiciled in Hong Kong and the PRC while its major customers are mainly located in the United States of America.

The result of its revenue from external customers located in the United States of America is HK$671,807,000, HK$747,141,000, HK$704,670,000, HK$326,300,000 and HK$482,344,000 for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 respectively, while the remaining revenue are derived from customers located in other countries.

The total of non-current assets other than deferred income tax assets located in the PRC is HK$171,302,000, HK$245,566,000, HK$351,571,000 and HK$401,381,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, and the total of these non-current assets located in other countries is HK$1,615,000, HK$1,730,000, HK$8,907,000 and HK$22,266,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

Revenues of approximately HK$614,727,000, HK$722,157,000, HK$705,230,000, HK$308,098,000 and HK$387,401,000 for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively, are derived from a single customer. These revenues are mainly attributable to the capacitive touch products segment.

8 Property, plant and equipment

	Buildings	Leasehold improvements, furniture and fixtures and office equipment	Machinery and factory equipment	Computer equipment	Motor vehicles	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007							
Cost	34,859	20,043	140,847	5,777	5,504	15,270	222,300
Accumulated depreciation	(950)	(17,118)	(45,682)	(3,883)	(1,933)	–	(69,566)
Net book amount	33,909	2,925	95,165	1,894	3,571	15,270	152,734
For the year ended 31 December 2007							
Opening net book amount	33,909	2,925	95,165	1,894	3,571	15,270	152,734
Reclassification	1,047	(1,047)	–	–	–	–	–
Additions	–	2,225	15,442	1,863	2,093	16,265	37,888
Transfers	12,555	–	–	–	–	(12,555)	–
Disposals and write offs	–	–	(6,789)	–	(40)	–	(6,829)
Depreciation	(1,267)	(850)	(14,042)	(1,078)	(993)	–	(18,230)
Closing net book amount	46,244	3,253	89,776	2,679	4,631	18,980	165,563
At 31 December 2007							
Cost	48,656	15,567	142,757	7,640	7,136	18,980	240,736
Accumulated depreciation	(2,412)	(12,314)	(52,981)	(4,961)	(2,505)	–	(75,173)
Net book amount	46,244	3,253	89,776	2,679	4,631	18,980	165,563
For the year ended 31 December 2008							
Opening net book amount	46,244	3,253	89,776	2,679	4,631	18,980	165,563
Additions	12,108	6,077	71,311	1,791	440	2,144	93,871
Transfers	6,035	–	–	–	–	(6,035)	–
Depreciation	(1,644)	(1,555)	(14,400)	(1,015)	(634)	–	(19,248)
Closing net book amount	62,743	7,775	146,687	3,455	4,437	15,089	240,186
At 31 December 2008							
Cost	66,800	21,644	214,068	9,431	7,576	15,089	334,608
Accumulated depreciation	(4,057)	(13,869)	(67,381)	(5,976)	(3,139)	–	(94,422)
Net book amount	62,743	7,775	146,687	3,455	4,437	15,089	240,186

	Buildings	Leasehold improvements, furniture and fixtures and office equipment	Machinery and factory equipment	Computer equipment	Motor vehicles	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2009							
Opening net book amount	62,743	7,775	146,687	3,455	4,437	15,089	240,186
Additions	3,667	11,737	76,516	3,962	1,039	36,374	133,295
Transfers	7,451	–	–	–	–	(7,451)	–
Depreciation	(1,667)	(2,752)	(26,715)	(1,233)	(588)	–	(32,955)
Closing net book amount	72,194	16,760	196,488	6,184	4,888	44,012	340,526
At 31 December 2009							
Cost	77,918	26,974	290,584	13,393	8,615	44,012	461,496
Accumulated depreciation	(5,724)	(10,214)	(94,096)	(7,209)	(3,727)	–	(120,970)
Net book amount	72,194	16,760	196,488	6,184	4,888	44,012	340,526
For the period ended 30 June 2010							
Opening net book amount	72,194	16,760	196,488	6,184	4,888	44,012	340,526
Additions	11,609	5,551	44,995	2,681	–	3,902	68,738
Transfers	495	–	8,296	–	–	(8,791)	–
Depreciation	(978)	(2,163)	(17,371)	(1,003)	(353)	–	(21,868)
Closing net book amount	83,320	20,148	232,408	7,862	4,535	39,123	387,396
At 30 June 2010							
Cost	90,022	32,525	343,875	16,074	8,615	39,123	530,234
Accumulated depreciation	(6,702)	(12,377)	(111,467)	(8,212)	(4,080)	–	(142,838)
Net book amount	83,320	20,148	232,408	7,862	4,535	39,123	387,396

Depreciation expense of HK$14,043,000, HK$14,400,000, HK$26,715,000, HK$10,820,000 and HK$17,371,000 has been charged to cost of sales, and HK$4,187,000, HK$4,848,000, HK$6,240,000, HK$2,919,000 and HK$4,497,000 has been charged to administrative expenses for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

The Group's buildings are situated outside Hong Kong under medium term leases, and are pledged as collateral for the Group's banking facilities.

Machinery with carrying amounts of HK$58,567,000, HK$50,422,000, HK$84,773,000 and HK$74,097,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, are held under finance leases.

The Group is in the process of applying certain licenses and permits of construction-in-progress. As at 30 June 2010, the carrying amounts of such construction-in-progress amounted to HK$37,931,000.

9 Land use right

The Group's interest in land use right represent prepaid operating lease payments and its net book amount is analysed as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In the PRC held on:				
Lease between 10 and 50 years	5,467	5,385	5,270	5,212

Movements during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	5,617	5,467	5,385	5,270
Amortisation	(150)	(82)	(115)	(58)
At end of year/period	5,467	5,385	5,270	5,212

The Group's land use right is pledged as a collateral for the Group's banking facilities.

Amortisation expense has been charged to administrative expenses.

10 Intangible assets

	Trademarks and patents *HK$'000*	Development costs *HK$'000*	Total *HK$'000*
At 1 January 2007, 31 December 2007 and 2008			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net book amount	–	–	–
For the year ended 31 December 2009			
Opening net book amount	–	–	–
Additions	1,591	11,233	12,824
Amortisation	(318)	(1,123)	(1,441)
Closing net book amount	1,273	10,110	11,383
At 31 December 2009			
Cost	1,591	11,233	12,824
Accumulated amortisation	(318)	(1,123)	(1,441)
Net book amount	1,273	10,110	11,383
For the period ended 30 June 2010			
Opening net book amount	1,273	10,110	11,383
Additions	1,060	10,912	11,972
Amortisation	(220)	(1,689)	(1,909)
Closing net book amount	2,113	19,333	21,446
At 30 June 2010			
Cost	2,651	22,145	24,796
Accumulated amortisation	(538)	(2,812)	(3,350)
Net book amount	2,113	19,333	21,446

For the year ended 31 December 2009 and for the six months ended 30 June 2010, development costs were recognised as intangibles assets and are amortised over three years on a straight-line basis. Amortisation expense of HK$1,441,000 and HK$1,909,000 has been charged in administrative expense for the year ended 31 December 2009 and the six months ended 30 June 2010, respectively.

11 Inventories

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	22,534	17,369	70,469	129,035
Work in progress	9,600	7,805	17,504	24,540
Finished goods	12,286	7,754	17,718	35,262
	44,420	32,928	105,691	188,837

Cost of inventories of HK$431,850,000, HK$465,494,000, HK$486,387,000, HK$185,625,000 and HK$387,714,000 has been included in cost of sales for the years ended 31 December 2007, 2008, 2009 and for the six months ended 30 June 2009 and 2010, respectively.

12 Investments in subsidiaries

The Company	As at 31 December 2009	As at 30 June 2010
	HK$'000	*HK$'000*
Investment in unlisted subsidiaries, at cost	250,000	250,000

Details of the subsidiaries of the Company at the date of this report are set out in Note 2.

13 Trade receivables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	64,015	46,702	227,932	262,586
Less: Provision for impairment of receivables	(153)	(153)	–	–
Trade receivables – net	63,862	46,549	227,932	262,586

The carrying amounts of trade receivables approximate their fair values.

The Group generally grants a credit period of 30 to 90 days to its customers. The ageing analysis of trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	55,924	46,027	147,400	137,175
31 to 60 days	1,536	500	73,208	73,938
61 to 90 days	6,350	22	6,715	16,647
91 to 120 days	52	–	598	27,351
Over 120 days	153	153	11	7,475
	64,015	46,702	227,932	262,586

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of HK$55,929,000, HK$45,937,000, HK$218,181,000, and HK$231,783,000 are neither past due nor impaired. These relate to customers for whom there is no recent history of default.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of HK$7,933,000, HK$612,000, HK$9,751,000 and HK$30,803,000 were past due but not impaired. No provision has been made against these balances as the directors consider the amounts being recoverable and there is no recent history of default. The ageing analysis of these debtors is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	114	90	63	173
31 to 60 days	1,417	500	3,619	707
61 to 90 days	6,350	22	5,460	451
91 to 120 days	52	–	598	22,865
Over 120 days	–	–	11	6,607
	7,933	612	9,751	30,803

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of HK$153,000, HK$153,000, nil and nil were considered to be impaired and have been fully provided for. These trade receivables were aged over 120 days.

Movements on the provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	–	153	153	–
Provision for impairment of trade receivables	153	–	–	–
Trade receivables written off as uncollectible	–	–	(153)	–
At end of year/period	153	153	–	–

The provision for impairment of trade receivables have been charged to administrative expenses.

Trade receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US dollar	63,862	46,541	222,499	216,917
Hong Kong dollar	–	8	29	11
RMB	–	–	5,404	45,658
	63,862	46,549	227,932	262,586

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral in respective of these balances.

14 Prepayments, deposits and other receivables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Prepayments for purchase of inventories	41	218	11,670	1,662
Utility and other deposits	1,330	1,217	4,272	3,379
Value-added tax recoverable	1,834	3,282	10,870	17,692
Others	1,277	1,512	5,989	9,386
	4,482	6,229	32,801	32,119
Non-current				
Prepayments for purchase of property, plant and equipment	1,887	1,725	3,299	9,593

The directors consider the balances of prepayments, deposits and other receivables are recoverable by reference to the nature of these balances and credit history of counterparties where applicable.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

15 Financial assets at fair value through profit or loss

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity linked structure notes	1,947	1,056	–	–
Listed shares	–	–	1,403	1,141
	1,947	1,056	1,403	1,141

The Group's financial assets at fair value through profit or loss are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US dollar	1,947	1,056	–	–
Hong Kong dollar	–	–	1,403	1,141
	1,947	1,056	1,403	1,141

The fair values of equity linked structure notes and listed shares are determined by using valuation techniques and current bid prices in an active market respectively. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income/(losses)-net in the consolidated income statement. Financial assets at fair value through profit or loss are presented within 'investing activities' in the consolidated cash flow statement.

As at 31 December 2007 and 2008, the Group's equity linked structure notes are pledged as a collateral for the Group's banking facilities.

As at 31 December 2009 and 30 June 2010, the Group's listed shares are pledged as collateral for the Group's banking facilities.

16 Balances with related parties

Details of the balances with related parties are as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group:				
Amounts due from related companies				
IT Growth Holdings Limited	–	6	–	–
Kick-Start Technology Limited	7	14	–	–
	7	20	–	–
Amounts due from/(to) directors				
Mr. Wong Kwok Fong	10,482	56,326	(369)	(12,963)
Ms. Ching Pui Yi	–	518	(245)	(412)
	10,482	56,844	(614)	(13,375)
Amount due to a related company				
World Fair Technology Holdings Limited	10,434	10,421	–	–
The Company:				
Amount due to a subsidiary				
World Fair International Limited	–	–	50	107

Notes:

(i) The above balances are denominated in Hong Kong dollar, except for an amount due from certain directors totalling HK$10,399,000, HK$9,317,000, nil and nil as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively, which are denominated in RMB. The balance will be settled before the public listing of the shares of the Company.

(ii) The related companies are companies beneficially owned by the Controlling Shareholders who are also directors of the Company. The balances with related companies and directors are unsecured, non-interest bearing and are repayable on demand. The carrying amounts of these balances approximate their fair values, which represent the Group's maximum exposure to credit risk at the respective balance sheet date. The management consider the balances are recoverable based on credit history of counterparties where applicable.

(iii) Maximum outstanding balances due from related companies and directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	Years ended at 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Amounts due from related companies					
IT Growth Holdings Limited	–	6	6	13	–
Kick-Start Technology Limited	7	14	14	14	–
Amounts due from directors					
Mr. Wong Kwok Fong	10,482	83,107	56,326	56,326	–
Ms. Ching Pui Yi	–	518	518	518	–

17 Cash and bank balances

(a) Pledged bank deposits

All pledged bank deposits were pledged for the Group's banking facilities. The weighted average interest rate on pledged bank deposits was 2.28%, 1.52%, 0.06% and 0.06% per annum for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

Pledged bank deposits were denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US dollar	4,257	41,406	42,609	41,489
Hong Kong dollar	14,831	15,017	40,822	40,834
	19,088	56,423	83,431	82,323

(b) Cash and cash equivalents

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash in hand	76	124	251	276
Cash at banks	924	12,506	35,806	17,371
	1,000	12,630	36,057	17,647

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	877	9,809	3,242	1,577
US dollar	22	2,349	26,050	10,214
Hong Kong dollar	101	472	6,538	5,520
Others	–	–	227	336
	1,000	12,630	36,057	17,647

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statements:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	1,000	12,630	36,057	17,647
Bank overdrafts (Note 20)	(178)	–	(6,437)	(55)
	822	12,630	29,620	17,592

18 Share capital of the Company

	As at 31 December 2009	As at 30 June 2010
	HK$'000	*HK$'000*
Authorised capital:		
3,500,000,000 shares of HK$0.1 each	350,000	350,000
Issued capital:		
Issuance of 10,000 shares of HK$0.1 each on 17 July 2009 (date of incorporation)	1	1
Issuance of 2,152,490,000 shares of HK$0.1 each on 27 November 2009	215,249	215,249
	215,250	215,250

The Company was incorporated on 17 July 2009, with an authorised share capital of 3,500,000,000 shares of HK$0.1 each and on the same date, 10,000 shares of HK$0.1 each were issued for cash. On 27 November 2009, the Company issued 2,152,490,000 shares of HK$0.1 each pursuant to the Reorganisation.

19 Reserves

The Group:

	Attributable to the equity holders of the Company							
	Merger reserve (Note a)	**Capital reserve (Note b)**	**Share issuance costs**	**Share-based compensation reserve (Note 28)**	**Statutory reserve (Note c)**	**Retained earnings**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2007								
At 1 January 2007	(215,150)	–	–	–	–	35,294	–	(179,856)
Profit for the year	–	–	–	–	–	79,626	–	79,626
Dividends	–	–	–	–	–	(51,000)	–	(51,000)
At 31 December 2007	(215,150)	–	–	–	–	63,920	–	(151,230)
For the year ended 31 December 2008								
At 1 January 2008	(215,150)	–	–	–	–	63,920	–	(151,230)
Profit for the year	–	–	–	–	–	86,045	–	86,045
Share-based compensation	–	–	–	2,137	–	–	–	2,137
Transfer to statutory reserve	–	–	–	–	5,756	(5,756)	–	–
At 31 December 2008	(215,150)	–	–	2,137	5,756	144,209	–	(63,048)
For the year ended 31 December 2009								
At 1 January 2009	(215,150)	–	–	2,137	5,756	144,209	–	(63,048)
Profit for the year	–	–	–	–	–	151,655	1,475	153,130
Share of net asset value by minority shareholders	–	–	–	–	–	(3,100)	3,100	–
Professional fees in relation to the proposed initial public offering	–	–	(17,924)	–	–	–	–	(17,924)
Share-based compensation	–	–	–	5,699	–	–	–	5,699
Release of share-based compensation reserve to capital reserve	–	7,836	–	(7,836)	–	–	–	–
Deemed contribution from equity holders upon Reorganisation	–	4,575	–	–	–	–	(4,575)	–
Transfer to statutory reserve	–	–	–	–	6,822	(6,822)	–	–
Dividends	–	–	–	–	–	(51,000)	–	(51,000)
At 31 December 2009	(215,150)	12,411	(17,924)	–	12,578	234,942	–	26,857
For the period ended 30 June 2010								
At 1 January 2010	(215,150)	12,411	(17,924)	–	12,578	234,942	–	26,857
Profit for the period	–	–	–	–	–	104,313	–	104,313
Professional fees in relation to the proposed initial public offering	–	–	(21,829)	–	–	–	–	(21,829)
Transfer to statutory reserve	–	–	–	–	3,845	(3,845)	–	–
Dividends	–	–	–	–	–	(15,390)	–	(15,390)
At 30 June 2010	(215,150)	12,411	(39,753)	–	16,423	320,020	–	93,951
For the period ended 30 June 2009 (unaudited)								
At 1 January 2009	(215,150)	–	–	2,137	5,756	144,209	–	(63,048)
Profit for the period	–	–	–	–	–	30,373	–	30,373
Share-based compensation	–	–	–	4,274	–	–	–	4,274
Transfer to statutory reserve	–	–	–	–	5,515	(5,515)	–	–
Dividends	–	–	–	–	–	(5,000)	–	(5,000)
At 30 June 2009	(215,150)	–	–	6,411	11,271	164,067	–	(33,401)

The Company:

For the period from 17 July 2009 (date of incorporation) to 31 December 2009 and 30 June 2010

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Loss for the period	–	(50)	(50)
Share premium arising from Reorganisation (Note d)	34,750	–	34,750
At 31 December 2009	34,750	(50)	34,700
At 1 January 2010	34,750	(50)	34,700
Loss for the period	–	(57)	(57)
At 30 June 2010	34,750	(107)	34,643

(a) Merger reserve represents the difference between the share capital of the Company and the combined share capital of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Reorganisation.

(b) Capital reserve represents the net assets attributable to minority shareholders which were acquired pursuant to the Reorganisation, and is treated as a deemed contribution from equity holders and the release of share-based compensation reserve upon the incentive shares.

(c) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(d) Share premium represents the difference between the nominal value of shares issued by the Company pursuant to the Reorganisation and the aggregated net assets values of subsidiaries acquired.

20 Bank borrowings

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank loans	18,860	–	49,000	44,000
Current				
Bank loans	–	18,860	151,861	137,823
Bank overdrafts	178	–	6,437	55
Trust receipts loans	2,973	60,385	28,279	81,774
	3,151	79,245	186,577	219,652
Total bank borrowings	22,011	79,245	235,577	263,652

The Group's borrowings at the balance sheet dates were repayable as follows (also see Note 4.1):

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,151	79,245	186,577	219,652
Between one and two years	18,860	–	27,000	22,000
Between two and five years	–	–	22,000	22,000
	22,011	79,245	235,577	263,652

The effective interest rates per annum were as follows:

	As at 31 December									As at 30 June
	2007		2008		2009			2010		
	HK$	*US$*	*HK$*	*US$*	*HK$*	*US$*	*RMB*	*HK$*	*US$*	*RMB*
Bank loans	6.39%	–	3.92%	–	1.78%	1.80%	5.31%	3.50%	–	4.78%
Bank overdrafts	7.50%	–	–	–	13.25%	–	–	5.69%	–	–
Trust receipt loans	6.50%	6.75%	4.74%	3.96%	5.03%	3.33%	–	4.92%	4.01%	–

Bank borrowings are secured by buildings and land use right of the Group (Notes 8 and 9), personal guarantees provided by Mr. Wong and Ms. Ching, directors of the Company, and pledge of deposits and properties owned by Mr. Wong and Ms. Ching. In addition, bank borrowings of HK$102,743,000 for a subsidiary are secured by corporate guarantees provided by the Company. Subsequent to 30 June 2010, the bank borrowings or finance lease obligations that are guaranteed by Mr. Wong and Ms. Ching will be settled prior to the Listing, or if they are to subsist after the Listing, the relevant banks have given in-principle consents to release the above personal guarantees, to be replaced by a corporate guarantee or replacement security given by any member of our Group upon the Listing.

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings, are determined by discounting the future cash flows at the current market interest rate available to the Group.

Bank borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
US dollar	2,446	50,557	75,103	65,496
Hong Kong dollar	19,565	28,688	154,796	170,698
RMB	–	–	5,678	27,458
	22,011	79,245	235,577	263,652

During the six month period ended 30 June 2010, the Group breached a covenant under a banking facility and no waiver has been granted by the relevant bank as at 30 June 2010 and up to the date of this report. As the relevant borrowing under this banking facility of HK$21,250,000 has already been classified as current liabilities as at 30 June 2010 and based on the management's discussions with the relevant bank, the relevant bank had not demanded early repayment of the relevant borrowings, there is no significant financial impact resulting from such breach of covenant.

21 Finance lease obligations

Details of finance lease obligations are analysed as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total minimum lease payments under finance leases (see Note 4.1):				
– not later than one year	58,089	39,341	59,122	51,556
Less: Future finance charges	(3,665)	(1,617)	(4,146)	(3,307)
Finance leases obligations	54,424	37,724	54,976	48,249
Analysis of present value of finance lease obligations:				
– not later than one year	54,424	37,724	54,976	48,249

Finance lease obligations are denominated in Hong Kong dollar.

The effective interest rates per annum were as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
Effective interest rates	6.27%	4.68%	5.10%	4.97%

22 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets to be recovered after more than 12 months	–	(709)	(278)	(139)
Deferred income tax liabilities to be settled after more than 12 months	–	2,590	–	3,992
	–	1,881	(278)	3,853

The gross movements on the deferred income tax account are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
At beginning of year/period	(1,233)	–	1,881	1,881	(278)
Recognised/(derecognised) in the consolidated income statement	1,233	1,881	(2,159)	39	4,131
At end of year/period	–	1,881	(278)	1,920	3,853

The movement in deferred income tax assets and liabilities during the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Provision for unrealised losses in a subsidiary *HK$'000*	**Withholding tax relating to unremitted retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	–	–	–
Recognised in the consolidated income statement	–	–	–
At 31 December 2007	–	–	–
Recognised in the consolidated income statement	–	2,590	2,590
At 31 December 2008	–	2,590	2,590
Derecognised in the consolidated income statement	–	(2,590)	(2,590)
At 31 December 2009	–	–	–
Recognised in the consolidated income statement	3,992	–	3,992
At 30 June 2010	3,992	–	3,992

Starting from the year ended 31 December 2008, 5% withholding income tax is imposed on dividends relating to profits remitted from the Group's PRC subsidiaries if such profits are not permanently reinvested. As at 31 December 2008, deferred income tax liabilities of HK$2,590,000 have been provided on such unremitted earnings. Such deferred income tax liabilities have been derecognised during the year ended 31 December 2009 as the directors subsequently determined that such retained earnings are to be reinvested. As at 30 June 2010, deferred income tax liabilities of HK$7,390,000 have not been recognised for the withholding tax and other taxes that would be payable on the remittance of retained earnings of the Group's PRC subsidiary amounting to HK$147,807,000.

Deferred income tax assets:

	Tax losses	Tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007	(5,649)	4,416	(1,233)
Recognised in the consolidated income statement	5,649	(4,416)	1,233
At 31 December 2007	–	–	–
Recognised in the consolidated income statement	–	(709)	(709)
At 31 December 2008	–	(709)	(709)
Recognised in the consolidated income statement	–	431	431
At 31 December 2009	–	(278)	(278)
Recognised in the consolidated income statement	–	139	139
At 30 June 2010	–	(139)	(139)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. There are no significant unrecognised tax loss as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

23 Trade and bills payables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	111,527	92,051	200,066	231,274
Bills payables	10,631	32,675	48,359	48,412
	122,158	124,726	248,425	279,686

The ageing analysis of trade and bills payables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	38,569	61,950	105,132	86,630
31 to 60 days	41,524	31,279	92,826	100,894
61 to 90 days	30,720	26,579	40,436	56,311
91 to 120 days	7,034	2,683	9,715	22,120
Over 120 days	4,311	2,235	316	13,731
	122,158	124,726	248,425	279,686

The carrying amounts of trade and bills payables approximate their fair values.

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	649	1,584	15,640	30,698
US dollar	111,706	109,849	209,795	225,653
Hong Kong dollar	9,803	13,293	22,990	23,335
	122,158	124,726	248,425	279,686

24 Accruals and other payables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Payable for purchase of property, plant and equipment	6,092	11,005	17,028	20,364
Salary and wages payable	5,778	8,173	12,817	13,355
Accrued operating expenses	4,190	4,254	7,883	21,508
Advance receipts from customers	136	646	306	728
Provision for value-added tax and other taxes in the PRC	6,515	8,447	6,608	6,945
Other accruals and other payables	5,905	5,614	7,569	9,797
	28,616	38,139	52,211	72,697

The carrying amounts of accruals and other payables approximate their fair values.

25 Revenue

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue					
Sale of goods	674,293	749,788	888,348	327,355	668,705

26 Other income/(losses) – net

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Loss on disposal of property, plant and equipment	(6,703)	–	–	–	–
Gain on disposal of financial assets at fair value through profit or loss	25,115	–	–	–	–
Fair value (losses)/gains on financial assets at fair value through profit or loss	(3)	(891)	347	–	(262)
Others	636	448	851	256	227
	19,045	(443)	1,198	256	(35)

27 Expenses by nature

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Employee benefit expenses (Note 28)	75,762	98,099	119,126	55,705	89,326
Cost of inventories (Note 11)	431,850	465,494	486,387	185,625	387,714
Auditor's remuneration	153	742	1,454	156	396
Depreciation of property, plant and equipment	18,230	19,248	32,955	13,739	21,868
Operating lease rentals – office premises, factory and warehouse	4,194	5,142	5,265	1,729	3,330
Amortisation of land use right	150	82	115	58	58
Amortisation of intangible assets	–	–	1,441	–	1,909
Provision for impairment of trade receivables	153	–	–	–	–
Consumables	5,620	11,764	17,681	6,087	2,748
Electricity, water and utilities expenses	11,673	12,395	16,934	7,486	9,526
Freight and transportation	6,101	3,872	5,648	2,402	4,179
Research and development expenses					
– Consumables	2,283	2,045	–	–	–
– Employee benefit expenses (Note 28)	7,395	10,190	11,091	7,212	2,338
Others	21,659	18,796	19,567	11,127	15,094
Total cost of sales, distribution costs and administrative expenses	585,223	647,869	717,664	291,326	538,486

28 Employee benefit expenses (including directors' emoluments)

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Wages and salaries	80,962	100,084	125,989	53,961	93,716
Other employee benefits	1,124	5,132	6,044	2,713	6,752
Pension costs – defined contribution plans and social security costs	1,071	936	3,718	1,969	2,108
Share-based compensation expenses	–	2,137	5,699	4,274	–
	83,157	108,289	141,450	62,917	102,576
Less: amount recorded in research and development expenses (Note 27)	(7,395)	(10,190)	(11,091)	(7,212)	(2,338)
Less: amount capitalised as intangible assets (Note 10)	–	–	(11,233)	–	(10,912)
	75,762	98,099	119,126	55,705	89,326

(i) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000 and thereafter contributions are voluntary.

(ii) As stipulated by the rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. The employees contribute approximately 8% of their basic salaries, while the subsidiary contributes approximately 17% of the basic salaries of its employees and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(iii) Share-based compensation expenses

Pursuant to an Share Incentive Scheme (the "Scheme") approved by the shareholders at a Shareholders' Meeting of World Fair Technology Holdings Limited, the then ultimate holding company of World Fair Hong Kong, on 30 September 2008, certain ordinary shares (the "Incentive Shares") of World Fair Hong Kong were confirmed to be granted to certain senior management personnel of the Group by World Fair Technology Holdings Limited, subject to certain vesting conditions. The Scheme is designed to motivate key management personnel and enable the Group to attract and retain individuals with experience and ability and to reward them for their contributions to the Group.

In accordance with HKFRS 2 "Share-based payment", the Group is required to recognise the fair value of the Incentive Shares as share based compensation expenses on a straight line basis over the relevant vesting periods. For this purpose, the Group has engaged an independent professional valuer to perform valuation of the Incentive Shares (the "Valuation"). Pursuant to the Valuation, the fair value of the Incentive Shares was determined based on the discounted cash flows method under the income approach using a five-year cash flows projections of the Group and the estimated terminal value at the end of the five-year period.

The key assumptions of the Valuation are:

– Revenue growth rate (five-year period)	2 – 10%
– Gross profit margin rate	21%
– Discount rate	15.5%
– Dividend rate	0%

There is no significant other features used in the discounted cash flows which would materially impact the Valuation.

During the years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, share-based payment expense of HK$2,137,000, HK$5,699,000, HK$4,274,000 and nil were recognised in the consolidated income statement respectively. A corresponding amount was credited as share-based compensation reserve within equity in the Financial Information.

29 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to directors of the Group are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Fees	960	960	960	480	831
Basic salaries, bonuses, other allowances and benefits in kind	1,402	2,435	5,009	2,170	2,963
Contributions to pension plans	24	29	41	18	24
Share-based compensation expenses	–	1,177	3,142	2,356	–
	2,386	4,601	9,152	5,024	3,818

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2007 is set out below:

Name of director (Note i)	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Kwok Fong	480	208	330	–	12	1,030
Ching Pui Yi	480	–	208	–	12	700
Tan Hui Kiat	–	656	–	–	–	656
	960	864	538	–	24	2,386

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2008 is set out below:

Name of director (Note i)	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Kwok Fong	480	270	800	–	12	1,562
Ching Pui Yi	480	–	408	755	12	1,655
Lam Ho Sang	–	285	–	211	5	501
Tan Hui Kiat	–	672	–	211	–	883
	960	1,227	1,208	1,177	29	4,601

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2009 is set out below:

Name of director (Note i)	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Kwok Fong	480	752	1,440	–	12	2,684
Ching Pui Yi	480	180	540	2,014	12	3,226
Cheung To Keung	–	666	–	–	5	671
Lam Ho Sang	–	800	–	564	12	1,376
Tan Hui Kiat	–	631	–	564	–	1,195
	960	3,029	1,980	3,142	41	9,152

The remuneration of every director of the Company paid/payable by the Group for the period ended 30 June 2010 is set out below:

Name of director (Note i)	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Kwok Fong	240	1,096	–	–	6	1,342
Ching Pui Yi	240	360	–	–	6	606
Cheung To Keung	12	745	–	–	6	763
Lam Ho Sang	12	428	–	–	6	446
Tan Hui Kiat	12	334	–	–	–	346
Lee Kwok On, Matthew	90	–	–	–	–	90
Chan Wai	105	–	–	–	–	105
Wong Chung Bong	120	–	–	–	–	120
	831	2,963	–	–	24	3,818

The remuneration of every director of the Company paid/payable by the Group for the period ended 30 June 2009 is set out below:

Name of director (Note i)	Fees	Salary	Discretionary bonuses	Share-based compensation	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Wong Kwok Fong	240	135	960	–	6	1,341
Ching Pui Yi	240	–	360	1,510	6	2,116
Lam Ho Sang	–	397	–	423	6	826
Tan Hui Kiat	–	318	–	423	–	741
	480	850	1,320	2,356	18	5,024

Notes:

(i) The directors of the Company were appointed on the following dates:

Executive directors	Date of appointment	Date of resignation
Wong Kwok Fong	17 July 2009	–
Ching Pui Yi	17 July 2009	–
Cheung To Keung	28 November 2009	30 September 2010
Lam Ho Sang	28 November 2009	30 September 2010
Tan Hui Kiat	28 November 2009	–
Cheung Wing Keung	30 September 2010	–
Independent non-executive directors		
Lee Kwok On, Matthew	28 November 2009	–
Chan Wai	28 November 2009	–
Wong Chun Bong	28 November 2009	–

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company during the Relevant Periods.

(ii) No directors waived or agreed to waive any emoluments during the Relevant Periods. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three directors, three directors, three directors, three directors and four directors for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals, two individuals, two individuals, two individuals and one individual for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively, are as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Basic salaries, bonuses, other allowances and benefits in kind	1,035	1,422	1,389	700	413
Retirement benefit – defined contribution scheme	–	–	12	6	6
Share-based compensation expenses	–	423	1,430	1,072	–
	1,035	1,845	2,831	1,778	419

The emoluments fell within the following bands:

	Number of individuals				
	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009 *(unaudited)*	2010
Emolument bands					
Under HK$1,000,000	2	2	–	2	1
HK$1,000,001 – HK$1,500,000	–	–	1	–	–
HK$1,500,001 – HK$2,000,000	–	–	1	–	–

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the Relevant Periods.

30 Finance income and costs

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Finance income					
– Interest income on bank deposits	539	227	265	240	23
Finance costs:					
– Bank loans	(1,962)	(1,448)	(3,096)	(775)	(4,580)
– Finance lease obligations	(4,425)	(2,600)	(2,220)	(857)	(1,285)
– Bank overdrafts and trust receipt loans	(4,866)	(732)	(3,138)	(1,516)	(1,614)
	(11,253)	(4,780)	(8,454)	(3,148)	(7,479)
Net finance costs	(10,714)	(4,553)	(8,189)	(2,908)	(7,456)

31 Income tax expense

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current income tax					
– Hong Kong profits income tax	16,542	8,997	12,722	2,965	12,259
– PRC enterprise income tax	–	–	–	–	2,025
	16,542	8,997	12,722	2,965	14,284
Deferred income tax (Note 22)	1,233	1,881	(2,159)	39	4,131
	17,775	10,878	10,563	3,004	18,415

Hong Kong profits tax has been provided at the rate of 17.5%, 16.5%, 16.5%, 16.5% and 16.5% on the estimated assessable profit for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

The statutory income tax rate applicable to World Fair Electronics Technology (Heshan) Limited, a subsidiary, is 25%. Pursuant to the relevant tax regulations in the PRC, the subsidiary is eligible for an exemption from the PRC enterprise income tax for two years starting with the first profit-making year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. 5% withholding income tax is also imposed on dividends relating to profits earned in year 2008 and onwards remitted from the PRC subsidiary.

The first profit-making year (after offsetting prior year losses) of World Fair Electronics Technology (Heshan) Limited is the year ended 31 December 2008.

During the year ended 31 December 2008, as a result of the change in the Hong Kong corporation tax rate from 17.5% to 16.5% that will be effective from 1 April 2008, deferred tax balances have been remeasured.

The effective tax rates were as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Effective tax rates	18.2%	11.2%	6.5%	9.0%	15.0%

The lower effective tax rates during the years ended 31 December 2007 to 31 December 2009 is primarily due to an increase in the profitability of the Group's subsidiary in the PRC, which is exempted from PRC enterprise income tax during the years ended 31 December 2007 to 31 December 2009, and the impact of the reduction in the Hong Kong tax rate from 17.5% to 16.5% during the year ended 31 December 2008. The increase in effective tax rate in the six months ended 30 June 2010 was caused by the lapse of the two years exemption period from PRC enterprise income tax as at 31 December 2009, after which the PRC subsidiary is eligible for a 50% reduction for three years.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Profit before income tax	97,401	96,923	163,693	33,377	122,728
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	14,476	19,644	35,015	7,153	26,313
Income not subject to tax	(49)	(6)	(1)	–	(15)
Expenses not deductible for tax purposes	1,677	1,527	1,890	997	769
Effect of tax exemption granted to a subsidiary in the PRC	1,671	(12,877)	(23,751)	(5,146)	(8,652)
Charge/(reversal) of withholding tax relating to unremitted retained earnings	–	2,590	(2,590)	–	–
Income tax expense	17,775	10,878	10,563	3,004	18,415

32 Earnings per share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 2,152,500,000 shares issued after the completion of the Reorganisation were deemed to have been in issue since 1 January 2007.

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009 (*unaudited*)	2010
Profit attributable to equity holders of the Company (HK$'000)	79,626	86,045	151,655	30,373	104,313
Number of ordinary shares in issue (thousands)	2,152,500	2,152,500	2,152,500	2,152,500	2,152,500
Basic earnings per share (HK cents)	3.70	4.00	7.05	1.41	4.85

(b) Diluted

As the Company had no dilutive ordinary shares for the Relevant Periods, diluted earnings per share for the Relevant Periods is not presented.

33 Dividends

	Years ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interim dividends declared and paid/ payable by World Fair Hong Kong to its then shareholders	51,000	–	51,000	5,000	–
Interim dividend declared and paid by the Company	–	–	–	–	15,390
	51,000	–	51,000	5,000	15,390

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

34 Cash generated from operations

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before income tax	97,401	96,923	163,693	33,377	122,728
Adjustments for:					
– Finance income	(539)	(227)	(265)	(240)	(23)
– Finance costs	11,253	4,780	8,454	3,148	7,479
– Depreciation of property, plant and equipment	18,230	19,248	32,955	13,739	21,868
– Amortisation of land use right	150	82	115	58	58
– Amortisation of intangible assets	–	–	1,441	–	1,909
– Loss on disposal of property, plant and equipment	6,703	–	–	–	–
– Provision for impairment of trade receivables	153	–	–	–	–
– Fair value losses/(gains) on financial assets at fair value through profit or loss	3	891	(347)	–	262
– Gain on disposal of financial assets at fair value through profit or loss	(25,115)	–	–	–	–
– Share-based compensation expenses	–	2,137	5,699	4,274	–
Operating profit before working capital changes	108,239	123,834	211,745	54,356	154,281
Changes in working capital:					
– Inventories	(4,227)	11,492	(72,763)	(649)	(83,146)
– Trade receivables	(34,170)	17,313	(181,383)	(24,284)	(34,654)
– Prepayments, deposits and other receivables	1,642	(1,585)	(46,070)	(20,848)	(27,441)
– Amounts due from related companies	(7)	(13)	20	(7)	–
– Trade and bills payables	(3,645)	2,568	123,699	(7,596)	31,261
– Accruals and other payables	23,794	9,523	14,072	7,445	20,486
Cash generated from operations	91,626	163,132	49,320	8,417	60,787

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net book amount (Note 8)	6,829	–	–	–	–
Loss on disposal of property, plant and equipment	(6,703)	–	–	–	–
Proceeds from disposal of property, plant and equipment	126	–	–	–	–

Major non-cash transactions

(a) The Group entered into finance lease arrangements in respect of machinery with a total capital amount at the inception of the lease of HK$11,130,000, HK$16,558,000, HK$38,148,000, HK$4,050,000 and HK$5,994,000 for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 respectively.

(b) Dividend payables of HK$5,000,000 and HK$15,101,000 declared by World Fair Hong Kong in September 2009 and March 2010, respectively, to its then shareholder, were settled through offsetting the amount due from a director during the year ended 31 December 2009 and the six months ended 30 June 2010, respectively.

35 Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease expenditure expensed in the consolidated income statement during the Relevant Periods is disclosed in Note 27 to the Financial Information.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	3,164	4,299	5,287	6,669
Later than one year and not later than five years	–	6,727	7,970	11,353
Later than five years	–	2,229	1,126	563
	3,164	13,255	14,383	18,585

The Company has no operating lease commitment as at 31 December 2007, 2008 and 2009 and 30 June 2010.

36 Capital commitments

Capital commitments for property, plant and equipment as at the balance sheet date were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	10,726	1,105	4,466	3,906

The Company has no capital commitment as at 31 December 2007, 2008 and 2009 and 30 June 2010.

37 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Group's banking facilities were secured by personal guarantees provided by Mr. Wong and Ms. Ching, directors of the Company and pledge of deposits and properties owned by Mr. Wong and Ms. Ching.

(b) Balances with related parties are disclosed in Note 16 to the Financial Information.

(c) In November 2009, the Group has entered into a three-year residential premises lease agreement with Mr. Wong which will take effect upon the listing of the Company, pursuant to which World Fair Heshan agreed to lease from Mr. Wong's residential premises in Jiangmen, the PRC, at a monthly rental of HK$99,000 as residences for the Group's senior management.

(d) Key management compensation

	Years ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Directors' fees	960	960	960	480	831
Basic salaries, housing allowances, other allowances and benefits in kind	2,522	4,579	7,947	3,951	5,576
Contributions to pension plans	24	35	73	27	42
Share-based compensation expenses	–	2,031	5,417	4,063	–
	3,506	7,605	14,397	8,521	6,449

(e) During the Relevant Periods, Mr. Wong provided premises to the Group's employees as staff quarters at no charge.

(f) Mr. Wong and Ms. Ching have agreed to fully indemnify the Group and hold the Group harmless for all costs and expenses in relation to the Group's failure to obtain the requisite licenses and permits and any demolish costs for certain properties of the Group.

(g) In November 2010, the Group entered into agreement with the Controlling Shareholders who agreed to indemnify the Group in respect of any costs or liabilities that may arise out of the additional tax assessments of a subsidiary (as disclosed in Note 38) to the Financial Information.

38 Contingent liabilities

In April 2010, a subsidiary of the Group received an additional assessment dated 30 March 2010 from the Hong Kong Inland Revenue Department ("**IRD**") demanding an additional profits tax in the amount of HK$1,750,000 for the year of assessment 2003/04. This subsidiary also received a notice from the IRD of even date requesting an interview in relation to the tax audit of its tax affairs for the years of assessment 2003/04 to 2008/09.

The directors of the Company believe that the additional assessment is of a protective nature and is issued to keep the year of assessment 2003/04 technically open in view of the statutory time bar. An objection against the above additional assessment was lodged on 20 April 2010 and by a letter dated 7 May 2010 issued by the IRD an unconditional holdover of the above additional profits tax has been granted by the IRD.

A meeting between World Fair Hong Kong and the IRD in relation to the tax audit was held in June 2010. On 17 September 2010, a settlement proposal was submitted to the IRD for consideration but the settlement of the tax audit is still under negotiation with the IRD. As part of the settlement proposal, a deposit of HK$3,000,000 has been placed with the IRD. As the final outcome of the tax audit is still uncertain, the directors are of the view that except for those which have already been provided for in the accounts based on the Company's best estimate as prepared in the settlement proposal, there is no reliable basis for estimating and making additional provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at 30 June 2010, which may arise from tax adjustments made as a result of the above tax audit. The Controlling Shareholder have agreed to indemnify the Group in respect of any costs or liabilities arising out of additional assessment for which the Group may be liable.

39 Subsequent event

In October 2010, the Company declared an interim dividend in respect of the year ending 31 December 2010 of approximately HK$41.0 million.

II SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2010. In addition, except as disclosed in Note 39 under section I, no dividends have been declared or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2010.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong