S.A.S. Dragon Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 1184)

Annual Report 2010

Building on solid foundation

We're taking the new step

商界展關懷

caringcompany 2009/10

Awarded by The Hong Kong Council of Social Service

香港社會服務聯會頒發

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

LEGAL ADVISOR

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

AUDITOR

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

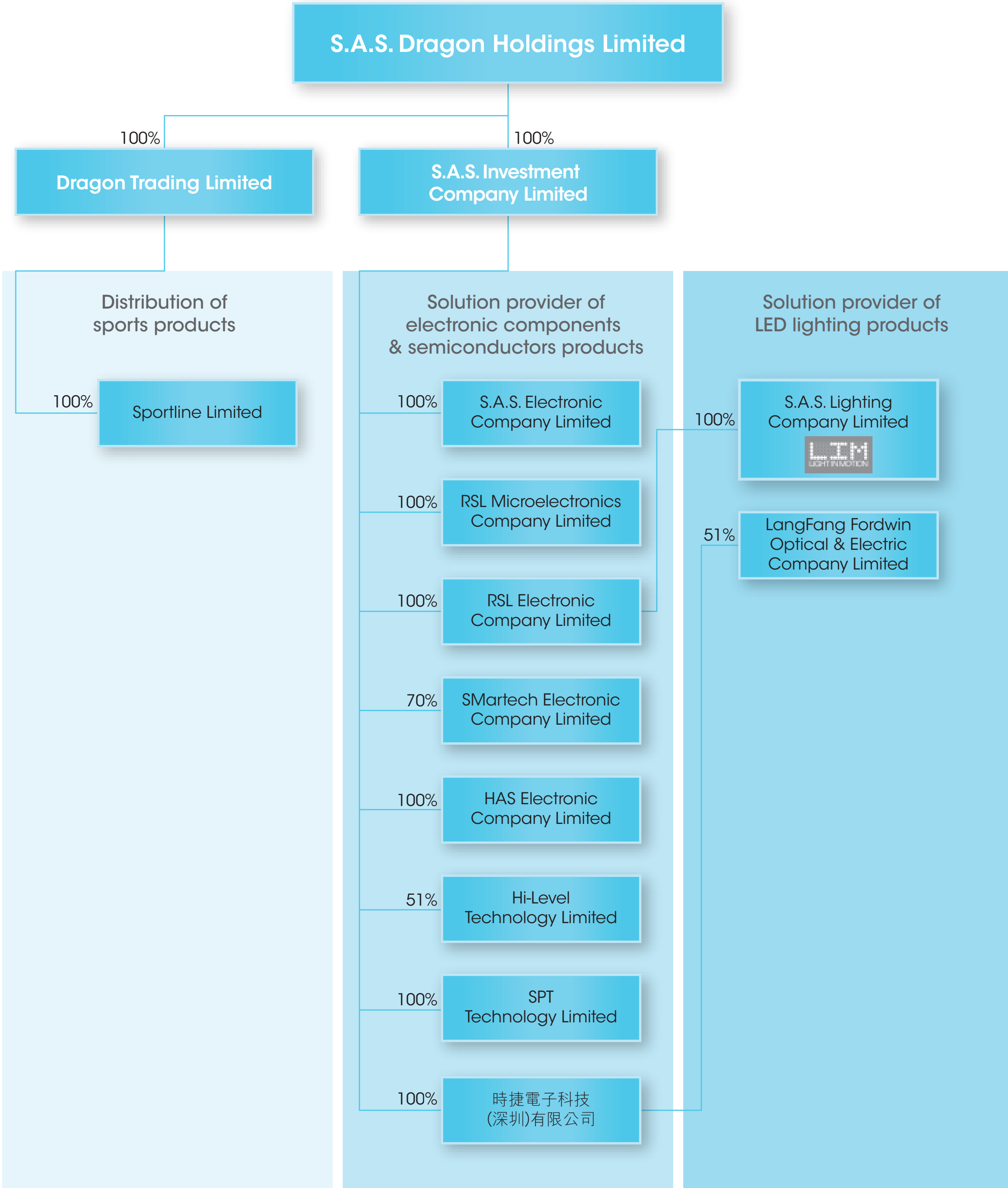
WEBSITE

http://www.sasdragon.com.hk

STOCK CODE

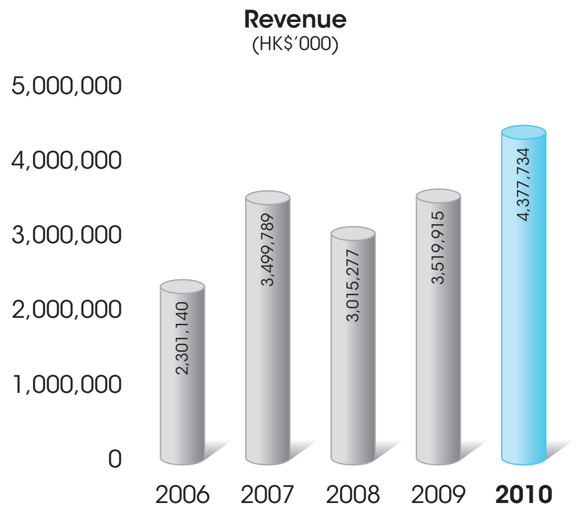
The Stock Exchange of Hong Kong Limited: 1184

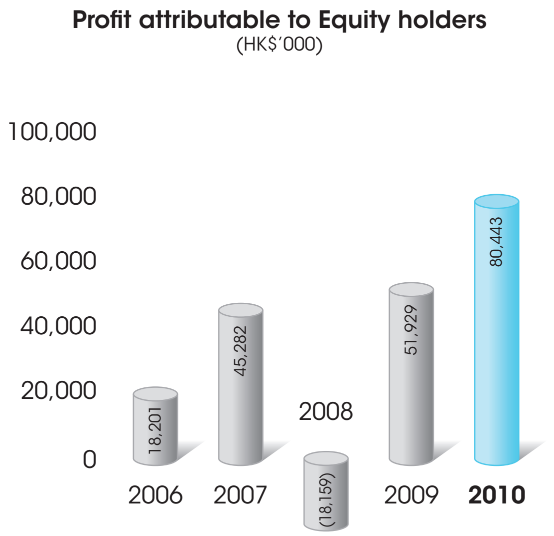
GROUP STRUCTURE

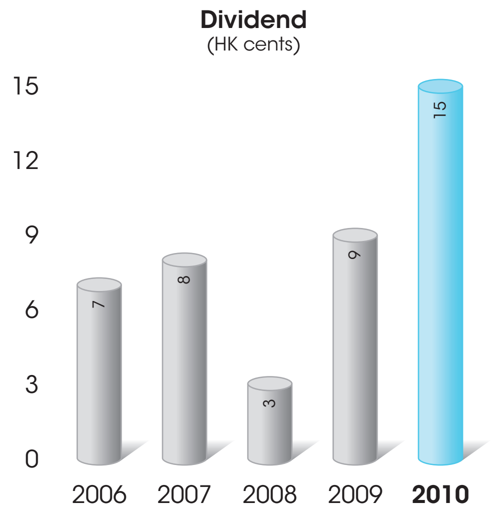


FINANCIAL HIGHLIGHTS

	2010 HK$'million	2009 HK$'million	Change
Revenue	**4,377.7**	3,519.9	+24%
EBITDA	**115.1**	73.9	+56%
Net profit attributable to owners of the Company	**80.4**	51.9	+55%
Basic earnings per share	**HK30.82 cents**	HK20.01 cents	+54%
Proposed final dividend per share	**HK10.00 cents**	HK6.50 cents	+54%
Proposed special dividend per share to celebrate the Group's 30th Anniversary	**HK2.00 cents**	–	N/A
Full year dividend per share	**HK15.00 cents**	HK9.00 cents	+67%







CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

When SAS was first established in 1981, the Company was a small business, that was privately owned and operated with a few employees. Leveraging on the rapid and continuous growth of the Hong Kong electronic export markets, SAS became a publicly listed company in 1994 and has continuously grown by focusing on the electronic supply chain services provider business.

In 2010, the Group achieved all-time records for revenue and profit due to our good reputation and proven track record in the electronic supply chain services provider business. We have gained committed supports from our suppliers and customers, which I thought, is essential in this fierce industry.

By means of internal growth and integration of acquired companies over the years, now in 2011, which marks the 30th anniversary of SAS, we operate 6 leading semiconductor business units in Hong Kong, namely, SAS Electronic, RSL, SMartech, HAS, Hi-Level and SPT. SAS Group collectively employs over 450 staff and serves more than 100 famous international semiconductor suppliers as well as over 10,000 customers in the Greater China region. As a founder of SAS, I am delightful of the Company's growth and success.

Looking ahead, we view the past 30 years as just a beginning. We are still growing rapidly and constantly making improvements for the Company. Our ultimate goal is to become a global leading electronic supply chain services provider by building global presence and generate sustainable profit over the long term.

Finally, on behalf of the Board of Directors, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication in the past 30 years.

Yim Yuk Lun, Stanley *JP*
Chairman

Hong Kong, 28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductors products including chipset solutions, display panel, memory chips, light-emitting diode ("LED") lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer, telecommunication and LED lighting products to industrial and commercial customers in the Greater China.

During the year under review, the Group achieved all-time records for revenue and operating profit in this core segment. These results were driven by the solid domestic demand from the Greater China and other developing countries. The Group benefited from serving more than 100 famous international semiconductor suppliers and over 10,000 electronics manufacturing services ("EMS") providers, original equipment manufacturers, original design manufacturers and valued-added resellers in the Greater China.

Mobile Phone Products

The strong demand of smart phone among with the continuous broadening of the 3G network coverage to more China cities continues to be the core growth driver to China handsets market, being the world's largest mobile market. During the year under review, the Group was able to capture this hot market by providing full range product solutions including 3G/2G baseband processors, large memory storage, high resolution displays, wireless communication solutions and other embedded solutions to many handset manufacturers and EMS factories in China.

Consumer Electronic Products

China's subsidy program for home appliance purchases continues to support the domestic spending on televisions, air conditioners, refrigerator and other consumer products. Also, technology update in home electrical appliance, like the adoption of energy-saving dual mode inverter and intelligent electronic control system, has boosted the Group's revenue during the year under review.

Computer Products

During the year under review, worldwide spending on computer products by both business and consumer sectors remain robust. The incremental sales growth of iPad-like multimedia touch-screen tablet PC has further boosted the Group's revenue.

LED Lighting Products

During the year under review, the Group made good progress to provide one-stop LED lighting supply chain solutions to both industrial and commercial customers. Other than sourcing wide range of LED components to LED lighting apparatus manufacturers, the Group has took further step to develop and produce wide range of LED indoor and outdoor lights under the LIM LIGHT IN MOTION branding to end users as well as energy management consultants in the Greater China.

Properties investment

As of 31 December 2010, the Group held 6 units of investment properties (31 December 2009: 7 units), all of which are commercial units located at Hong Kong. The aggregate carrying value of investment properties amounted to HK$127.2 million (31 December 2009: HK$112.8 million).

The above investment properties generated rental income of HK$4.1 million (2009: HK$4.6 million) with an annualized return of 3.2% (2009: 4.1%).

OUTLOOK

Although the Group has achieved satisfactory results in 2010, we are conscious on the recoverability of global economy and the impact of the Japan 311 tragedies.

We all in SAS feel deep sympathy to the people and companies of Japan hit by the tragedies. It is apparent that several Japanese semiconductor companies have been struck directly. At this moment, we are monitoring the situation closely and will adopt remedial action as soon as possible if necessary.

We believe the Group will manage to perform competitively by virtue of its solid relationship with suppliers. Also, we believe that relatively strong growth should continue in China, where holds good fundamentals and being less affected by US financial crisis.

The Group's objective is to remain a leading electronic supply chain services provider in Greater China while continuing to improve its profitability and enhance its value to customers. To achieve this objective, the Group adopts a strategy of emphasizing its value-added, full-service capabilities, using its research competence to enhance customer service, continuing to improve its own operating efficiencies.

Looking ahead, barring unforeseeable circumstances, we are still positive about our business outlook. We will continue to look into further growth opportunities in the Greater China, in particular China and Taiwan and bring higher returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group's turnover increased by 24.4% to HK$4,377,734,000 (2009: HK$3,519,915,000), gross profit rose by 43.4% to HK$260,188,000 (2009: HK$181,381,000), and EBITDA (represented gross profit plus other income minus distribution and selling expenses and administrative expenses plus depreciation and amortization) increased by 55.8% to HK$115,132,000 (2009: HK$73,874,000).

Net profit attributable to owners of the Company increased 54.9% to HK$80,443,000 (2009: HK$51,929,000). Basic earnings per share was HK30.82 cents (2009: HK20.01 cents).

Liquidity and Financial Resources

As of 31 December 2010, the Group's current ratio was 121% (31 December 2009: 124%), net gearing ratio was 16% (31 December 2009: 61%), which was calculated based on the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss and available-for-sale investments) of approximately HK$87,215,000 (31 December 2009: HK$286,280,000) and total equity of HK$542,510,000 (31 December 2009: HK$465,512,000).

The Group recorded debtors turnover of approximately 35 days for the year under review (2009: 46 days) based on the amount of trade and bills receivable as at 31 December 2010 divided by sales for the same period and multiplied by 365 days (2009: 365 days).

The Group recorded inventory turnover and average payable period of approximately 34 days and 40 days respectively for the year under review (2009: approximately 43 days and 38 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2010 divided by cost of sales for the same period and multiplied by 365 days (2009: 365 days).

The Group generated net operating cash inflow of HK$259,119,000 and used in net repayment of bank borrowings of HK$11,006,000 for the year under review, compare with net operating cash outflow of HK$13,871,000 and net raising of bank borrowings of HK$106,606,000 for the same period in 2009.

Foreign Exchange Risk Management

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

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

Employee and Remuneration Policy

At 31 December 2010, the Group employed approximately 450 employees in the PRC and Hong Kong. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include share option scheme, provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 51, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group's management team. He is currently the Chairman of Hong Kong Trade Services Council of Federation of Hong Kong Industries, the treasurer of the Hong Kong Electronic Industries Association, a member of HKTDC-Electronics/Electronical Appliances Industries Advisory Committee, a member of Yan Chai Hospital Advisory Board, a member of Shanghai Committee of Chinese People's Political Consultative Conference and a member of Yun Fu City Committee of Chinese People's Political Consultative Conference.

Mr. Wong Sui Chuen, aged 57, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Lock Shui Cheung, aged 48, was appointed as an Executive Director of the Company in 2010. He holds a higher diploma in Marine Electronics from Hong Kong Polytechnic University and a Master's degree in Business Administration from the University of Hull, England. He has more than twenty years sales and management experience in electronic components distribution business with various global companies including Toshiba Electronics, National Semiconductor and Arrow Electronics.

Non-Executive Director

Dr. Chang Chu Cheng, aged 67, was appointed as a Non-Executive Director of the Company in 1994. Dr. Chang gained his Doctorate in Solid State Electronics from the University of Manchester Institute of Science & Technology in 1969 and lectured in physics and electronics at the Chinese University of Hong Kong prior to the founding of Varitronix in 1978. He is presently the Chairman of iView Limited and Honorary Chairman of Varitronix International Limited. He is also currently an independent non-executive director of Fujikon Industrial Holdings Limited.

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 73, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Ltd., Glory Mark Hi-Tech (Holdings) Limited, Gold Peak Industries (Holdings) Ltd. and L.K. Technology Holdings Limited, all being listed company in the Hong Kong Stock Exchange and a director of Asian Citrus Holdings Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

Mr. Liu Chun Ning, Wilfred, aged 49, was appointed as an Independent Non-Executive Director of the Company in 2001. He is currently an executive director of Chong Hing Bank Limited who is in charge of the securities business of Chong Hing Bank Limited, an non-executive director of Liu Chong Hing Investment Limited and an independent non-executive director of Get Nice Holdings Limited and Seamless Green China (Holdings) Limited, whose shares are listed on the Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Wong Tak Yuen, Adrian, aged 56, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontairo, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Cheung Chi Kwan, aged 51, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Lau Ping Cheung, Andy, aged 40, joined the Group in 2007 as the Sales Vice President of S.A.S. Electronic Company Limited. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in 2003. He has over seventeen years' experience in electronic field on sales, marketing and R&D project development.

Mr. Wang Yi, Michael, aged 44, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 44, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

Mr. Chang Wei Hua, Benson, aged 46, joined the Group in 2007 as the Director and General Manager of Hi-Level Technology Limited. He graduated from Tung-Nan Institute of Technology in Taiwan with a Bachelor's degree in Electronics Engineering. He has more than twenty years management experience in electronic field on sales, marketing and R & D project.

Mr. Wei Wei, aged 41, joined the Group in 2007 as the Director and Executive Vice President of Hi-Level Technology Limited. He graduated from Huazhong University of Science & Technology in WuHan with a Bachelor's degree in Electronics Engineering. He has more than eighteen years management experience in electronics field on sales, marketing and R & D project.

Mr. Siu Wai Ming, Raymond, aged 49, joined the Group in 2008 as the Sales Director of HAS Electronic Company Limited. He graduated from Hong Kong Morrison Hill Technical Institute with a Diploma in Electronics Engineering. He has more than twenty years experience in electronics components field.

Mr. Yim Tsz Kit, aged 26, joined the Group in 2009 as the Marketing Director of S.A.S. Lighting Company Limited and S.A.S. Systems Company Limited. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Mr. Chin Kan Tak, Danny, aged 54, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wong Wai Tai, Peter, aged 39, joined the Group in 2005 as the Financial Controller of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over fifteen years experience in accounting, auditing, taxation and financial management.

CORPORATE GOVERNANCE REPORT

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

The Company complied with the applicable Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010, except for the deviations from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Chang Chu Cheng. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2010 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

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

During the financial year ended 31 December 2010, the Group has engaged the external auditors to provide the following services and their respective fees charged are set out as below:

Type of Services	Amount HK$'000
Audit fee	1,384
Other non-audit services	187

REMUNERATION COMMITTEE

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

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

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

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

INTERNAL CONTROL

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

COMMUNICATION WITH SHAREHOLDERS

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

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

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 24.

An interim dividend of HK3 cents per share, amounting to approximately HK$7,864,222 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK10 cents per share and a special dividend of HK2 cents per share to the shareholders on the register of members on 20 May 2011.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 25.97% and 54.68% respectively of the Group's total purchases for the year.

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

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

INVESTMENT PROPERTIES

At 31 December 2010, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK$127,200,000. The revaluation resulted in a surplus of HK$16,308,000 and is recognised in the consolidated statement of comprehensive income. Details are set out in note 15 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2010 are set out on page 98.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2010, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$142,114,000 as disclosed in note 38 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

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

In accordance with Clause 87 of the Company's Bye-Laws, Mr. Wong Sui Chuen, Mr. Cheung Chi Kwan and Mr. Liu Chun Ning, Wilfred retire and, being eligible, offer themselves for re-election.

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

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley *JP*	Beneficial owner	13,990,000	5.33%
	Held by controlled corporation (note)	63,771,400	24.33%
		77,761,400	29.66%
Chang Chu Cheng	Beneficial owner	1,800,000	0.69%
Lock Shui Cheung	Beneficial owner	1,000,000	0.38%
Wong Sui Chuen	Beneficial owner	862,000	0.33%

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

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2010.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 31 to the consolidated financial statements.

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

	Date of grant	Exercise price per share	Exercisable period	Options outstanding as at 1 January 2010	Options exercised during the year	Options lapsed during the year	Options outstanding and exercisable as at 31 December 2010
Director:							
Lock Shui Cheung	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	500,000	(500,000)	–	–
Lock Shui Cheung	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	500,000	(500,000)	–	–
Employees	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	2,250,000	(825,000)	(1,425,000)	–
Employees	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	2,250,000	(825,000)	(1,425,000)	–
				5,500,000	(2,650,000)	(2,850,000)	–

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Hon Hai Precision Industry Co., Ltd. ("Hon Hai")	Held by controlled corporation (note)	46,000,000	17.55%
Foxconn Holding Limited ("Foxconn")	Beneficial owner	46,000,000	17.55%
Chung Shun Ming	Beneficial owner	27,343,400	10.43%
CCB International Asset Management Limited	Beneficial owner	16,950,000	6.47%

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2010.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in note 37 to the consolidated financial statements,

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

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

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 37 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

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

(ii) on normal commercial terms; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 37 of the Annual Report in accordance with Main Board Listing Rule 14A.38.

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

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

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to eligible directors and employees, details of the scheme is set out in note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2010.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$142,000.

EVENT AFTER THE REPORTING PERIOD

Details of a significant event occurring after the reporting period are set out in note 39 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR
Hong Kong, 28 March 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 96, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	7	4,377,734	3,519,915
Cost of sales		(4,117,546)	(3,338,534)
Gross profit		260,188	181,381
Other income		11,746	13,684
Distribution and selling expenses		(55,700)	(30,435)
Administrative expenses		(115,164)	(104,279)
Increase in fair value of investment properties		16,308	14,700
Share of results of associates		(152)	(134)
Finance costs	8	(7,566)	(6,921)
Profit before tax		109,660	67,996
Income tax expense	11	(16,825)	(8,180)
Profit for the year	12	92,835	59,816
Other comprehensive income			
Fair value gain (loss) on available-for-sale investment		1,789	(43)
Exchange differences arising on translation of foreign operations		124	–
Reclassification adjustment on disposal of available-for-sale investment		–	(256)
Share of translation reserve of an associate		–	42
Gain on revaluation of properties		–	3,751
Other comprehensive income for the year		1,913	3,494
Total comprehensive income for the year		94,748	63,310
Profit for the year attributable to:			
Owners of the Company		80,443	51,929
Non-controlling interests		12,392	7,887
		92,835	59,816
Total comprehensive income attributable to:			
Owners of the Company		82,356	55,423
Non-controlling interests		12,392	7,887
		94,748	63,310
Earnings per share (HK cents)			
– basic	14	HK30.82 cents	HK20.01 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Non-current Assets				
Investment properties	*15*	**127,200**	112,800	119,400
Property, plant and equipment	*16*	**159,580**	142,537	156,045
Prepaid lease payments	*17*	**8,650**	–	–
Goodwill	*18*	**17,829**	16,419	16,419
Interests in associates	*19*	**675**	316	408
Available-for-sale investments	*21*	**17,036**	7,447	7,654
Club memberships	*22*	**3,278**	3,278	3,278
		334,248	282,797	303,204
Current Assets				
Inventories	*24*	**379,242**	393,987	370,783
Trade and other receivables	*25*	**435,639**	475,926	298,630
Bills receivable	*25*	**22,556**	15,279	1,125
Prepaid lease payments	*17*	**177**	–	–
Financial assets at fair value through profit or loss	*26*	**65,213**	57,133	34,770
Available-for-sale investments	*21*	**–**	–	5,142
Taxation recoverable		**76**	76	1,104
Pledged bank deposits	*23*	**19,634**	10,751	24,757
Bank balances and cash	*23*	**421,820**	250,724	119,259
		1,344,357	1,203,876	855,570
Current Liabilities				
Trade and other payables	*27*	**392,369**	319,391	209,496
Bills payable	*27*	**122,202**	79,949	23,734
Derivative financial instruments	*28*	**6,321**	2,383	1,375
Tax liabilities		**11,502**	7,225	3,642
Bank borrowings – due within one year	*29*	**576,382**	604,888	498,282
		1,108,776	1,013,836	736,529
Net Current Assets		**235,581**	190,040	119,041
Total Assets less Current Liabilities		**569,829**	472,837	422,245

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	**31.12.2010 HK$'000**	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Capital and Reserves				
Share capital	*30*	**26,214**	25,949	25,949
Share premium and reserves		**464,907**	403,744	359,855
Equity attributable to owners of the Company		**491,121**	429,693	385,804
Non-controlling interests		**51,389**	35,819	27,990
Total Equity		**542,510**	465,512	413,794
Non-current Liabilities				
Bank borrowings				
– due after one year	*29*	**17,500**	–	–
Deferred tax liabilities	*32*	**9,819**	7,325	8,451
		27,319	7,325	8,451
		569,829	472,837	422,245

The consolidated financial statements on pages 24 to 96 were approved and authorised for issue by the Board of Directors on 28 March 2011 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	25,949	29,298	1,109	11,145	50,099	28,474	299	1,435	1,004	236,992	385,804	27,990	413,794
Profit for the year	–	–	–	–	–	–	–	–	–	51,929	51,929	7,887	59,816
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(43)	–	–	–	(43)	(8)	(51)
Reclassification adjustment on disposal of available-for-sale investment	–	–	–	–	–	–	(256)	–	–	–	(256)	(50)	(306)
Share of translation reserve of an associate	–	–	–	–	–	–	–	42	–	–	42	–	42
Gain on revaluation of properties	–	–	–	–	–	3,751	–	–	–	–	3,751	–	3,751
Other comprehensive income	–	–	–	–	–	3,751	(299)	42	–	–	3,494	(58)	3,436
Total comprehensive income for the year	–	–	–	–	–	3,751	(299)	42	–	51,929	55,423	7,829	63,252
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	–	–	143	–	143	–	143
Dividends paid (note 13)	–	–	–	–	(11,677)	–	–	–	–	–	(11,677)	–	(11,677)
At 31 December 2009	25,949	29,298	1,109	11,145	38,422	32,225	–	1,477	1,147	288,921	429,693	35,819	465,512
Profit for the year	–	–	–	–	–	–	–	–	–	80,443	80,443	12,392	92,835
Fair value gain on available-for-sale investment	–	–	–	–	–	–	1,789	–	–	–	1,789	–	1,789
Exchange differences arising on translation of foreign operation	–	–	–	–	–	–	–	124	–	–	124	–	124
Other comprehensive income	–	–	–	–	–	–	1,789	124	–	–	1,913	–	1,913
Total comprehensive income for the year	–	–	–	–	–	–	1,789	124	–	80,443	82,356	12,392	94,748
Issue of shares upon exercise of share options	265	3,710	–	–	–	–	–	–	–	–	3,975	–	3,975
Release of share option reserve on exercise of share options	–	502	–	–	–	–	–	–	(502)	–	–	–	–
Share options lapsed	–	–	–	–	–	–	–	–	(645)	645	–	–	–
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	–	–	–	–	4,378	4,378
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,200)	(1,200)
Dividends paid (note 13)	–	–	–	–	(24,903)	–	–	–	–	–	(24,903)	–	(24,903)
At 31 December 2010	26,214	33,510	1,109	11,145	13,519	32,225	1,789	1,601	–	370,009	491,121	51,389	542,510

The capital reserve of the Group represents the aggregate of:

(i) the reserve of HK$10,445,000 arising on the acquisition of shares in subsidiaries from non-controlling shareholders pursuant to a group reorganisation prior to 1994; and

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

At 31 December 2010, the property revaluation reserve includes an amount of HK$18,658,000 (31.12.2009: HK$18,658,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

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

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

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

(iii) the distribution to shareholders of HK$24,903,000 (2003 to 2010: HK$114,869,000) for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTE	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit before tax		109,660	67,996
Adjustments for:			
Interest income		(806)	(719)
Finance costs		7,566	6,921
Share of results of associates		152	134
Net foreign exchange gain		(2,262)	(2,863)
Dividend income from listed securities		(679)	(241)
Increase in fair value of investment properties		(16,308)	(14,700)
Decrease in fair value of derivative financial instruments		3,938	1,008
Change in fair value of financial assets at fair value through profit or loss		(1,291)	(4,691)
Depreciation of property, plant and equipment		14,062	13,523
Allowance for trade and other receivables		605	3,975
Allowance for inventories		762	7,078
Gain on disposal of property, plant and equipment		(65)	(768)
Gain on disposal of available-for-sale investment		–	(256)
Equity-settled share-based payment expenses		–	143
Operating cash flows before movements in working capital		115,334	76,540
Decrease (increase) in inventories		14,784	(30,282)
Decrease (increase) in trade and other receivables		39,893	(181,271)
Increase in bills receivable		(7,277)	(14,154)
Increase in financial assets held for trading		(6,789)	(26,119)
Increase in bills payable		42,253	56,215
Increase in trade and other payables		70,975	109,895
Cash generated from (used in) operations		269,173	(9,176)
Hong Kong Profits Tax paid		(10,054)	(6,106)
Hong Kong Profits Tax refunded		–	1,411
NET CASH FROM (USED IN) OPERATING ACTIVITIES		259,119	(13,871)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTE	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		(24,686)	(6,496)
Payment for acquisition of an investment property		(9,860)	(700)
(Increase) decrease in pledged bank deposits		(8,883)	14,006
Payment for acquisition of prepaid lease payments		(8,827)	–
Payment for acquisition of available-for-sale investments		(7,800)	–
Payment for acquisition of an associate		(511)	–
Proceeds on disposal of investment property		7,068	31,200
Acquisition of a subsidiary	33	2,364	–
Interest received		806	719
Dividend received from available-for-sale investments		679	241
Proceeds on disposal of property, plant and equipment		65	1,800
Proceeds from redemption of structured deposits		–	8,389
Proceeds from disposal of available-for-sale investment		–	5,306
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(49,585)	54,465
FINANCING ACTIVITIES			
Repayment of bank borrowings		(3,857,991)	(2,973,712)
Dividends paid		(24,903)	(11,677)
Interest paid		(7,566)	(6,921)
Dividend paid to non-controlling interests		(1,200)	–
Bank borrowings raised		3,846,985	3,080,318
Proceeds from issue of shares		3,975	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(40,700)	88,008
NET INCREASE IN CASH AND CASH EQUIVALENTS		168,834	128,602
CASH AND CASH EQUIVALENTS AT 1 JANUARY		250,724	119,259
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		2,262	2,863
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		421,820	250,724

1. GENERAL

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

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

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 40.

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

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. It also requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, in accounting for the acquisition of LangFang Fordwin Optical & Electric Co. Ltd. ("Fordwin"), the Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree at the date of acquisition. The acquisition-related costs are negligible.

The application of HKFRS 3 (as revised in 2008) has no significant impact on the accounting for the acquisition of Fordwin.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendment to HKAS 17 has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$41,490,000 and HK$31,436,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009 respectively. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$47,694,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss or earnings per share for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 for details).

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

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause *(Continued)*

The effect of the application of HK Int 5 on the financial position of the Group as at 1 January 2009 and 31 December 2009 is as follows:

	As at 1.1.2009 (originally stated) HK$'000	Adjustment on HK Int 5 HK$'000	As at 1.1.2009 (restated) HK$'000	As at 31.12.2009 (originally stated) HK$'000	Adjustment on HK Int 5 HK$'000	As at 31.12.2009 (restated) HK$'000
Current liabilities						
Bank borrowings						
– due within one year	466,846	31,436	498,282	563,398	41,490	604,888
Non-current liabilities						
Bank borrowings						
– due over one year	31,436	(31,436)	–	41,490	(41,490)	–
Total effect on liabilities	498,282	–	498,282	604,888	–	604,888

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and measurement of financial assets at fair value through profit or loss.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may decrease deferred tax liabilities recognised for investment properties that are measured using the fair value model.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation have been initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations that took place prior to 1 January 2010

Acquisitions of businesses were accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entity

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

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

For a transfer from investment properties to property, plant and equipment because its use has changed as evidence by owner-occupation, the deemed cost of property for subsequent accounting is its fair value at the date of the change in use.

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

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets and intangible assets other than goodwill and club memberships (see the accounting policy in respect of goodwill and club membership above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships

Club memberships with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

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

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy and financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period (ranging from 30 days to 120 days), or observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying value of trade and other receivables is HK$435,639,000 (31.12.2009: HK$475,926,000) (net of allowance of HK$8,334,000 (31.12.2009: HK$7,999,000)).

Estimated impairment of inventories

Management of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2010, an allowance for inventory of HK$38,489,000 (31.12.2009: HK$37,727,000) was recognised in the statement of financial position.

Income tax

As at 31 December 2010, unused tax losses of the Group amounted to approximately HK$88,286,000 (31.12.2009: HK$89,944,000), of which approximately HK$16,434,000 (31.12.2009: HK$15,804,000) has been recognised as a deferred tax asset. No deferred tax asset has been recognised in respect of the remaining approximately HK$71,852,000 (31.12.2009: HK$74,140,000) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to allowance for doubtful debts of the Group which amounted to approximately HK$9,833,000 (31.12.2009: HK$10,207,000), a deferred tax asset has been recognised in respect of approximately HK$1,006,000 (31.12.2009: HK$1,006,000). No deferred tax asset has been recognised in respect of the remaining approximately HK$8,827,000 (31.12.2009: HK$9,201,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Financial assets			
Fair value through profit or loss			
Held for trading	**42,110**	34,838	5,943
Designated at FVTPL	**23,103**	22,295	28,827
Loans and receivables (including cash and cash equivalents)	**883,554**	733,225	428,488
Available-for-sale investments	**17,036**	7,447	12,796
Financial liabilities			
Amortised cost	**1,078,159**	973,425	709,314
Derivative financial instruments	**6,321**	2,383	1,375

(b) Financial risk management objectives and policies

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

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

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

	Liabilities		Assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars ("USD")	**392,376**	264,903	**486,695**	510,463
Australia dollars ("AUD")	**–**	–	**–**	16,278
Renminbi ("RMB")	**6**	780	**17,425**	5,135
Hong Kong dollars ("HK$")	**53,492**	46,725	**–**	–

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

	Assets	
	2010	2009
	HK$'000	HK$'000
USD	**23,103**	22,295

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

The carrying amount of foreign exchange forward contract as at year end amounted to approximately HK$213,000 classified as current liabilities (2009: HK$260,000), in which the Group was in the position of buying USD with notional amount of USD52,500,000 (2009: buying USD with notional amount of USD25,000,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in relevant foreign currencies against HK dollars (excluding structured deposits designated at FVTPL and foreign forward contracts). 5% (2009: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances. A 5% (2009: 5%) strengthening of the HK dollars against USD, AUD and RMB will decrease/increase the Group's profit/loss for the year by the following amount. For 5% (2009: 5%) weakening of HK dollars against USD, AUD and RMB, there would be an equal and opposite impact on the profit or loss.

	USD		AUD		RMB	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Decrease in profit	**(3,683)**	(10,153)	**-**	(680)	**(2,961)**	(2,133)

No sensitivity analysis was prepared in relation to the currency risk of structured deposits designated at FVTPL and foreign exchange forward contracts as the directors consider the exposure is limited.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 23 and 29 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Inter Bank Offer Rate ("LIBOR") and Hong Kong Inter Bank Offer Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the amount of variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis point increase and 5 basis point decrease (2009: 20 basis point increase and 5 basis point decrease) are used. For variable-rate bank borrowings, 20 basis point (2009: 20 basis point) increase or decrease is used.

If interest rates had been 20 basis point higher for variable-rate bank balances and variable-rate bank borrowings/5 basis point lower for variable-rate bank balances and 20 basis point lower for variable-rate bank borrowings and all other variables were held constant (2009: 20 basis point higher for variable-rate bank balances and variable-rate bank borrowings/5 basis point lower for variable-rate bank balances and 20 basis point lower for variable-rate bank borrowings and all other variables were held constant), the Group's profit for the year ended 31 December 2010 would decrease by approximately HK$669,000 if interest rate is higher/increase by approximately HK$1,058,000 if interest rate is lower (2009: decrease by approximately HK$941,000/ increase by approximately HK$1,131,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

For interest rate swap, 20 basis point (2009: 20 basis point) increase or decrease is used. If interest rates had been 20 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/ decrease by approximately HK$200,000 (2009: increase/decrease by HK$200,000).

(iii) Other price risk

The Group is exposed to other price risk through its investments in structured deposits classified as financial assets designated at fair value through profit or loss, listed equity securities and unlisted equity funds and securities classified as available-for-sale investment. For the available-for-sale investment stated at cost, the exposure to other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages the other price risk exposure by maintaining a portfolio of investments with different risks.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(iii) Other price risk *(Continued)*

Sensitivity analysis

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

If the market prices of the respective listed equity instruments and the quoted price of the equity funds, and the structured deposits provided by financial institutions (which are the counterparties of the structured deposits) had been 5% (2009: 5%) higher/lower and all other variables were held constant:

- profit for the year would increase/decrease by approximately HK$3,261,000 (2009: increase/decrease by approximately HK$2,857,000) as a result of the changes in fair value of financial assets through profit or loss; and

- the investment revaluation reserve would increase/decrease by approximately HK$552,000 (2009: increase/decrease by approximately HK$72,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised overdraft and bank loan facilities of approximately HK$29,000,000 (2009: HK$21,000,000) and HK$729,338,000 (2009: HK$601,363,000) respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	332,912	26,980	2,183	–	362,075	362,075
Bills payable	–	85,891	24,611	11,700	–	122,202	122,202
Bank borrowings – variable rate	*1.40	570,444	1,268	4,753	17,745	594,210	593,882
		989,247	52,859	18,636	17,745	1,078,487	1,078,159
Derivatives – net settlement							
Foreign exchange forward contracts	–	–	–	–	213	213	213
Interest rate swap	–	662	–	1,988	7,287	9,937	6,108
		662	–	1,988	7,500	10,150	6,321

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

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009 (restated)							
Trade and other payables	–	194,851	55,432	38,305	–	288,588	288,588
Bills payable	–	58,722	21,227	–	–	79,949	79,949
Bank borrowings – variable rate	*1.60	604,888	–	–	–	604,888	604,888
		858,461	76,659	38,305	–	973,425	973,425
Derivatives – net settlement							
Foreign exchange forward contracts	–	–	260	–	–	260	260
Interest rate swap	–	–	–	2,123	–	2,123	2,123
		–	260	2,123	–	2,383	2,383

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2010 and 31 December 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$570,132,000 and HK$604,888,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with HK-Int 5, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2010							
Bank borrowings – variable rate	**1.40**	**363,888**	**118,107**	**47,757**	**48,362**	**578,114**	**570,132**
As at 31 December 2009							
Bank borrowing – variable rate	1.60	301,551	154,036	116,825	42,154	614,566	604,888

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

(c) Fair value

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

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

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

	31.12.2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Investments held-for-trading (note)	**42,110**	**–**	**–**	**42,110**
Structured deposits	**–**	**–**	**23,103**	**23,103**
Available-for-sale investments	**–**	**11,036**	**–**	**11,036**
	42,110	**11,036**	**23,103**	**76,249**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**6,321**	**–**	**6,321**

	31.12.2009			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Investments held-for-trading (note)	34,838	–	–	34,838
Structured deposits	–	–	22,295	22,295
Available-for-sale investments	–	1,447	–	1,447
	34,838	1,447	22,295	58,580
Financial liabilities at FVTPL				
Derivative financial liabilities	–	2,383	–	2,383

Note: Included in the balance with an amount of HK$19,337,000 (31.12.2009. HK$17,583,000) represented investment in unlisted equity funds/debentures which are quoted in an active market.

There were no transfers between Level 1 and 2 in current and prior years.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Reconciliation of Level 3 fair value measurement of financial assets

	Structured deposits HK$'000
At 1 January 2009	28,827
Gain recognised in profit or loss (included in change in fair value of financial assets at fair value through profit and loss)	
– realised	796
– unrealised	1,061
Settlements	(8,389)
At 31 December 2009	22,295
Gain recognised in profit or loss (included in change in fair value of financial assets at fair value through profit and loss)	
– unrealised	808
At 31 December 2010	23,103

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

Structured deposits are measured at fair value. Fair value is estimated using net present value of estimated future cash flow, adjusted as appropriate for market risk (currency risk and other price risk), which included some assumptions that are not supportable by observable market price or risks and was estimated by a high credit rating financial institution. Whilst such valuations are sensitive to estimates, it is believed that changing of one or more of the assumptions to reasonably possible alternative assumptions would not have a big impact on the Group's financial position (see other price risk above). The total amount of the gain in fair value estimated using this valuation technique that was recognised in the consolidated statement of comprehensive income during the year is HK$808,000 (2009: HK$1,857,000 including realised gain of HK$796,000).

7. REVENUE AND SEGMENT INFORMATION

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

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

Information reported to chairman and managing director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses only on revenue analysis excluding the revenue generated by the jointly controlled entity by geographical location of customers. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

Revenue from major business product and services

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

	2010 **HK$'000**	2009 HK$'000
Distribution of electronic components and semiconductors products	**4,331,837**	3,442,890
Distribution of sports products	**31,506**	30,467
Manufacturing of liquid crystal display modules (operated through the jointly controlled entity)	**10,334**	41,937
Office building rental	**4,057**	4,621
	4,377,734	3,519,915

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Entity-wide disclosueres *(Continued)*

Geographical information

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

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

	Sales revenue by geographical market	
	2010	2009
	HK$'000	HK$'000
Place of domicile of relevant group entities		
– Mainland PRC	**2,443,997**	2,142,428
– Hong Kong	**1,385,431**	1,042,980
Other places		
– Taiwan	**466,916**	306,133
– Japan	**18,044**	–
– India	**13,733**	–
– Others	**49,613**	28,374
	4,377,734	3,519,915

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

	Carrying amount of non-current assets	
	2010	2009
	HK$'000	HK$'000
Hong Kong	**219,552**	187,558
Mainland PRC	**96,509**	86,554
Others	**1,151**	1,238
	317,212	275,350

Information about major customers

During the years ended 31 December 2010 and 2009, no customer contributed over 10% of the total sales of the Group.

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	7,566	6,899
– bank borrowings not wholly repayable within five years	–	22
	7,566	6,921

9. DIRECTORS' REMUNERATION

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

2010

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Lock Shui Cheung HK$'000 (note i)	Dr. Chang Chu Cheng HK$'000	Cheung Chi Kwan HK$'000	Liu Chun Ning, Wilfred HK$'000	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Total HK$'000
Fees	–	–	–	–	100	–	50	50	200
Other emoluments									
Salaries and other benefits	4,320	600	931	–	–	–	–	–	5,851
Retirement benefits scheme contributions	259	12	47	–	–	–	–	–	318
Performance related incentive payments (note iii)	2,500	100	580	–	–	–	–	–	3,180
Total emoluments	7,079	712	1,558	–	100	–	50	50	9,549

2009

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

9. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(i) Mr. Lock Shui Cheung was appointed as director of the Company on 1 January 2010.

(ii) Mr. Lau Ping Cheung resigned as director of the Company on 31 December 2009.

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

During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2010 and 2009, no directors waived any emoluments.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, two (2009: two) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining three (2009: three) individuals are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	2,815	2,313
Equity-settled share-based payment expenses	–	59
Performance related incentive payments	1,156	1,058
Retirement benefits scheme contributions	72	88
	4,043	3,518

Their remunerations were within the following bands:

	2010 No. of employees	2009 No. of employees
Not exceeding HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	–

11. TAXATION

	2010 HK$'000	2009 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	14,771	7,840
(Over)underprovision in prior years	(440)	1,466
	14,331	9,306
Deferred tax (note 32)		
Current year	2,494	(1,126)
	16,825	8,180

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2009 onwards.

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

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit before tax	109,660	67,996
Tax at Hong Kong Profits Tax rate of 16.5%	18,094	11,219
Tax effect of expenses not deductible for tax purpose	645	771
Tax effect of income not taxable for tax purpose	(1,060)	(2,761)
(Over)underprovision in respect of prior years	(440)	1,466
Tax effect of share of loss of associates	25	22
Tax effect of tax losses/deductible temporary differences not recognised	986	1,634
Utilisation of tax losses/deductible temporary differences previously not recognised	(1,425)	(4,171)
Tax charge for the year	16,825	8,180

12. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging and (crediting):		
Staff costs, including directors' remunerations		
– salaries and other benefits	57,121	46,483
– equity-settled share-based payment expenses	–	143
– performance related incentive payments	9,771	4,205
– retirement benefits scheme contributions	4,196	3,165
	71,088	53,996
Auditor's remuneration	1,384	1,276
Depreciation of property, plant and equipment	14,062	13,523
Change in fair value of derivative financial instruments	3,938	1,008
Allowance for trade and other receivables	605	3,975
Cost of inventories recognised as an expense (including allowance for inventories of HK$762,000 (2009: HK$7,078,000))	4,117,546	3,338,534
Change in fair value of financial assets at fair value through profit or loss	(1,291)	(4,691)
Net foreign exchange loss (gain)	186	(2,249)
Interest income	(806)	(719)
Dividend income from listed securities	(679)	(241)
Gain on disposal of property, plant and equipment	(65)	(768)
Gain on disposal of available-for-sale investments	–	(256)
Rental income from investment properties, net of outgoings of HK$25,000 (2009: HK$42,000)	(4,032)	(4,624)

13. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividend recognised as distribution during the year:		
2010 Interim dividend of HK3.0 cents (2009: 2009 interim dividend of HK2.5 cents) per share	7,864	6,487
2009 Final dividend of HK6.5 cents (2009: 2008 final dividend of HK2.0 cents) per share	17,039	5,190
	24,903	11,677

The final dividend of HK10.0 cents in respect of the year ended 31 December 2010 (2009: final dividend of HK6.5 cents in respect of the year ended 31 December 2009) per share and a special dividend of HK2.0 cents in respect of the year ended 31 December 2010 (2009: Nil) per share have been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of approximately HK$80,443,000 (2009: HK$51,929,000) and on the weighted average number of 261,036,553 (2009: 259,490,720) ordinary shares in issued during the year.

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

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2009	119,400
Additions	700
Reclassified from property, plant and equipment	9,200
Net increase in fair value recognised in profit or loss	14,700
Disposals	(31,200)
At 31 December 2009	112,800
Additions	9,860
Transferred to property, plant and equipment	(4,700)
Net increase in fair value recognised in profit or loss	16,308
Disposals	(7,068)
At 31 December 2010	127,200

The fair values of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited ("B.I."), an independent qualified professional valuers not connected with the Group. B.I. are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2009	159,679	27,596	4,735	26,271	27,386	16,540	262,207
Additions	415	28	417	2,413	3,223	–	6,496
Reclassified to investment properties	(7,847)	–	–	–	–	–	(7,847)
Disposals	(1,123)	(13,079)	–	(8,337)	(7,843)	(1,730)	(32,112)
At 31 December 2009	151,124	14,545	5,152	20,347	22,766	14,810	228,744
Exchange realignment	1,093	213	–	24	10	25	1,365
Additions	11,238	380	22	7,721	3,106	2,219	24,686
Acquired on acquisition of a subsidiary	–	–	403	–	65	–	468
Transferred from investment properties	4,700	–	–	–	–	–	4,700
Disposals	–	–	–	–	–	(479)	(479)
At 31 December 2010	168,155	15,138	5,577	28,092	25,947	16,575	259,484
Comprising:							
At cost	122,805	15,138	5,577	28,092	25,947	16,575	214,134
At valuation – 1994	45,350	–	–	–	–	–	45,350
	168,155	15,138	5,577	28,092	25,947	16,575	259,484
DEPRECIATION							
At 1 January 2009	34,331	20,705	624	17,787	18,990	13,725	106,162
Provided for the year	3,794	1,671	460	3,328	3,222	1,048	13,523
Reclassified to investment properties	(2,398)	–	–	–	–	–	(2,398)
Eliminated on disposals	(92)	(13,079)	–	(8,336)	(7,843)	(1,730)	(31,080)
At 31 December 2009	35,635	9,297	1,084	12,779	14,369	13,043	86,207
Exchange realignment	26	61	–	11	4	12	114
Provided for the year	3,889	1,430	493	3,872	3,324	1,054	14,062
Eliminated on disposals	–	–	–	–	–	(479)	(479)
At 31 December 2010	39,550	10,788	1,577	16,662	17,697	13,630	99,904
CARRYING VALUES							
At 31 December 2010	128,605	4,350	4,000	11,430	8,250	2,945	159,580
At 31 December 2009	115,489	5,248	4,068	7,568	8,397	1,767	142,537
At 1 January 2009	125,348	6,891	4,111	8,484	8,396	2,815	156,045

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Land and buildings in Hong Kong:		
Medium-term lease	**64,928**	51,437
Land and buildings outside Hong Kong:		
Long term	**63,677**	64,052
	128,605	115,489

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

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land located in Mainland PRC held under medium-term lease.

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Analysed for reporting purposes as:			
Non-current asset	**8,650**	–	–
Current asset	**177**	–	–
	8,827	–	–

18. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2009 and 31 December 2009	16,419
Arising on acquisition of a subsidiary	1,410
At 31 December 2010	17,829

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

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Distribution of sports products	**1,369**	1,369	1,369
Distribution of electronic components and semiconductors products	**15,050**	15,050	15,050
Development and production of LED Optoelectronics products	**1,410**	–	–
	17,829	16,419	16,419

During the year ended 31 December 2010, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

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

Distribution of sports products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using zero (31.12.2009: 5%) growth rate, and discount rate of 8% (31.12.2009: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

18. GOODWILL *(Continued)*

Distribution of electronic components and semiconductors products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with zero (31.12.2009: zero) growth rate applied in the first year of projection period and 7.5% (31.12.2009: 7.5%) growth rate to apply from the second year of projection period thereafter, and discount rate of 7% (31.12.2009: 6%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Development and production of LED Optoelectronics products

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

19. INTERESTS IN ASSOCIATES

	31.12.2010 **HK$'000**	31.12.2009 HK$'000	1.1.2009 HK$'000
Cost of unlisted investments in associates	**1,450**	939	939
Share of post-acquisition losses and other comprehensive expense	**(775)**	(623)	(531)
	675	316	408

19. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2010 and 2009, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of capital held by the Group 2010 %	2009 %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	**30**	30	Trading of electronic products
Now Electron Inc.	Incorporated	Republic of Korea	Ordinary	**29**	29	Trading of electronic products
成都凌點科技有限公司	Incorporated	Mainland PRC	Ordinary	**30**	–	Provision of research and development services

Included in cost of investments in associates is goodwill of HK$117,000 (31.12.2009: nil) arising on acquisition of an associate during the year. The movement of goodwill is set out below.

	HK$'000
COST	
At 1 January 2009 and 31 December 2009	–
Arising on acquisition of an associate	117
At 31 December 2010	117

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Total assets	**2,464**	1,481
Total liabilities	**(1,444)**	(1,279)
Net assets	**1,020**	202
Group's share of net assets of associates	**558**	316
Revenue	**4,532**	3,735
Loss for the year	**(520)**	(473)
Group's share of loss of associates for the year	**(152)**	(134)

19. INTERESTS IN ASSOCIATES *(Continued)*

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Unrecognised share of losses of associate for the year	–	2
Accumulated unrecognised share of losses of associate	380	380

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2010 and 2009, the Group had interest in the following jointly controlled entity:

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

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

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000
Current assets	3,140	8,279	9,444
Non-current assets	8,359	9,244	9,681
Current liabilities (note)	2,311	3,834	3,904
Income recognised in profit or loss	10,604	42,382	58,790
Expenses recognised in profit or loss	15,105	43,915	58,651
Other comprehensive income	–	–	–

Note: As at 31 December 2009, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$1,680,000 (1.1.2009: nil) has been reclassified from non-current liabilities to current liabilities. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$1,260,000 have been classified as current liabilities.

The jointly controlled entity is accounted for using proportionate consolidation with the line-by-line reporting format and the effect of the application of HK Int 5 on the financial position of the Group as at 31 December 2009 is included in note 2.

21. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Available-for-sale investments comprise:			
At fair value			
Investments in overseas listed equity securities	–	–	207
Investments in unlisted equity funds/ club debenture (note)	11,036	1,447	6,589
	11,036	1,447	6,796
At cost			
Investments in unlisted equity securities in Hong Kong	6,000	6,000	6,000
Total	17,036	7,447	12,796
Analysed for reporting purposes as:			
Current assets	–	–	5,142
Non-current assets	17,036	7,447	7,654
	17,036	7,447	12,796

Note: Included in the balance with an amount of HK$8,739,000 (31.12.2009: nil) represented an investment in unlisted equity fund which can be redeemed or purchased at the fund market value provided by the trustee of the fund. The fair value of the investment is determined by reference to the fund market value as at 31 December 2010 provided by the trustee.

Included in Group's available-for-sale investments with aggregate amount of HK$8,739,000 (31.12.2009: nil) denominated in USD which is other than the functional currency of the relevant group entities.

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

22. CLUB MEMBERSHIPS

	1.1.2009 31.12.2009 and 31.12.2010 HK$'000
Club memberships outside Hong Kong, at cost	3,278

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

23. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2010 and 2009, the pledged bank deposits represent amount pledged to banks to secure short-term banking facilities granted to the Group.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.001% to 9.5% (31.12.2009: from 0.001% to 3.6%) per annum and variable interest at rates which range from 0.02% to 0.35% (31.12.2009: from 0.07% to 0.14%) per annum, respectively. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
USD	223,456	185,768
AUD	–	16,278
RMB	1,153	5,054
	224,609	207,100

24. INVENTORIES

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Raw materials	–	2,928	1,518
Work-in-progress	–	579	1,242
Finished goods	379,242	390,480	368,023
	379,242	393,987	370,783

25. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Trade receivables	409,835	439,696	272,927
Less: allowance for doubtful debts	(8,334)	(7,999)	(6,127)
	401,501	431,697	266,800
Other receivables	20,955	28,265	20,174
Prepayment and deposits paid	13,183	15,964	11,656
Total trade and other receivables	435,639	475,926	298,630
Bills receivable	22,556	15,279	1,125

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

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

	31.12.2010 HK$'000	31.12.2009 HK$'000
Current	301,403	320,344
Within 30 days	86,009	96,393
More than 30 days and within 60 days	9,365	17,672
More than 60 days and within 90 days	2,182	480
More than 90 days	25,098	12,087
	424,057	446,976

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

Before accepting a new customer, the Group assesses the potential customer's credit quality by investigating their historical credit record and then sets a credit limit for that customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no history of defaults on payments.

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$122,654,000 (31.12.2009: HK$126,632,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good track record and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 66 days (31.12.2009: 60 days).

Ageing of trade receivables which are past due but not impaired

	31.12.2010 HK$'000	31.12.2009 HK$'000
Within 30 days	86,009	96,393
More than 30 days and within 60 days	9,365	17,672
More than 60 days and within 90 days	2,182	480
More than 90 days	25,098	12,087
Total	122,654	126,632

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

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
1 January	7,999	6,127
Impairment losses recognised on receivables	3,084	3,975
Reversal of bad debt provision	(2,479)	–
Amounts written off as uncollectible	(270)	(2,103)
31 December	8,334	7,999

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$8,334,000 (31.12.2009: HK$7,999,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

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

	31.12.2010 **HK$'000**	31.12.2009 HK$'000
USD	**231,398**	271,176
RMB	**5,016**	81
	236,414	271,257

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2010 **HK$'000**	31.12.2009 HK$'000	1.1.2009 HK$'000
Investments held-for-trading:			
Equity securities listed in Hong Kong	**22,773**	17,255	1,988
Unlisted equity funds/debentures	**19,337**	17,583	3,955
	42,110	34,838	5,943
Financial assets designated at fair value through profit or loss:			
Structured deposits	**23,103**	22,295	28,827
	65,213	57,133	34,770

Included in financial assets designated at fair value through profit or loss are principal protected structured deposits of HK$23,103,000 (31.12.2009: HK$22,295,000) placed with two banks. Under the relevant agreements, one of such structured deposits contains an embedded derivative in which its return is determined by reference to the changes in exchange rate of foreign currencies including AUD, Canadian Dollar, Swiss France, Euro, British Pound, Japanese Yen, New Zealand Dollar, Norwegian Krone, Swedish Krona and USD, while the return for the other deposit is determined by reference to the changes in quoted price of certain equity securities listed overseas. The fair value is based on the mark to market valuation amount provided by the counterparty financial institution, which is based on discounted cash flow analysis taking into account of observable market data and unobservable inputs (see note 6(c) for details).

Included in Group's financial assets at fair value through profit or loss are balances with aggregate amount of approximately HK$23,103,000 (31.12.2009: HK$22,295,000) denominated in USD, and approximately HK$11,256,000 (31.12.2009: nil) denominated in RMB, which are other than the functional currency of the relevant group entities.

27. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000	HK$'000
Trade payables	**328,072**	265,763	173,486
Other payables	**34,003**	22,825	13,812
Accruals and deposits received	**30,294**	30,803	22,198
Total trade and other payables	**392,369**	319,391	209,496
Bills payable	**122,202**	79,949	23,734

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

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

Included in Group's trade and other payables and bills payable with aggregate amount of approximately HK$176,772,000 (31.12.2009: HK$204,072,000) denominated in USD which is other than the functional currency of the relevant group entities.

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

	31.12.2010	31.12.2009
	HK$'000	HK$'000
Current	**324,536**	232,901
Within 30 days	**100,906**	88,940
More than 30 days and within 60 days	**12,410**	15,201
More than 60 days and within 90 days	**85**	–
More than 90 days	**12,337**	8,670
	450,274	345,712

28. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES		
	31.12.2010	31.12.2009	1.1.2009
	HK$'000	HK$'000	HK$'000
Fair value of derivatives not under hedge accounting:			
Foreign currency forward contracts – net settled	**213**	260	1,375
Interest rate swap	**6,108**	2,123	–
	6,321	2,383	1,375

As at 31 December 2010, the Group has certain outstanding foreign exchange forward contracts with monthly settlement to which the Group is committed are as follows:

Notional amount	Maturity	Forward exchange rates
Eight contracts to buy USD in total notional amount of USD52,500,000	Ranging from 13 January 2012 to 21 June 2012	HK$/USD ranging from 7.725 to 7.749

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

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

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

31 December 2010 and 2009

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

29. BANK BORROWINGS

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Bank borrowings comprise:			
Bank import loans	330,442	406,389	266,684
Other bank loans	263,440	198,499	231,598
	593,882	604,888	498,282
Analysed as:			
Secured	535,648	579,557	489,887
Unsecured	58,234	25,331	8,395
	593,882	604,888	498,282

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)
Carrying amount repayable*:		
– on demand or within one year	528,688	563,398
– more than one year, but not exceeding two years	6,250	–
– more than two years, but not exceeding five years	11,250	–
	546,188	563,398
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	47,694	41,490
	593,882	604,888
Less: Amounts due within one year under current liabilities	(576,382)	(604,888)
Amounts shown under non-current liabilities	17,500	–

* The amounts due are based on scheduled repayment date set out in the loan agreements.

29. BANK BORROWINGS *(Continued)*

At 31 December 2010, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.40% (31.12.2009: 1.60%).

Included in Group's borrowings with aggregate amount of approximately HK$215,604,000 (31.12.2009: HK$60,832,000) denominated in USD which is other than the functional currency of the relevant group entities.

30. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2009 and 31 December 2009	259,490,720	25,949
Exercise of share options	2,650,000	265
At 31 December 2010	262,140,720	26,214

	Number of non-redeemable convertible preference shares	Amount HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	46,000,000	4,600
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and 31 December 2010	–	–

31. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

The following table discloses movements of the Company's share options held by a director and employees during the years ended 31 December 2009 and 2010:

	Date of grant	Exercise price per share	Exercisable period	Options granted outstanding as at 1 January 2009	Options transferred during the year (note i)	Options outstanding and exercisable as at 31 December 2009	Options transferred during the year (note ii)	Options exercised during the year	Options lapsed during the year	Options outstanding and exercisable as at 31 December 2010
Director:										
Lau Ping Cheung	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	500,000	(500,000)	–	–	–	–	–
Lau Ping Cheung	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	500,000	(500,000)	–	–	–	–	–
Lock Shui Cheung	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	–	–	–	500,000	(500,000)	–	–
Lock Shui Cheung	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	–	–	–	500,000	(500,000)	–	–
Employees	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	2,250,000	500,000	2,750,000	(500,000)	(825,000)	(1,425,000)	–
Employees	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	2,250,000	500,000	2,750,000	(500,000)	(825,000)	(1,425,000)	–
				5,500,000	–	5,500,000	–	(2,650,000)	(2,850,000)	–

Notes:

i. Options transferred upon resignation of Mr. Lau Ping Cheung as director of the Company during the year ended 31 December 2009.

ii. Options transferred upon appointment of Mr. Lock Shui Cheung as director of the Company during the year ended 31 December 2010.

32. DEFERRED TAXATION

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

	Accelerated (decelerated) tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Other deductible temporary differences HK$'000	Total HK$'000
At 1 January 2009	2,010	7,996	(1,389)	(166)	8,451
(Credit) Charge to profit or loss	(2,427)	2,519	(1,218)	–	(1,126)
At 31 December 2009	(417)	10,515	(2,607)	(166)	7,325
(Credit) Charge to profit or loss	(94)	2,692	(104)	–	2,494
At 31 December 2010	(511)	13,207	(2,711)	(166)	9,819

At 31 December 2010, the Group had unused tax losses of HK$88,286,000 (31.12.2009: HK$89,944,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$16,434,000 (31.12.2009: HK$15,804,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$71,852,000 (31.12.2009: HK$74,140,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

At 31 December 2010, the Group had deductible temporary differences in relation to allowance for doubtful debts of HK$9,833,000 (31.12.2009: HK$10,207,000). A deferred tax asset has been recognised in respect of HK$1,006,000 (31.12.2009: HK$1,006,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$8,827,000 (31.12.2009: HK$9,201,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. ACQUISITION OF A SUBSIDIARY

In October 2010, the Group acquired 51% equity interest of Fordwin, a company engaged in the development and production of LED Optoelectronics products, for a cash consideration of HK$5,968,000, with the objective of product diversification. This acquisition has been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of this acquisition was HK$1,410,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	468
Inventories	801
Other receivables	211
Bank balances and cash	8,332
Trade and other payables	(876)
	8,936
Goodwill arising on acquisition:	
Consideration transferred	5,968
Plus: Non-controlling interests (49% in Fordwin)	4,378
Less: net assets acquired	(8,936)
Goodwill arising on acquisition	1,410

The non-controlling interests (49%) in Fordwin recognised at the acquisition date was measured by reference to the non-controlling interests' share of recognised identifiable net assets of Fordwin at the date of acquisition.

None of the goodwill on this acquisition is expected to be deductible for tax purposes.

	HK$'000
Net cash inflow on acquisition of Fordwin:	
Cash consideration paid	(5,968)
Bank balances and cash acquired	8,332
	2,364

The subsidiary acquired during the year did not have significant contribution to the Group's revenue and results for the year.

The directors consider the goodwill arising on acquisition of Fordwin was attributable to the anticipated profitability of the distribution of the Group's new products and the anticipated future operating synergies from the combination.

34. RETIREMENT BENEFITS SCHEME

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

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

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

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

35. PLEDGE OF ASSETS

At 31 December 2010, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(a) investment properties and leasehold land and buildings with carrying values of HK$122,848,000 (31.12.2009: HK$103,010,000) and HK$73,646,000 (31.12.2009: HK$71,473,000), respectively;

(b) bank deposits of HK$19,634,000 (31.12.2009: HK$10,751,000);

(c) trade receivables of HK$111,931,000 (31.12.2009: HK$100,194,000);

(d) structured deposits of HK$23,103,000 (31.12.2009: HK$22,295,000); and

(e) investments held-for-trading of HK$19,337,000 (31.12.2009: HK$17,583,000).

36. OPERATING LEASE

The Group as lessee

	2010 HK$'000	2009 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises	984	1,160

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

	2010 HK$'000	2009 HK$'000
Within one year	912	538
In the second to fifth year inclusive	480	40
	1,392	578

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

The Group as lessor

Property rental income earned during the year was HK$4,057,000 (2009: HK$4,621,000). The properties held have committed tenants for the next one (2009: two) years.

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

	2010 HK$'000	2009 HK$'000
Within one year	1,031	3,503
In the second to fifth year inclusive	–	804
	1,031	4,307

37. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

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

(a) Transactions

Name of party	Nature of transactions	2010 HK$'000	2009 HK$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") (note) and its subsidiaries	Purchases of electronic products	**247,898**	32,379
	Sales of electronic products	**555,275**	453,557

(b) Balances

Name of party	Nature of transactions	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Hon Hai and its subsidiaries	Balance			
	– trade receivables	**121,676**	132,518	114,977
	– trade payables	**131,250**	18,389	8,675

Note: Hon Hai is a substantial shareholder of the Company, who held 17.55% (31.12.2009: 17.73%) of the issued share capital of the Company as at 31 December 2010.

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

(II) Related parties, other than connected parties

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

(a) Transactions

Name of party	Nature of transactions	2010 HK$'000	2009 HK$'000
Venturers of Kitronix Limited, jointly controlled entity of the Company	Purchases of electronic products	–	294
	Sales of electronic products	–	1,348
Associates:			
Now Electron Inc.	Sales of electronic products	3,444	2,724

(b) Balances

Name of party	Nature of transactions	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Venturers of Kitronix Limited, jointly controlled entity of the Company	Balance – trade receivables	–	84	731
Associates:				
Bestime Technology Development Limited	Balance – trade receivables	–	662	659
Now Electron Inc.	Balance – trade receivables	284	323	879

(c) Compensation of key management personnel

The directors are the key management personnel of the Company and their compensation for both years is set out in note 9.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2010 and 31 December 2009 are as follows:

	31.12.2010 HK$'000	31.12.2009 HK$'000
Total assets	**350,615**	358,254
Total liabilities	**147,668**	134,336
Net assets	**202,947**	223,918
Capital and reserves		
Share capital	**26,214**	25,949
Share premium and reserves (note)	**176,733**	197,969
Total equity	**202,947**	223,918

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contri-buted surplus HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	29,298	1,109	142,376	1,004	35,690	209,477
Profit and other comprehensive income for the year	–	–	–	–	26	26
Recognition of equity-settled share-based payment expenses	–	–	–	143	–	143
Dividends recognised as distribution	–	–	(11,677)	–	–	(11,677)
At 31 December 2009	29,298	1,109	130,699	1,147	35,716	197,969
Loss and other comprehensive expense for the year	–	–	–	–	(43)	(43)
Issue of shares upon the exercise of share options	3,710	–	–	–	–	3,710
Release of share option reserve on exercise of share options	502	–	–	(502)	–	–
Share options lapsed	–	–	–	(645)	645	–
Dividends recognised as distribution	–	–	(24,903)	–	–	(24,903)
At 31 December 2010	33,510	1,109	105,796	–	36,318	176,733

39. EVENT AFTER THE REPORTING PERIOD

On 10 March 2011, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed, on a best effort basis, to procure subscription by the placees for, and the Company has conditionally agreed to allot and issue, a total of up to 10,000,000 warrants at a price of HK$0.02 per warrant (the "Placing"). The warrants are placed by the placing agent with two placees namely, J.P. Morgan Securities Limited and Ajia Partners Asset Management (HK) Ltd. The subscription price is HK$2.28 per warrant share. The Placing was completed on 16 March 2011.

The net proceeds from the Placing, after the deduction of related expenses, was approximately HK$50,000 and the proceeds will be applied by the Company to fund general working capital of the Group.

For details of the Placing please refer to the announcement of the Company dated 10 March 2011.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2010 and 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital held by the Company 2010 %	2009 %	Principal activities
Dragon Trading Limited	British Virgin Islands	Ordinary US$40,000	100	100	Investment holding
Hi-Level Technology Limited	Hong Kong	Ordinary HK$25,000,000	51	51	Distribution of electronic products
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	100	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	100	

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital held by the Company 2010 %	2009 %	Principal activities
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	**100**	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	**100**	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	**100**	100	Distribution of LED lighting products
S.A.S. Systems Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Distribution of system solutions
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**70**	70	Distribution of electronic products
Sportline Limited	Hong Kong	Ordinary HK$200,000	**100**	100	Distribution of sports products
時捷電子科技(深圳)有限公司**	Mainland PRC	Registered capital HK$20,000,000	**100**	100	Distribution of electronic products
LangFang Fordwin Optical & Electric Company Limited	Mainland PRC	Registered capital RMB10,000,000	**51**	–	Development and production of LED optoelectronics products

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

** Foreign wholly-owned enterprise

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Revenue	2,301,140	3,499,789	3,015,277	3,519,915	**4,377,734**
Profit (loss) before tax	27,521	62,973	(19,021)	67,996	**109,660**
Income tax (expense) credit	(5,149)	(9,884)	2,272	(8,180)	**(16,825)**
Profit (loss) for the year	22,372	53,089	(16,749)	59,816	**92,835**
Profit (loss) for the year attributable to:					
Owners of the Company	18,201	45,282	(18,159)	51,929	**80,443**
Non-controlling interests	4,171	7,807	1,410	7,887	**12,392**
	22,372	53,089	(16,749)	59,816	**92,835**

ASSETS AND LIABILITIES

	At 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total Assets	1,196,686	1,558,273	1,158,774	1,486,673	**1,678,605**
Total Liabilities	(822,845)	(1,114,087)	(744,980)	(1,021,161)	**(1,136,095)**
Net Assets	373,841	444,186	413,794	465,512	**542,510**
Equity attributable to owners of the Company	366,160	413,203	385,804	429,693	**491,121**
Non-controlling interests	7,681	30,983	27,990	35,819	**51,389**
Total Equity	373,841	444,186	413,794	465,512	**542,510**

PARTICULARS OF INVESTMENT PROPERTIES

Location	Lot No.	Category of lease	Use
Units 1 and 2 on Ground Floor and Carparking spaces Nos. B20, B21 and B22 on Basement Floor, Peninsula Square, Sung On Street, Hunghom, Kowloon, Hong Kong	11623/588444 shares of Kowloon Inland Lot No. 10985	Medium term	Commercial
Unit No. 5 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 6 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 7 on 6th Floor of Tower B, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	21/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit No. 8 on 11th Floor of Tower A, Hunghom Commercial Centre, No. 37 Ma Tau Wai Road, Kowloon, Hong Kong	25/12841 shares of the remaining portion of section O of Kowloon Marine Lot No. 40	Medium term	Commercial
Unit 1212 on 12th Floor, Harbour Crystal Centre, No. 100 Granville Road, Kowloon, Hong Kong	Kowloon Inland Lot No. 10600	Medium term	Commercial

The Group has 100% interest in the above properties.