TC INTERCONNECT HOLDINGS LIMITED
達進精電控股有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code : 515

Annual Report 2010

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Pak Shek Kuen
Mr. Zhu Jianqin

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

REMUNERATION COMMITTEE

Mr. Yeung Hoi Shan
Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Pak Shek Kuen, *CPA FCCA*

AUTHORISED REPRESENTATIVES

Mr. Yeung Hoi Shan
Mr. Pak Shek Kuen, *CPA FCCA*

HEAD OFFICE

31/F, Aitken Vanson Centre
61 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu

MEDIA AND INVESTOR RELATIONS

NCC Financial PR Limited

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhongshan Branch, Guangdong, the PRC
Luso International Banking Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Ray Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

515

WEB-SITE

www.tatchun.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board of Directors") of TC Interconnect Holdings Limited (the "Company"), and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the Group's result for the year ended 31 December 2010.

The Group achieved a robust growth of results during the Year given the remarkable performance of its new LED business. The joint venture company in LED business with 深圳市東方光電股份有限公司 (Orient Opto-Semiconductors Corp.*), a limited company incorporated under the laws of the PRC, is established during the Year. After the establishment, the Group has been obtaining numerous LED road lamp installation contracts in various provinces in China, including Lianyungang, Tianjin, Chengdu and Zhengzhou.

Apart from securing contracts, the Group also paid efforts on research and development of LED products. The Group formed a strategic alliance with AV Concept Holdings Limited ("AV Concept") to collaborate in the research and development of LED packaging technologies. AV Concept will provide LED chips from its investment company Wavesquare Inc. for applying into the Group's LED lighting products. The research and development is still in progress and the Group will strive for diversifying its LED product mix.

The Group was selected as one of the 19 contractors for the PRC's LED lighting projects in November 2010 in the joint announcement made by National Development and Reform Commission, Ministry of Housing and Urban-Rural Development and Ministry of Transport. The selected contractors will be recognized as the preferred contractors for the PRC government's demonstration projects. Having the quality approval from the PRC government, the Group is able to maintain its competitiveness in the LED lighting market, and is confident to enlarge its market share to become the market leader.

In 2010, there is still fierce competition in the PCB industry. The Group continued to adopt a prudent strategy to maintain steady growth of the PCB business. By leveraging on its technological expertise, quality products, and long term relationship with customers, the Group is confident to maintain the profitability of its PCB business.

On behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years.

Sincerely yours,

Yeung Hoi Shan
Chairman

CORPORATE GOVERNANCE REPORT

The Company is committed to adopting the standards of corporate governance. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2010, except the deviation disclosed in the following paragraph:

– With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr. Wong Wing Choi, an executive director and CEO of the Company has resigned on 23 January 2009. Since then, the Company had tried to look for appropriate person to succeed and up to the date of this report, the process is still in progress.

DIRECTORS

THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises eight members, consisting of three executive directors, two non-executive directors and three independent non-executive directors. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 13 to 15 of the Annual Report.

The Board has met the recommended best practice under the Code for the number of independent non-executive directors. One independent non-executive director possesses recognized professional qualifications in accounting. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

The Company has held 17 board meetings during the year ended 31 December 2010 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan *(Chairman)*	17/17
Pak Shek Kuen	17/17
Zhu Jianqin (appointed on 7 September 2010)	5/5
Non-executive directors	
Li Jin Xia	17/17
Yeung Tai Hoi	17/17
Cheung Kwok Ping (resigned on 7 September 2010)	12/12
Independent non-executive directors	
Cheung Sui Wing, Darius	17/17
Ho Man Kay	17/17
Wong Siu Fai, Albert	17/17

APPOINTMENT, RE-ELECTION AND REMOVAL

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

RESPONSIBILITIES OF DIRECTORS

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction. They are also members of Audit Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

INSURANCE

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

INSURANCE *(Continued)*

The Company has also arranged appropriate key man insurance, with coverage being reviewed annually, to cover for potential financial loses that would arise from the death or extended incapacity of the member of the Company specified on the policy. At the moment, key man insurance has been arranged for Mr. Yeung Hoi Shan, Chairman of the Company.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of five directors including Mr. Cheung Sui Wing Darius, Ms. Ho Man Kay and Mr. Wong Siu Fai Albert, all of them are independent non-executive directors, Mr. Cheung Kwok Ping, a non-executive director, who has resigned on 7 September 2010 and his vacany has not been filled since his resignation and Mr. Yeung Hoi Shan, an executive director. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms of reference are available on the Company's website: www.tatchun.com.

During the year ended 31 December 2010, the Remuneration Committee held 2 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Yeung Hoi Shan	2/2
Cheung Kwok Ping (resigned on 7 September 2010)	1/1
Cheung Sui Wing, Darius	2/2
Ho Man Kay	2/2
Wong Siu Fai, Albert	2/2

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has announced its annual and interim results in a timely manner after the end of the relevant periods.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. Since 2008, the Board has maintained a special task force internally to review the effectiveness of the system. During the course of internal review in 2010, no material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors, one of whom possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: www.tatchun.com.

Three Audit Committee meetings were held in 2010 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Cheung Sui Wing, Darius	3/3
Ho Man Kay	3/3
Wong Siu Fai, Albert	3/3

The Company's annual results for the year ended 31 December 2010 has been reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

AUDIT COMMITTEE *(Continued)*

Apart from the Audit Committee meetings, the three independent non-executive directors have met with the auditors, in the absence of management, to discuss matters relating to the Company's audit fees and other issues arising from the audit for the year ended 31 December 2010. No special attentions have been made to the management of the Company with respect to this meeting.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2010, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,530
Non-audit services	
– Taxation services	255
– Interim review	288
– Others	264

DELEGATION BY THE BOARD

MANAGEMENT FUNCTIONS

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

COMMUNICATION WITH SHAREHOLDERS

EFFECTIVE COMMUNICATION

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee and Remuneration Committee will attend the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming annual general meeting on each substantially separate issue, including the re-election of the retiring directors.

VOTING BY POLL

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of board range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

	Year 2010		Year 2009		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
LED lighting	**114,399**	**11.5**	–	–	114,399	–
Single-sided PCB	**222,134**	**22.3**	197,837	26.8	24,297	12.3
Double-sided PCB	**340,948**	**34.2**	216,971	29.3	123,977	57.1
Multi-layered PCB	**319,631**	**32.0**	324,506	43.9	(4,875)	(1.5)
Total	**997,112**	**100**	739,314	100	257,798	34.9

The PCBs in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the year, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 52% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 32.0% of turnover. During the year, the Group has successfully expanded its business in automotive and multimedia markets.

The Group's turnover by geographical regions are summarized as follows:

	Year 2010		Year 2009		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
Hong Kong	**259,758**	**26**	215,675	29	44,083	20
The PRC	**338,695**	**34**	140,240	19	198,455	142
Asia (Excluding Hong Kong and the PRC)	**287,637**	**29**	241,538	33	46,099	19
Europe	**88,460**	**9**	79,870	11	8,590	11
Others	**22,562**	**2**	61,991	8	(39,429)	(64)
Total	**997,112**	**100**	739,314	100	257,798	35

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Production plant	Location	Area	Products	Production capacity	Commencement of operations
LED lighting	Shenzhen, Guangdong the PRC	3,000 sq. m.	LED lighting	7,500 LED lamps per month	July 2010
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1 - 8 layered PCBs	3.2 million sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	4 - 12 layered PCBs	300,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group's turnover amounted to approximately HK$997.1 million, representing an increase of 35% as compared to approximately HK$739.3 million for the year ended 31 December 2009. The turnover of PCB has increased by 19.4% during the year of 2010. Profit attributable to owners of the Company was approximately HK$42.5 million (2009: HK$11.7 million).

The gross margin for the year of 2010 was 15.6% (2009: 12.7%). The gross margins for LED lighting and PCBs were 39.3% and 12.5%, respectively. The average utilization rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 82%, 65% and 80%, respectively, during the year of 2010.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2010, the Group had total assets of approximately HK$1,494.0 million (31 December 2009: HK$944.8 million) and interest-bearing borrowings of approximately HK$460.5 million (31 December 2009: HK$269.0 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 30.8% (31 December 2009: 28.5%).

The Group had net current assets of approximately HK$68.5 million (31 December 2009: net current liabilities of HK$67.8 million) consisted of current assets of approximately HK$905.9 million (31 December 2009: HK$472.9 million) and current liabilities of approximately HK$837.4 million (31 December 2009: HK$540.7 million), representing a current ratio of approximately 1.08 (31 December 2009: 0.87).

As at 31 December 2010, the Group had cash and bank balances (including restricted bank deposits) of approximately HK$400.0 million (31 December 2009: HK$130.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of approximately 3,704 employees (31 December 2009: 3,362), including approximately 3,597 employees in its Zhongshan production Site, 80 employees in its PRC LED lighting business units and approximately 27 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are also reviewed by the remuneration committee. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group also holds regular training programmes and also encourages staffs to attend training courses and seminars that are related directly and indirectly to the Group's business.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per share, amounting to approximately HK$10.8 million (31 December 2009: HK 1.0 cent per share). Subject to Shareholders' approval at the AGM, the final dividends will be payable to the Shareholders on or around 3 June 2011 whose names appear on the register of members of the Company on 27 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2011 to Friday, 27 May, 2011 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Looking ahead, given the supportive government policies such as energy saving promotion under the "Twelve Five-Year Plan", as well as "10 Cities 10,000 LED lights" and "Lights over Thousand Miles", it is expected that the whole LED industry in China will continue to boom. The Group's LED lighting business will benefit from it and continue to maintain its huge growth momentum and contribute significant profits to the Group.

The Group has won several major LED road lamp contracts during the year and realized significant revenue growth. Going forward, the Group will be focusing on securing optimal contracts from provincial governments on both one-off LED road lamp installation and long term comprehensive lighting installation consulting projects.

In addition to working on government projects, the Group will continue its research and development on interior lighting. The Group's strategic alliance with AV Concept provides an opportunity for the Group to develop another LED product line based on the price competitiveness of LED chips from Wavesquare Inc.

In respect of PCB business, the Group will still maintain its operations as it contributes stable cashflow to the Group. It plays a significant role in maintaining the Group's healthy financial position. Going forward, the Group will continue to work on developing LED lighting business as the key growth momentum while maintaining the steady operations in PCB business.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan, aged 50, has been a director since 25 November 2004 and was appointed as the Chairman of the Company on 5 June 2006. Mr. Yeung is in charge of the corporate strategy, planning and overall development of the Group. He has over 29 years of experience in the electronics manufacturing industry. During the period from 1981 to 1988, Mr. Yeung worked in an electronics manufacturing company in Hong Kong as the production engineer. In 1988, he started his own business of manufacturing and trading of PCBs and founded the Group in the same year. Mr. Yeung is a recipient of the Young Industrialist Awards of Hong Kong 2005. He is a son of Madam Li and the brother of Mr. Yeung Tai Hoi.

Mr. Pak Shek Kuen, aged 52, was appointed as an executive director with effective from 2 January 2007. Mr. Pak is the Chief Financial Officer, qualified accountant and company secretary of the Company and is responsible for the general financial management and accounting of the Group. He is an associate member of Hong Kong Institute of Certified Public Accountants and fellow member of The Chartered Association of Certified Accountants. He obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science for Electronic Commerce and Internet Computing from The University of Hong Kong in 2003. Prior to joining the Company in 2003, he worked for various financial institutions in Hong Kong for more than 20 years in the area of operations, risk management, treasury and internal audit.

Mr. Zhu Jianqin, aged 37, was appointed as an executive director with effective from 7 September 2010. Mr. Zhu is an expertise in LED control systems and has more than fifteen years of working experience in electronic industry. Mr. Zhu has obtained a bachelor degree and a master degree in Engineering at Harbin Industrial University. He was the co-founder of Shenzhen Maxcolor Opto-Semiconductor Lighting Technology Limited and re-structured it as Orient Opto-Semiconductors Corp. ("Dongfang") in 2009. Mr. Zhu is a shareholder and director of Dongfang (a holder of 30% interest of a subsidiary of the Company).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia, aged 73, was appointed as a non-executive director on 5 June 2006. Madam Li formerly worked in State Tax Bureau of Zhongshan as an officer. She has been acting as an adviser to the Company in respect of PRC government policies since the incorporation of Tat Chun Printed Circuit Board Company Limited in 1988. She is the mother of Mr. Yeung Hoi Shan and Mr. Yeung Tai Hoi.

Mr. Yeung Tai Hoi, aged 53, was appointed as a non-executive director on 5 June 2006. Mr. Yeung joined Zhongshan Jinghua Printing Ink Factory Co., Ltd. in 1990 as the general manager in charge of the overall management. He is also a director of Gin Hwa Enterprise Limited. It is a private company incorporated in Hong Kong engaged in chemical ink manufacturing and trading. He has over 8 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

Mr. Cheung Kwok Ping ("Mr. Cheung"), aged 50, was appointed as a non-executive director on 2 January 2007 and resigned on 7 September 2010. Mr. Cheung is currently an executive director of Kingboard Laminates Holdings Limited, a company whose shares were listed on the main board of The Stock Exchange of Hong Kong Limited and the general manager of the paper laminate factories in Fogang and Shaoguan, the PRC. He is also an executive director of Kingboard Copper Foil Holdings Limited, a company whose shares were listed on the Singapore Exchange Securities Trading Limited. Mr. Cheung has over 22 years' experience in marketing. Mr. Cheug was also formerly an executive director of Kingboard Chemical Holdings Limited up to 7 December 2006. Mr. Cheng resigned as non-executive director since 7 September 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius, aged 52, was appointed as an independent non-executive director on 5 June 2006. He is currently the managing director of a consumer electronics products company named Techlux International Limited in Hong Kong. Before that, he worked as a vice president and general manager for a consumer electronics manufacturer.

Ms. Ho Man Kay, aged 48, was appointed as an independent non-executive director on 5 June 2006. She is a founding partner of Angela Ho & Associates. Prior to joining her present firm, Ms. Ho was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specializing in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho was President of the Hong Kong Federation of Women Lawyers in 2002-2005. Ms. Ho is a Hong Kong delegate of the 9th All China Women Congress.

Mr. Wong Siu Fai, Albert, aged 51, was appointed as an independent non-executive director on 5 June 2006. He is currently a chief financial officer of Walcom Group Limited and has over 27 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms. Mr. Wong obtained an honour diploma in accounting in Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in 1983. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has appropriate professional qualifications, accounting or related financial management expertise pursuant to the Rule 3.10(2) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Fung Eric Gin, aged 44, was appointed as managing director of Tat Chun Printed Circuit Board Company Limited in September 2008. Mr. Fung has over 22 years of experience in the PCB and Semiconductor industry, having held numerous Engineering, Sales & Marketing, and General Management positions with IBM, Motorola, Viasystems, OPC, and Mania Technologie. Prior to joining the Group, Mr. Fung was the Vice President of China for Mania Technologie. Mr. Fung holds a Bachelor of Science degree in Electrical Engineering from the University of Illinois, a Master of Science degree in Electrical Engineering from Columbia University, and a Master of Business Administration degree from the University of Ottawa. He was an Executive Committee member of the Hong Kong Printed Circuit Association from 2001-2009.

Mr. Ng Sing Hoi, Kenneth, aged 55, was appointed as the V.P. Sales & Marketing of the Group, in charge of the overall sales and marketing activities of the Group, since September 2006, Mr. Ng obtained a bachelor's degree in Business Administration from The Chinese University of Hong Kong in 1979. Before joining the Group, he has spent over 21 years working as key management in sales & marketing for some major global PCB and Laminate manufacturers in Hong Kong and Canada.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of TC Interconnect 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. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 26.

The directors recommend the payment of a final dividend of HK2.5 cents per share to the shareholders on the register of members on 27 May 2011 amounting to approximately HK$10,787,000, and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 94 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2010, the Company's reserves available for distribution to shareholders were as follows:

	2010 **HK$'000**	2009 HK$'000
Share premium	**211,090**	30,609
Contributed surplus	**145,058**	145,058
Accumulated profits	**17,849**	3,873
	373,997	179,540

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 15 to the consolidated financial statements.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND WARRANTS

Details of movement during the year in the share capital and warrants of the Company are set out in note 29 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

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Pak Shek Kuen
Mr. Zhu Jianqin (appointed on 7 September 2010)

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi
Mr. Cheung Kwok Ping (resigned on 7 September 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay
Mr. Wong Siu Fai, Albert

In accordance with the provisions of the Company's Articles of Association, Mr. Pak Shek Kuen, Mr. Zhu Jianqin, Mr. Cheung Sui Wing, Darius and Ms. Ho Man Kay retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhu Jianqin entered into a service contract with the Company for a term of two years from 7 September 2010, with an option to renew at the expiry of the two-year term.

Mr. Yeung Hoi Shan entered into a service contract with the Company for a term of three years from 12 June 2009, determinable by either party by giving three months' prior written notice.

Mr. Pak Shek Kuen entered into a service contract with the Company for a term of two years from 2 January 2009, determinable by either party by giving three months' prior written notice.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS *(Continued)*

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 7 June 2010, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 7 June 2010 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Details of the share options held by the directors of the Company are as follows:

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Reclassification (Note 5)	Forfeited during the year (Note 4)	Outstanding at 31 December 2010	Exercisable period
Mr. Yeung Hoi Shan	3 July 2007	1.52	2,000,000	–	(2,000,000)	–	–	–	(Note1)
	29 September 2009	1.07	2,400,000	–	–	–	–	2,400,000	(Note 2)
	14 July 2010	1.50	–	3,000,000	–	–	(3,000,000)	–	(Note 3)
Mr. Pak Shek Kuen	3 July 2007	1.52	2,000,000	–	(1,520,000)	–	–	480,000	(Note1)
	29 September 2009	1.07	2,000,000	–	(300,000)	–	–	1,700,000	(Note 2)
	14 July 2010	1.50	–	1,940,000	–	–	(1,940,000)	–	(Note 3)
	29 September 2010	2.62	–	1,000,000	–	–	–	1,000,000	(Note 3)
Mr. Cheung Kwok Ping	29 September 2009	1.07	200,000	–	(60,000)	–	–	140,000	(Note 2)
	14 July 2010	1.50	–	200,000	–	–	–	200,000	(Note 3)
Mr. Wong Siu Fai, Albert	3 July 2007	1.52	200,000	–	–	–	–	200,000	(Note1)
	29 September 2009	1.07	200,000	–	(60,000)	–	–	140,000	(Note 2)
	14 July 2010	1.50	–	200,000	–	–	–	200,000	(Note 3)
Mr. Cheung Sui Wing, Darius	3 July 2007	1.52	200,000	–	(200,000)	–	–	–	(Note1)
	29 September 2009	1.07	200,000	–	(60,000)	–	–	140,000	(Note 2)
	14 July 2010	1.50	–	200,000	–	–	–	200,000	(Note 3)
Ms. Ho Man Kay	3 July 2007	1.52	200,000	–	–	–	–	200,000	(Note1)
	29 September 2009	1.07	200,000	–	(60,000)	–	–	140,000	(Note 2)
	14 July 2010	1.50	–	200,000	–	–	–	200,000	(Note 3)
Mr. Yeung Tai Hoi	3 July 2007	1.52	200,000	–	(200,000)	–	–	–	(Note1)
	29 September 2009	1.07	200,000	–	(120,000)	–	–	80,000	(Note 2)
	14 July 2010	1.50	–	3,000,000	–	–	(3,000,000)	–	(Note 3)
Madam Li Jinxia	3 July 2007	1.52	1,000,000	–	(1,000,000)	–	–	–	(Note1)
	29 September 2009	1.07	1,000,000	–	(300,000)	–	–	700,000	(Note 2)
	14 July 2010	1.50	–	3,000,000	–	–	(3,000,000)	–	(Note 3)
Mr. Zhu Jianqin	29 September 2009	1.07	–	–	–	1,500,000	–	1,500,000	(Note 2)
			12,200,000	12,740,000	(5,880,000)	1,500,000	(10,940,000)	9,620,000	

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Note 1: Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant; and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 4: During the year ended 31 December 2010, 10,940,000 share options granted to the directors of the Company were cancelled with effect from 2 September 2010 in accordance with the terms of the Share Option Scheme that all options granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of the share options, cannot exceed 1% of the shares in issue.

Note 5: During the year, Mr. Zhu Jianqin, a consultant of the Group, was appointed as executive director of the Company and 1,500,000 share options held by him was reclassified from consultant to director.

ARRANGEMENT 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, a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 40 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2010, the interests of the directors and their associates 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 Futures 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:

Interest in securities:

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	157,600,000	42.86%

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Interests in underlying shares pursuant to share options:

Name of director	Capacity	Date of grant	Exercise price per share HK$	Number of share options granted
Mr. Yeung Hoi Shan	Beneficial owner	3 July 2007	1.52	–
		29 September 2009	1.07	2,400,000
		14 July 2010	1.50	–
Mr. Pak Shek Kuen	Beneficial owner	3 July 2007	1.52	480,000
		29 September 2009	1.07	1,700,000
		14 July 2010	1.50	–
		29 September 2010	2.62	1,000,000
Mr. Cheung Kwok Ping	Beneficial owner	29 September 2009	1.07	140,000
		14 July 2010	1.50	200,000
Mr. Wong Siu Fai, Albert	Beneficial owner	3 July 2007	1.52	200,000
		29 September 2009	1.07	140,000
		14 July 2010	1.50	200,000
Mr. Cheung Sui Wing, Darius	Beneficial owner	3 July 2007	1.52	–
		29 September 2009	1.07	140,000
		14 July 2010	1.50	200,000
Ms. Ho Man Kay	Beneficial owner	3 July 2007	1.52	200,000
		29 September 2009	1.07	140,000
		14 July 2010	1.50	200,000
Mr. Yeung Tai Hoi	Beneficial owner	3 July 2007	1.52	–
		29 September 2009	1.07	80,000
		14 July 2010	1.50	–
Madam Li Jinxia	Beneficial owner	3 July 2007	1.52	–
		29 September 2009	1.07	700,000
		14 July 2010	1.50	–
Mr. Zhu Jianqin	Beneficial owner	29 September 2009	1.07	1,500,000
				9,620,000

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2010.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31 December 2010, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in securities:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issue share capital
Ms. Zhao Man Qi (Note)	Interest of spouse	157,600,000	42.86%

Interest in underlying shares pursuant to share options:

Name	Capacity	Date of grant	Number of share options granted	Exercise price HK$
Ms. Zhao Man Qi (Note)	Interest of spouse	29 September 2009	2,400,000	1.07

Note: Ms. Zhao Man Qi, being the spouse of Mr. Yeung Hoi Shan, is deemed to be interested in these shares under the SFO.

Other than 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 as at 31 December 2010.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 12.9% to the total sales for the year. The Group's five largest customers accounted for 38.2% of the Group's total turnover for the year.

The Group's largest supplier contributed 20.5% to the total purchases for the year. The Group's five largest suppliers accounted for 51.5% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. Mr. Cheung Sui Wing, Darius, is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee, comprises the three independent non-executive directors and an executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

EMOLUMENT POLICY

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

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

AUDITOR

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

On behalf of the Board

Yeung Hoi Shan
CHAIRMAN

Hong Kong
25 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF TC INTERCONNECT HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TC Interconnect Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 93, 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 our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 of the Company, 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
25 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	5	**997,112**	739,314
Cost of sales		**(841,815)**	(645,774)
Gross profit		**155,297**	93,540
Other income	6	**44,981**	27,552
Other gains and losses	7	**(8,221)**	(6,944)
Selling and distribution expenses		**(37,838)**	(36,193)
Administrative expenses		**(74,826)**	(49,891)
Finance costs	8	**(11,050)**	(11,596)
Profit before tax		**68,343**	16,468
Income tax expense	9	**(18,867)**	(5,331)
Profit for the year	10	**49,476**	11,137
Other comprehensive income			
Surplus on revaluation of properties		**7,592**	6,878
Deferred tax liabilities arising from revaluation of properties		**(1,898)**	(1,719)
Other comprehensive income for the year		**5,694**	5,159
Total comprehensive income for the year		**55,170**	16,296
Profit for the year attributable to:			
Owners of the Company		**42,504**	11,137
Non-controlling interests		**6,972**	–
		49,476	11,137
Total comprehensive income attributable to:			
Owners of the Company		**48,198**	16,296
Non-controlling interests		**6,972**	–
		55,170	16,296
Earnings per share	14		
Basic		**HK$0.14**	HK$0.05
Diluted		**HK$0.13**	HK$0.05

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	–	3,800	3,100
Property, plant and equipment	16	434,398	439,599	460,456
Prepaid lease payments – non-current portion	17	21,920	22,535	23,150
Intangible assets	18	53,589	–	–
Trade receivables	20(a)	70,840	–	–
Deposits paid for acquisition of property, plant and equipment		7,296	5,962	4,704
		588,043	471,896	491,410
Current assets				
Inventories	19	120,416	107,924	90,453
Prepaid lease payments – current portion	17	615	615	615
Trade and other receivables	20(b)	372,436	229,973	247,289
Bills receivable	20(c)	8,063	530	4,768
Tax recoverable		2,940	2,940	2,190
Investment designated at fair value through profit or loss		–	–	9,349
Derivative financial instruments	21	1,455	520	1,301
Restricted bank deposits	22	251,730	80,105	18,373
Bank balances, deposits and cash	22	148,266	50,312	59,828
		905,921	472,919	434,166
Current liabilities				
Trade and other payables	23(a)	230,188	180,910	230,261
Bills payable	23(b)	118,412	88,497	39,995
Amount due to a shareholder	26	5,000	–	–
Derivative financial instruments	21	1,179	459	–
Taxation payable		35,856	16,999	16,718
Bank borrowings – due within one year	24	428,451	220,188	185,962
Obligations under finance leases – due within one year	25	18,363	33,675	43,492
		837,449	540,728	516,428
Net current assets (liabilities)		68,472	(67,809)	(82,262)
Total assets less current liabilities		656,515	404,087	409,148
Non-current liabilities				
Obligations under finance leases – due after one year	25	13,640	15,139	41,316
Amount due to a shareholder	26	–	21,142	20,627
Deferred tax liabilities	28	11,743	13,381	11,488
		25,383	49,662	73,431
Net assets		631,132	354,425	335,717

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	29	**36,773**	24,000	24,000
Reserves		**553,963**	330,425	311,717
Equity attributable to owners of the Company		**590,736**	354,425	335,717
Non-controlling interests		**40,396**	–	–
Total equity		**631,132**	354,425	335,717

The consolidated financial statements on pages 26 to 93 were approved and authorised for issue by the Board of Directors on 25 March 2011 and are signed on its behalf by:

Yeung Hoi Shan
DIRECTOR

Pak Shek Kuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital HK$'000 (note 29(i))	Share premium HK$'000	Property revaluation reserve HK$'000 (note 30)	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 30)	Special reserve HK$'000 (note 30)	Convertible loan notes equity reserve HK$'000 (note 27)	Share option reserve HK$'000	Warrant reserve HK$'000 (note 29(ii))	Capital contribution reserve HK$'000 (note 30)	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	24,000	30,609	23,661	3,546	1,156	–	6,148	–	1,830	79	244,688	335,717	–	335,717
Profit for the year	–	–	–	–	–	–	–	–	–	–	11,137	11,137	–	11,137
Other comprehensive income for the year	–	–	5,159	–	–	–	–	–	–	–	–	5,159	–	5,159
Total comprehensive income for the year	–	–	5,159	–	–	–	–	–	–	–	11,137	16,296	–	16,296
Dividends paid	–	–	–	–	–	–	–	–	–	–	(2,400)	(2,400)	–	(2,400)
Deemed capital contribution from a shareholder	–	–	–	–	–	–	–	–	706	–	–	706	–	706
Recognition of equity-settled share-based payment	–	–	–	–	–	–	4,106	–	–	–	–	4,106	–	4,106
Release upon lapse of share options	–	–	–	–	–	–	(917)	–	–	–	917	–	–	–
Subtotal	–	–	–	–	–	–	3,189	–	706	–	(1,483)	2,412	–	2,412
At 31 December 2009 and 1 January 2010	24,000	30,609	28,820	3,546	1,156	–	9,337	–	2,536	79	254,342	354,425	–	354,425
Profit for the year	–	–	–	–	–	–	–	–	–	–	42,504	42,504	6,972	49,476
Other comprehensive income for the year	–	–	5,694	–	–	–	–	–	–	–	–	5,694	–	5,694
Total comprehensive income for the year	–	–	5,694	–	–	–	–	–	–	–	42,504	48,198	6,972	55,170
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	33,424	33,424
Issue of shares	6,314	74,486	–	–	–	–	–	–	–	–	–	80,800	–	80,800
Transfer	–	–	–	2,582	–	–	–	–	–	–	(2,582)	–	–	–
Issue cost of share	–	(1,160)	–	–	–	–	–	–	–	–	–	(1,160)	–	(1,160)
Issue of warrants	–	–	–	–	–	–	–	1,990	–	–	–	1,990	–	1,990
Issue of shares upon exercise of share options	1,399	25,032	–	–	–	–	(8,089)	–	–	–	–	18,342	–	18,342
Issue of shares upon exercise of warrants	3,060	42,948	–	–	–	–	–	(1,518)	–	–	–	44,490	–	44,490
Dividends paid	–	–	–	–	–	–	–	–	–	–	(3,060)	(3,060)	–	(3,060)
Release upon early repayment of interest-free shareholder's loan	–	–	–	–	–	–	–	–	(643)	–	–	(643)	–	(643)
Recognition of equity-settled share-based payment	–	–	–	–	–	–	6,179	–	–	–	–	6,179	–	6,179
Release upon lapse of share options	–	–	–	–	–	–	(129)	–	–	–	129	–	–	–
Recognition of equity component of convertible loan notes	–	–	–	–	–	5,328	–	–	–	–	–	5,328	–	5,328
Conversion of equity component of convertible loan notes	2,000	39,175	–	–	–	(5,328)	–	–	–	–	–	35,847	–	35,847
Subtotal	12,773	180,481	–	2,582	–	–	(2,039)	472	(643)	–	(5,513)	188,113	33,424	221,537
At 31 December 2010	36,773	211,090	34,514	6,128	1,156	–	7,298	472	1,893	79	291,333	590,736	40,396	631,132

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before tax	68,343	16,468
Adjustments for:		
Amortisation of intangible assets	1,587	–
Depreciation of property, plant and equipment	53,434	51,362
Fair value adjustment on trade receivable	3,214	–
Fair value changes on derivative financial instruments	(1,862)	430
Fair value changes on investment designated at fair value through profit or loss	–	459
Fair value changes on investment properties	(700)	(700)
Finance costs	11,050	11,596
Loss (gain) on disposal of property, plant and equipment	227	(45)
Impairment loss recognised on trade receivables	1,108	3,490
Imputed interest on non-current trade receivable	(190)	–
Interest income	(2,087)	(642)
Release of prepaid lease payments	615	615
Reversal of allowance for inventory obsolescence	–	(950)
Reversal of impairment loss previously recognised for trade receivables	(2,112)	(2,593)
Share-based payment expenses	6,179	4,106
Written off of trade receivables	(704)	–
Operating cash flow before movements in working capital	138,102	83,596
Increase in inventories	(12,492)	(16,521)
(Increase) decrease in trade and other receivables	(214,619)	16,419
(Increase) decrease in bills receivable	(7,533)	4,238
Increase in derivative financial instruments	1,647	810
Increase (decrease) in trade and other payables	49,278	(49,351)
Increase in bills payable	29,915	48,502
Cash (used in) generated from operations	(15,702)	87,693
Hong Kong Profits Tax paid	–	(750)
The People's Republic of China ("PRC") Enterprise Income Tax paid	(3,546)	(4,876)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(19,248)	82,067
INVESTING ACTIVITIES		
Increase in restricted bank deposits	(171,625)	(61,732)
Purchase of property, plant and equipment	(10,398)	(10,104)
Deposits paid for acquisition property, plant and equipment	(7,296)	(4,439)
Purchase of intangible assets	(5,000)	–
Proceeds from disposal of investment properties	4,500	–
Interest received	2,087	642
Proceeds from disposal of property, plant and equipment	740	45
Proceeds from redemption of investment designated at fair value through profit or loss	–	8,890
NET CASH USED IN INVESTING ACTIVITIES	(186,992)	(66,698)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Bank and other borrowings raised	**624,381**	374,661
Proceeds from issue of shares	**125,232**	–
Proceeds from issue of convertible loan notes	**40,000**	–
Proceeds from issue of warrants	**1,990**	–
Repayment of bank and other borrowings	**(416,118)**	(340,435)
Repayment of obligations under finance leases	**(35,411)**	(46,336)
Repayment to a shareholder	**(22,459)**	–
Interest paid	**(9,201)**	(10,375)
Dividends paid	**(3,060)**	(2,400)
Expenses on issue of shares	**(1,160)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**304,194**	(24,885)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**97,954**	(9,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**50,312**	59,828
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances, deposits and cash	**148,266**	50,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Yeung Hoi Shan ("Mr. Yeung") is a controlling shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43.

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

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

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 adoption of the new and revised HKFRSs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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 no effect on the consolidated financial statements of the Group for the current or prior accounting period.

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. Hong Kong Interpretation 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$13,099,000 and HK$8,000,000 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$6,572,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss 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 33 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

The Group has not early applied the following new and revised HKFRSs 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and will have no significant impact to the classification and measurement of the Group's financial assets and financial liabilities based on the Group's financial instruments as at 31 December 2010.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, buildings and certain financial instruments, which are measured at fair values or revalued amounts, 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 goods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION

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

A uniform set of accounting policies is adopted by those entities.

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

REVENUE RECOGNITION

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

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

Service income is recognised when services are provided.

Income from granting the right to use the intellectual properties of the Group is recognised over the licensing period.

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 the asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT PROPERTIES

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its 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, excluding buildings and construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

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

INVENTORIES

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

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its 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 standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

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

Financial assets

The Group's financial assets are classified into fair value through profit or loss ("FVTPL") and loans and receivables. 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.

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, restricted bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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 loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly 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.

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 loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payable, amount due to a shareholder and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Group that contain liability, conversion option and issuer early redemption option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, both liability and issuer early redemption option components are measured at fair value. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability and issuer early redemption option components, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Effective interest method *(Continued)*

Convertible loan notes (Continued)

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The issuer early redemption option is measured at fair value recognised in profit or loss. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity and issuer early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the issuer early redemption option components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

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

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrant reserve).

The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the accumulated profits.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

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 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.

LEASING

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING *(Continued)*

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 except for those that are classified and accounted for as investment properties under the fair value model.

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

Share options granted to directors, employee and others providing similar services rendered by employee

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 option 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 share option reserve.

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

Share issued for acquisition of assets

Share issued in exchange for acquisition of assets are measured at the fair values of the assets at the acquisition date and corresponding credit was made to the share capital and share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit 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, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profit 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 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 re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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.

GOVERNMENT GRANTS

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 judgment on 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 is the key assumption concerning future at the end of 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.

ESTIMATE 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 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 amount of trade receivables is HK$378,215,000 (2009: HK$204,634,000). Details of movements of allowance for trade receivables are disclosed in note 20.

5. REVENUE

	2010 **HK$'000**	2009 HK$'000
An analysis of the Group's revenue is as follows:		
Sales of printed circuit boards ("PCB")	**882,713**	739,314
Sales of light emitting diode ("LED") lighting	**114,399**	–
	997,112	739,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

6. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Bank interest income	**2,087**	642
Imputed interest on non-current trade receivable (note 20(a))	**190**	–
Rental income generated from investment properties	**551**	672
Sales of scrap materials	**32,694**	25,532
Government grants (note)	**4,536**	–
Licensing income	**4,114**	–
Others	**809**	706
	44,981	27,552

Note: Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries in Zhongshan province. The government grants have no conditions or contingencies attached to them and they are non-recurring in nature.

7. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Net foreign exchange loss	**(11,560)**	(5,903)
Impairment loss recognised on trade receivables	**(1,108)**	(3,490)
Fair value changes on investment designated at fair value through profit or loss	**–**	(459)
Fair value changes on derivative financial instruments	**1,862**	(430)
Reversal of impairment loss previously recognised on trade receivables	**2,112**	2,593
Fair value changes on investment properties	**700**	700
(Loss) gain on disposal of property, plant and equipment	**(227)**	45
	(8,221)	(6,944)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**7,996**	8,010
– obligations under finance leases	**1,101**	2,365
Imputed interest on amount due to a shareholder (note 26)	**674**	1,221
Effective interest expense on convertible loan notes (note 27)	**1,279**	–
	11,050	11,596

9. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT") (including PRC withholding tax of HK$1,023,000 (2009: Nil))	**22,403**	5,157
Deferred tax (note 28)	**(3,536)**	174
	18,867	5,331

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

During the years ended 31 December 2010 and 2009, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for both years.

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

Pursuant to the relevant laws and regulations in the PRC, Guangdong Tat Chun Electric Technology Company Limited ("Guangdong Tat Chun"), a wholly owned subsidiary of the Company, is entitled to an exemption from the PRC EIT for the first two years commencing from its first profit-making year of operation, and thereafter, it will be entitled to a 50% relief from the PRC EIT for the following three years ("Tax Holiday"). Under the EIT Law, the reduced tax rate for the 50% relief from the PRC EIT is 12.5%. After the expiry of the tax relief period, Guangdong Tat Chun is subject to an income tax rate of 25%. The first profit-making year of operation of Guangdong Tat Chun was 2008 and its tax rate of the PRC EIT was 12.5% during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9. INCOME TAX EXPENSE *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Profit before tax	**68,343**	16,468
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**17,086**	4,117
Tax effect of expenses not deductible for tax purpose	**741**	2,800
Tax effect of income not taxable for tax purpose	**(581)**	(313)
Tax effect of Tax Holiday of subsidiaries	**(1,567)**	(2,449)
Tax effect of utilisation of tax losses previously not recognised	**–**	(27)
Tax effect of different tax rates of operations/ entities operating in other jurisdiction	**694**	1,203
Tax effect of tax losses not recognised	**1,471**	–
Tax effect of PRC withholding tax	**1,023**	–
Income tax expense	**18,867**	5,331

10. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	**128,190**	92,764
Share-based payments	**6,179**	4,106
Retirement benefit schemes contributions	**4,217**	3,474
Total employee expenses	**138,586**	100,344
Auditor's remuneration	**1,530**	1,363
Cost of inventories recognised as an expense (note)	**841,815**	645,774
Depreciation of property, plant and equipment	**53,434**	51,362
Amortisation of intangible assets	**1,587**	–
Release of prepaid lease payments	**615**	615

Note: During the year ended 31 December 2009, there was an increase in the net realisable value of the inventories. As a result, a reversal of HK$950,000 has been recognised and included in cost of sales. The respective provision was made during the year ended 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

11. DIRECTORS' EMOLUMENTS

The emoluments recognised to each of the directors were as follows:

2010

	Mr. Yeung HK$'000	Pak Shek Kuen HK$'000	Zhu Jianqin HK$'000 (note b)	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Cheung Kwok Ping HK$'000 (note a)	Ho Man Kay HK$'000	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	–	90	90	90	61	135	90	556
– Salaries and other benefits	3,817	1,718	727	–	–	–	–	–	–	6,262
– Share-based payments	403	857	254	168	16	109	109	115	115	2,146
– Performance related incentive payment (note d)	387	259	–	–	–	–	–	–	–	646
– Retirement benefit scheme contributions	12	12	–	–	–	–	–	–	–	24
Total emoluments	4,619	2,846	981	258	106	199	170	250	205	9,634

2009

	Mr. Yeung HK$'000	Wong Wing Choi HK$'000 (note c)	Pak Shek Kuen HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Cheung Kwok Ping HK$'000	Ho Man Kay HK$'000	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	–	84	84	84	84	126	84	546
– Salaries and other benefits	3,040	205	1,189	–	–	–	–	–	–	4,434
– Share-based payments	646	(492)	577	288	58	58	35	58	58	1,286
– Performance related incentive payment (note d)	159	–	197	–	–	–	–	–	–	356
– Retirement benefit scheme contributions	12	1	12	–	–	–	–	–	–	25
Total emoluments	3,857	(286)	1,975	372	142	142	119	184	142	6,647

Notes:

(a) Mr. Cheung Kwok Ping resigned as a non-executive director of the Company on 7 September 2010.

(b) Mr. Zhu Jianqin ("Mr. Zhu") appointed as an executive director of the Company on 7 September 2010.

(c) Mr. Wong Wing Choi resigned as an executive director of the Company on 23 January 2009. Upon the resignation, an amount of HK$492,000 representing share-based payments (for which the share options were not vested) recognised in previous years, was reversed and set off with share-based payments expense during the year ended 31 December 2009.

(d) The performance related incentive payment was determined based on individual performance.

None of the director has waived any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, two (2009: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**3,523**	3,037
Share-based payments	**853**	617
Performance related incentive payment	**363**	126
Retirement benefit schemes contributions	**24**	36
	4,763	3,816

	2010 HK$'000	2009 HK$'000
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–
	3	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution during the year:		
2009 Final dividend of HK1 cent per share (2009: 2008 Final dividend of HK1 cent per share)	**3,060**	2,400

The directors recommend the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2010 to the shareholders whose names appear on the register of members on 27 May 2011, amounting to approximately HK$10,787,000. The final dividend is subject to approval by the shareholders in general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2010 **HK$'000**	2009 HK$'000
Earnings		
Profit for the year to the owners of the Company for the purposes of basic and diluted earnings per share	**42,504**	11,137
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**298,958,514**	240,000,000
Effect of dilutive potential ordinary shares:		
Warrants	**9,033,512**	–
Share options	**9,860,107**	1,202,513
Number of ordinary shares for the purpose of diluted earnings per share	**317,852,133**	241,202,513

The computation of diluted earnings per share does not assume the conversion of the Company's convertible loan notes since their exercise would result in an increase in profits per share.

15. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2009	3,100
Fair value changes recognised in profit or loss	700
At 31 December 2009 and 1 January 2010	3,800
Fair value changes recognised in profit or loss	700
Disposal	(4,500)
At 31 December 2010	–

The fair values of the Group's investment properties at 31 December 2009 were arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers. The valuation was arrived at by reference to recent market evidence of transaction prices for similar properties in the same locations and conditions.

The 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.

The carrying value of investment properties shown above were situated in Hong Kong held under medium term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2009	3,878	138,354	341,537	3,647	4,670	8,967	100,615	601,668
Additions	1,551	–	19,632	130	1,382	314	618	23,627
Disposals	–	–	–	–	(660)	–	–	(660)
Transfer	(2,190)	–	–	–	–	–	2,190	–
Surplus on revaluation	–	3,422	–	–	–	–	–	3,422
At 31 December 2009 and 1 January 2010	3,239	141,776	361,169	3,777	5,392	9,281	103,423	628,057
Additions	2,041	–	35,926	257	907	1,035	1,442	41,608
Disposals	–	–	(1,055)	–	(408)	–	–	(1,463)
Surplus on revaluation	–	3,959	–	–	–	–	–	3,959
At 31 December 2010	5,280	145,735	396,040	4,034	5,891	10,316	104,865	672,161
Comprising:								
At cost	5,280	–	396,040	4,034	5,891	10,316	104,865	526,426
At valuation – 2010	–	145,735	–	–	–	–	–	145,735
	5,280	145,735	396,040	4,034	5,891	10,316	104,865	672,161
DEPRECIATION AND AMORTISATION								
At 1 January 2009	–	–	110,139	1,343	2,537	4,730	22,463	141,212
Provided for the year	–	3,456	35,258	494	784	1,221	10,149	51,362
Elimination on disposals	–	–	–	–	(660)	–	–	(660)
Elimination on revaluation	–	(3,456)	–	–	–	–	–	(3,456)
At 31 December 2009 and 1 January 2010	–	–	145,397	1,837	2,661	5,951	32,612	188,458
Provided for the year	–	3,633	36,808	513	854	1,150	10,476	53,434
Elimination on disposals	–	–	(185)	–	(311)	–	–	(496)
Elimination on revaluation	–	(3,633)	–	–	–	–	–	(3,633)
At 31 December 2010	–	–	182,020	2,350	3,204	7,101	43,088	237,763
CARRYING VALUES								
At 31 December 2010	5,280	145,735	214,020	1,684	2,687	3,215	61,777	434,398
At 31 December 2009	3,239	141,776	215,772	1,940	2,731	3,330	70,811	439,599
At 1 January 2009	3,878	138,354	231,398	2,304	2,133	4,237	78,152	460,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight line method at the following rates per annum:

Buildings	Over the remaining term of lease
Leasehold improvements	10% or over the term of lease, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings and construction in progress shown above are situated in the PRC under medium term leases.

At 31 December 2010, the buildings of the Group were valued by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group, on an open market basis. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers. The buildings were valued at depreciated replacement cost approach.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$102,884,000 (2009: HK$105,247,000).

As at 31 December 2010, the carrying values of the Group's plant and machinery and motor vehicles include amounts of HK$138,197,000 and HK$1,171,000 (2009: HK$137,661,000 and HK$1,635,000), respectively, in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$145,735,000 (2009: HK$141,776,000) and HK$24,503,000 (2009: HK$31,072,000), respectively, to secure general banking facilities granted to the Group.

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17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Land use rights in the PRC under medium term leases	**22,535**	23,150	23,765
Analysed for reporting purposes as:			
Non-current assets	**21,920**	22,535	23,150
Current assets	**615**	615	615
	22,535	23,150	23,765

The prepaid lease payments are charged to profit or loss over the respective term of the lease on a straight line basis.

The Group has pledged the land use rights of carrying amount of HK$22,535,000 (2009: HK$23,150,000) to secure general banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Total HK$'000
COST	
At 1 January 2010	–
Addition	55,176
At 31 December 2010	55,176
AMORTISATION	
At 1 January 2010	–
Charge for the year	1,587
At 31 December 2010	1,587
CARRYING VALUES	
At 31 December 2010	53,589

The intangible assets of the Group represent the LED-related intellectual properties. Such intangible assets have definite useful life and are amortised on a straight-line basis over the license periods of the respective assets, which are ranged from 6 to 10 years from the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INVENTORIES

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Raw materials	**51,770**	44,943	41,231
Work in progress	**37,007**	28,667	21,042
Finished goods	**31,639**	34,314	28,180
	120,416	107,924	90,453

20. TRADE, BILLS AND OTHER RECEIVABLES

(a) TRADE RECEIVABLE – NON-CURRENT

The balance represented the carrying amount of a trade receivable resulted from the sales of LED lighting products to a customer completed in November 2010 ("LED Receivable"). The contract amount was HK$79,545,000 which will be settled by instalments pursuant to the supply contract in which the last settlement date will be in or before January 2014. The fair value of the consideration recognised on the completion date was HK$76,331,000, determined using discounted cash flows at an imputed rate of interest. The difference of HK$3,214,000 between the contract value and fair value on the completion date was debited to revenue.

The movement of the LED Receivable during the year is as follow:

	HK$'000
Fair value at initial recognition	76,331
Imputed interest	190
At 31 December 2010	76,521
Less: Amount due within one year included in trade receivables – current	(5,681)
Amounts shown under non-current assets	70,840

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20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(b) TRADE AND OTHER RECEIVABLES – CURRENT

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Trade receivables	**328,357**	227,324	241,185
Less: Allowance for doubtful debts	**(20,982)**	(22,690)	(21,793)
Total trade receivables, net of allowance	**307,375**	204,634	219,392
Other receivables and prepayments	**65,061**	25,339	27,897
	372,436	229,973	247,289

The Group generally allows an average credit period of 30 days to 150 days to its trade customers, except for a trade customer of LED Receivable in note 20(a) which is based on the contractual repayment schedule due until January 2014. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
0-30 days	**123,762**	72,010
31-60 days	**81,920**	65,173
61-90 days	**54,138**	43,704
91-180 days	**45,048**	21,348
Over 180 days	**2,507**	2,399
	307,375	204,634

Before accepting any new customer, the Group will evaluate the potential customer's credit risk and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's current trade receivable balance are debtors with an aggregate carrying amount of HK$72,120,000 (2009: HK$43,481,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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For the year ended 31 December 2010

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(b) TRADE AND OTHER RECEIVABLES – CURRENT *(Continued)*

Included in the Group's other receivables is an amount of HK$4,114,000 licensing income receivable (2009: Nil) from Orient Opto-Semiconductors Corp. ("Dongfang"), a non-controlling interest of a PRC subsidiary of the Company.

Ageing of trade receivables which are past due but not impaired based on invoice date

	2010 **HK$'000**	2009 HK$'000
31-60 days	**17,178**	12,322
61-90 days	**22,310**	18,109
91-180 days	**30,125**	10,651
Over 180 days	**2,507**	2,399
Total	**72,120**	43,481

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
Balance at beginning of the year	**22,690**	21,793
Impairment loss recognised on receivables	**1,108**	3,490
Amounts written off as uncollectible	**(704)**	–
Impairment loss reversed	**(2,112)**	(2,593)
Balance at end of the year	**20,982**	22,690

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$20,982,000 (2009: HK$22,690,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(c) All the bills receivables are aged within 30 days as at the end of the reporting period.

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

	2010	2009
	HK$'000	HK$'000
United States dollars ("US$")	**214,896**	178,295
Renminbi ("RMB")	**199,227**	21,305
	414,123	199,600

21. DERIVATIVE FINANCIAL INSTRUMENTS

		31.12.2010		31.12.2009		1.1.2009
	Notes	**Assets**	**liabilities**	Assets	liabilities	Assets
		HK$'000	**HK$'000**	HK$'000	HK$'000	HK$'000
Foreign currency derivatives:						
Forward contracts	(i)	**674**	**797**	520	–	1,301
Currency structured forward contracts	(ii)	**781**	**–**	–	459	–
Interest rate swaps	(iii)	**–**	**382**	–	–	–
		1,455	**1,179**	520	459	1,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

21. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(i) FORWARD CONTRACTS

Major terms of foreign currency forward contracts are as below:

As at 31 December 2010

Aggregate notional amount	Maturity	Forward exchange rates
US$4,000,000	From January 2011 to April 2011	Sell US$/buy RMB at 6.7258 to 6.7655
US$20,007,433	From January 2011 to December 2011	Sell RMB/buy US$ at 6.4600 to 6.7258

As at 31 December 2009

Aggregate notional amount	Maturity	Forward exchange rates
US$6,950,000	From February 2010 to October 2010	Sell US$/buy RMB at 6.6520 to 6.7870
US$6,950,000	From February 2010 to October 2010	Sell RMB/buy US$ at 6.7160 to 6.8201

The fair values of forward contracts are determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

(ii) CURRENCY STRUCTURED FORWARD CONTRACTS

For the year ended 31 December 2010

During the year ended 31 December 2010, the Group entered into two net settled US$/RMB structured forward contracts which give the Group the opportunities to receive fixed US$ per month if the market exchange rate ranges from RMB6.30/US$ to RMB6.84/US$ on the valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate above RMB6.9/US$ on the valuation date.

In addition, the Group entered into a net settled US$/RMB structured forward contract which give the Group the opportunities to receive variable US$ per month if the market exchange rate ranges from RMB6.55/US$ to RMB6.85/US$ on the valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate above RMB6.9/US$ on the valuation date. The contract is also subject to knockout under which the contract will terminate if the accumulative gains to the Group have exceeded a specified amount.

As of 31 December 2010, the aggregate notional amounts of the outstanding currency structured contracts were US$94,000,000 covering monthly settlements up to June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

21. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(ii) CURRENCY STRUCTURED FORWARD CONTRACTS *(Continued)*

For the year ended 31 December 2009

During the year ended 31 December 2009, the Group entered into several net settled US$/RMB structured forward contracts which give the Group the opportunities to sell US$/buy RMB at rates which are better than the market forward rates prevailing on the trade dates of the transactions. However, the contracts shall be terminated if the then prevailing market spot rates under the scenario of depreciation of RMB against US$ beyond 6.7. In addition, there is a knock out feature under which the contracts will be terminated if the accumulative gains to the Group have exceeded certain specified amounts. As at 31 December 2009, the aggregate notional amounts of the outstanding currency structured contracts were US$40,000,000 covering monthly settlements up to August 2011.

The fair values of the currency structured forward contracts are determined by using the Monte Carlos Simulation Model.

(iii) INTEREST RATE SWAPS

Major terms of the interest rate swap as at 31 December 2010 are as follows:

Aggregated notional amounts	Interest rate swap	Maturity
US$9,325,624	Floating rate: London Interbank Offered Rate plus 1%	From 28 September 2011 to 13 December 2011
	Fixed rate: ranging from 1.60% to 1.70%	

In addition to the above interest rate swap, the Group entered into a commodity linked interest rate swap contract which the Group is obliged to pay a variable interest expense of 1.152% on the notional amount determined by the price of fixed quantity of copper on the valuation date in exchange for a fixed interest income of 1.152% on the notional amount of HK$50,000,000. This contract is net settled and the remaining tenor of the contract is 14 months as at 31 December 2010.

The fair value of the above interest rate swaps are determined by using the Monte Carlos Simulation Model.

All of the Group's derivative financial instruments are denominated in US dollars which is other than the functional currency of the respective group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22. RESTRICTED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Restricted bank deposits	**251,730**	80,105	18,373
Bank balances, deposits, and cash	**148,266**	50,312	59,828
	399,996	130,417	78,201

As at 31 December 2010, the restricted bank deposits comprise deposits for the issue of bills payable of HK$30,429,000 (2009: HK$16,057,000) and pledged deposits of HK$221,301,000 (2009: HK$64,048,000) for short-term bank borrowings. The restricted bank deposits are classified as current assets because the bills payable and bank borrowings being secured are due within one year.

Restricted bank deposits, bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.01% to 3.90% (2009: 0.01% to 3.84%) per annum.

The restricted bank deposits, bank balances, deposits and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2010 HK$'000	2009 HK$'000
US$	**57,087**	17,759
RMB	**310,690**	105,774
	367,777	123,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

23. TRADE, BILLS AND OTHER PAYABLES

(a) TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
0-30 days	**41,774**	30,900	22,453
31-60 days	**35,968**	34,135	20,705
61-90 days	**32,126**	21,950	48,553
91-180 days	**69,333**	62,111	101,450
Over 180 days	**13,824**	1,069	7,046
	193,025	150,165	200,207
Other payables and accruals	**37,163**	30,745	30,054
	230,188	180,910	230,261

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the Group's trade payables is an amount of HK$8,486,000 (2009: Nil) payable to Dongfang.

(b) BILLS PAYABLE

The aged analysis of bills payable is as follows:

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
0-30 days	**9,422**	23,291	32,125
31-60 days	**31,498**	14,568	3,695
61-90 days	**12,665**	10,207	2,872
91-180 days	**64,827**	40,431	1,303
	118,412	88,497	39,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

23. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

(b) BILLS PAYABLE *(Continued)*

The trade, bills and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2010 HK$'000	2009 HK$'000
US$	**52,351**	35,003
RMB	**209,864**	139,730
	262,215	174,733

24. BANK BORROWINGS

	31.12.2010 HK$'000	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Bank loans	**361,399**	187,058	162,519
Trust receipt loans	**67,052**	33,130	23,443
	428,451	220,188	185,962
Analysed as:			
Secured	**320,807**	150,204	69,161
Unsecured	**107,644**	69,984	116,801
	428,451	220,188	185,962
Fixed-rate borrowings	**350,952**	157,276	11,364
Variable-rate borrowings	**77,499**	62,912	174,598
	428,451	220,188	185,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

24. BANK BORROWINGS *(Continued)*

	31.12.2010 **HK$'000**	31.12.2009 HK$'000 (Restated)	1.1.2009 HK$'000 (Restated)
Carrying amounts repayable within one year based on scheduled repayment dates set out in the loan agreements	**421,879**	207,089	112,962
Carrying amounts of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**–**	–	65,000
Carrying amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**6,572**	13,099	8,000
	428,451	220,188	185,962
Less: Amounts due within one year shown under current liabilities	**(428,451)**	(220,188)	(185,962)
Amounts shown under non-current liabilities	**–**	–	–

The bank borrowings were secured by assets of the Group as disclosed in note 37. Among the bank borrowings at 31 December 2009, an amount of HK$17,045,000 was secured by a personal guarantee made by Mr. Yeung and such guarantee was released during the year ended 31 December 2010.

The above borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31.12.2010 **HK$'000**	31.12.2009 HK$'000 (Restated)
US$	**173,002**	52,042
RMB	**104,979**	59,091
	277,981	111,133

The contractual interest rates of variable-rate bank loans are Hong Kong Inter-bank Offered Rate ("HIBOR") plus 1.75% to 2.65% (2009: HIBOR plus 1.75% to 2.65%) per annum. Interest is repriced every year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

24. BANK BORROWINGS *(Continued)*

The ranges of interest rates on the Group's borrowings are as follows:

	31.12.2010	31.12.2009 (Restated)
Effective interest rate:		
Fixed-rate borrowings	**0.88% to 5.31%**	0.88% to 5.58%
Variable-rate borrowings	**2.48% to 3.53%**	2.14% to 4.33%

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000	**31.12.2010 HK$'000**	31.12.2009 HK$'000	1.1.2009 HK$'000
Amounts payable under finance leases:						
Within one year	**19,201**	34,738	45,991	**18,363**	33,675	43,492
In the second year	**7,482**	13,625	31,585	**7,211**	13,336	30,758
In the third year	**5,396**	1,776	9,962	**5,292**	1,764	9,827
In the fourth year	**1,144**	40	736	**1,137**	39	731
	33,223	50,179	88,274	**32,003**	48,814	84,808
Less: Future finance charges	**(1,220)**	(1,365)	(3,466)	**–**	–	–
Present value of lease obligations	**32,003**	48,814	84,808	**32,003**	48,814	84,808
Less: Amount due within one year shown under current liabilities				**(18,363)**	(33,675)	(43,492)
Amount due after one year				**13,640**	15,139	41,316

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is two years and the contractual interest rates for the year are HIBOR plus 1.5% to 3% (2009: HIBOR plus 1.5% to 3%) per annum and the average effective interest rate was 2.72% (2009: 3.54%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

25. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

During the year ended 31 December 2010, the Group entered into finance lease arrangements of HK$18,600,000 (2009: HK$10,342,000).

The obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company and subsidiaries of the Company.

26. AMOUNT DUE TO A SHAREHOLDER

At 31 December 2009, amount represented the carrying value of the unsecured interest-free shareholder loan from Mr. Yeung from 29 June 2010 to 31 January 2011. The amount was fully repaid in the current year. During the year, imputed interest of HK$674,000 (2009: HK$1,221,000) was recognised in respect of this shareholder loan.

At 31 December 2010, the balance represented the remaining cash payment due to a shareholder, Mr. Zhu, resulted from the acquisition of the LED-related intellectual properties from him. Pursuant to the agreement entered into by the Company and Mr. Zhu, the payment will be settled by May 2011. The amount is unsecured and interest-free.

The amount due to a shareholder that is denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2010 **HK$'000**	2009 HK$'000
RMB	–	14,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

27. CONVERTIBLE LOAN NOTES

The Company issued convertible loan notes with principal amount of HK$20,000,000 each on 16 July 2010 ("CN Jul 2010") and 5 October 2010 ("CN Oct 2010") respectively.

All convertible loan notes are denominated in Hong Kong dollars and entitle the holders thereof to convert, in whole or in part, the principal amount into ordinary shares of the Company. CN Jul 2010 is a zero coupon note and CN Oct 2010 carried coupon interest rate of 2.5% per annum and was to be paid semi-annually up to the settlement date.

The major terms of the convertible loan notes are as follows:

	Principal amount of convertible loan notes HK$'000	**Maturity date**	**Effective interest rate**	**Conversion price**
CN Jul 2010	20,000	16 January 2012	14.20%	HK$2 per ordinary share
CN Oct 2010	20,000	5 April 2012	13.29%	HK$2 per ordinary share

All convertible loan notes entitle the holders thereof to convert, in whole or in part, the outstanding principal amount into ordinary shares of the Company at any time prior to the maturity date.

Both CN Jul 2010 and CN Oct 2010 entitle the Company at any time prior to the maturity date and from time to time to redeem at a premium (119.3206% for CN Jul 2010 and 106% for CN Oct 2010) of the outstanding principal amount (in whole or in part) in cash by serving at least 30 business days' prior written notice (the "Early Redemption Notice") on the holder with the total amount proposed to be redeemed from the holder specified therein. The holders can within 15 business days after the date of the Early Redemption Notice convert any outstanding amount of the convertible loan notes in multiples of HK$1,000,000 into the conversion shares at the conversion price. Upon the expiry of 15 business days after the date of the Early Redemption Notice, the Company shall redeem the outstanding principal amount of the convertible loan notes as set out in the Early Redemption Notice.

The convertible loan notes contain three components, issuer early redemption option, liability and equity components in which the fair value issuer early redemption option of both CN Jul 2010 and CN Oct 2010 is minimal.

The valuation of the convertible loan notes including the issuer early redemption option, liability and equity component was performed by Greater China Appraisal Limited. The fair value of the liability component was calculated based on the present value of the contractually determined stream of future cash flow discounted at 14.20% and 13.29% for CN Jul 2010 and CN Oct 2010, respectively, also being the effective interest rate of them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

27. CONVERTIBLE LOAN NOTES *(Continued)*

The movement of the liability component of the convertible loan notes for the year is set out below:

	CN Jul 2010 HK$'000	CN Oct 2010 HK$'000	Total HK$'000
Issue during the year	17,948	16,724	34,672
Interest charged	659	620	1,279
Interest paid	–	(104)	(104)
Converted during the year	(18,607)	(17,240)	(35,847)
As at 31 December 2010	**–**	**–**	**–**

During the year, all the principal of CN Jul 2010 and CN Oct 2010 were converted into an aggregate amount of 20,000,000 ordinary shares of HK$0.1 each in the Company at the conversion price of HK$2. No convertible loan note was outstanding at the end of the reporting period.

28. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2009	3,362	8,126	11,488
Charge to profit or loss	174	–	174
Charge to other comprehensive income	–	1,719	1,719
At 31 December 2009 and 1 January 2010	3,536	9,845	13,381
Charge to profit or loss	(3,536)	–	(3,536)
Charge to other comprehensive income	–	1,898	1,898
At 31 December 2010	**–**	**11,743**	**11,743**

At 31 December 2010, the Group had unused tax losses of HK$9,128,000 (2009: HK$213,000) available for offset against future assessable profits in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. DEFERRED TAX LIABILITIES *(Continued)*

At 31 December 2010, the Group has deductible temporary differences associated with specific provision on trade receivables and inventories of HK$20,982,000 (2009: HK$22,690,000). No deferred tax asset has been recognised of such deductible temporary difference as it is uncertain that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$111,942,000 (2009: HK$64,123,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL AND WARRANTS

(i) SHARE CAPITAL

	Number of shares	**Nominal value** HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2009 and 31 December 2009	240,000,000	24,000
Issue of shares (note a)	48,000,000	4,800
Exercise of share options (note b)	13,988,000	1,399
Issued in consideration for the acquisition of intellectual properties (note c)	15,137,803	1,514
Exercise of warrants (note d)	30,600,000	3,060
Conversion of convertible loan notes (note e)	20,000,000	2,000
At 31 December 2010	**367,725,803**	**36,773**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

29. SHARE CAPITAL AND WARRANTS *(Continued)*

The movements in the ordinary share capital for the year ended 31 December 2010 were as follows:

(a) On 3 February 2010, 48,000,000 ordinary shares of the Company were placed at a price of HK$1.30 per placing share through a top-up placing and subscription arrangement.

(b) The Company issued 7,040,000, 482,000 and 6,466,000 ordinary shares of HK$0.1 each in the Company for cash at HK$1.52, HK$1.50 and HK$1.07 per share, respectively, as a result of the exercise of share options.

(c) On 31 May 2010, the Company issued an aggregate of 15,137,803 ordinary shares of HK$0.1 each as part of the consideration for acquisition of LED-related intellectual properties.

(d) The Company issued 30,000,000 and 600,000 ordinary shares of HK$0.1 each in the Company for cash at HK$1.45 and HK$1.65 per share, respectively, as a result of the exercise of warrants.

(e) Convertible loan notes of principal amount of HK$40,000,000 was converted into 20,000,000 ordinary shares of HK$0.1 each in the Company at the conversion price of HK$2 per share.

All the ordinary shares issued during the year ranked pari passu in all respects with the then existing shares.

(ii) WARRANTS

The Company issued 35,000,000 and 8,000,000 warrants at HK$0.05 and HK$0.03 each, respectively, on 21 January 2010 and 15 July 2010 respectively to the subscribers to subscribe new shares of the Company at a subscription price of HK$1.45 and 1.65 each, respectively, (subject to anti-dilutive adjustment) for a period of twelve months commencing from the date of issue of the warrants. Each warrant carries the rights to subscribe one new share. A proceed of HK$1,990,000 was received as of the issue and the same amount has been credited to warrant reserve.

During the year, 30,600,000 warrants were exercised by the subscribers (note 29(i)(d)) and the Company had 12,400,000 warrants remained outstanding at 31 December 2010. Exercise in full of such warrants would result in the issue of 12,400,000 additional ordinary shares of HK$0.1 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

30. RESERVES

(a) PRC STATUTORY RESERVE

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

(b) SPECIAL RESERVE

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(c) CAPITAL CONTRIBUTION RESERVE

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

(d) PROPERTY REVALUATION RESERVE

	HK$
At 1 January 2009	23,661
Surplus on revaluation of properties	6,878
Deferred tax liabilities arising from revaluation of properties	(1,719)
At 31 December 2009	28,820
Surplus on revaluation of properties	7,592
Deferred tax liabilities arising from revaluation of properties	(1,898)
At 31 December 2010	**34,514**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

31. SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The exercise price of the share options is determined, at the discretion of the directors, and must be at least the highest of:

(a) the average of the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options;

(b) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options; and

(c) the nominal value of the shares of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 28 April 2008, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 28 April 2008 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1.

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31. SHARE OPTION SCHEME *(Continued)*

The following table discloses the details of the Company's share options and movements for both years:

	Date of grant	Exercisable period	Exercise price per share HK$	Balance at 1 January 2009 '000	Granted during the year '000	Forfeited during the year '000	Outstanding at 31 December 2009 '000	Granted during the year '000	Reclassification '000 (Note 5)	Exercised during the year '000 (Note 6)	Forfeited during the year '000 (Note 4)	Balance at 31 December 2010 '000
Directors	3 July 2007	(Note 1)	1.52	7,800	–	(2,000)	5,800	–	–	(4,920)	–	880
	29 September 2009	(Note 2)	1.07	–	6,400	–	6,400	–	1,500	(960)	–	6,940
	14 July 2010	(Note 3)	1.50	–	–	–	–	11,740	–	–	(10,940)	800
	29 September 2010	(Note 3)	2.62	–	–	–	–	1,000	–	–	–	1,000
Subtotal				7,800	6,400	(2,000)	12,200	12,740	1,500	(5,880)	(10,940)	9,620
Consultants	29 September 2009	(Note 2)	1.07	–	6,250	–	6,250	–	(1,500)	(2,400)	–	2,350
	29 September 2010	(Note 3)	2.62	–	–	–	–	2,000	–	–	–	2,000
	11 October 2010	(Note 3)	2.70	–	–	–	–	400	–	–	–	400
	29 November 2010	(Note 3)	3.39	–	–	–	–	1,300	–	–	–	1,300
				–	6,250	–	6,250	3,700	(1,500)	(2,400)	–	6,050
Employees	3 July 2007	(Note 1)	1.52	4,800	–	(1,100)	3,700	–	–	(2,120)	(520)	1,060
	29 September 2009	(Note 2)	1.07	–	8,840	(850)	7,990	–	–	(3,106)	(720)	4,164
	14 July 2010	(Note 3)	1.50	–	–	–	–	2,910	–	(482)	–	2,428
	29 September 2010	(Note 3)	2.62	–	–	–	–	300	–	–	–	300
Subtotal				4,800	8,840	(1,950)	11,690	3,210	–	(5,708)	(1,240)	7,952
Total				12,600	21,490	(3,950)	30,140	19,650	–	(13,988)	(12,180)	23,622
Exercisable at the end of the year				6,304			12,842					9,217
Weighted average exercise price				HK$1.52	HK$1.07	HK$1.42	HK$1.21	HK$1.84	N/A	HK$1.31	HK$1.48	HK$1.54

Note 1: Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant; and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 4: During the year ended 31 December 2010, 10,940,000 share options granted to the directors of the Company were cancelled with effect from 2 September 2010 in accordance with the terms of the Share Option Scheme that all options granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of the share options, cannot exceed 1% of the shares in issue.

Note 5: During the year, Mr. Zhu, a consultant of the Group, was appointed as executive director of the Company and 1,500,000 share options held by him was reclassified from consultant to director.

Note 6: The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$3.02.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

31. SHARE OPTION SCHEME *(Continued)*

With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

	2010 HK$'000	2009 HK$'000
Directors' emoluments	**2,146**	1,286
Other staff costs	**4,033**	2,820
	6,179	4,106

The fair values of the share options granted at the respective dates of grant during the year, is approximately HK$17,295,000 (2009: HK$8,609,000), calculated using the Binominal Model with the following inputs:

	29 November 2010	11 October 2010	29 September 2010	14 July 2010	29 September 2009
Exercise price	HK$3.39	HK$2.70	HK$2.62	HK$1.50	HK$1.07
Share price on date of grant	HK$3.39	HK$2.70	HK$2.62	HK$1.50	HK$1.07
Expected volatility	46.02%	45.93%	45.94%	46.19%	52.04%
Expected life	6 years	6 years	6 years	6 years	6 years
Risk-free rate	3.00%	2.50%	2.46%	2.87%	1.92%
Expected dividend yield	0.29%	0.37%	0.38%	0.67%	0.93%

The model is one of the commonly used models to estimate the fair value of the share options which involves assumptions and variables based on the management's best estimates. Such fair value varies when different assumptions, which are necessarily subjective, and variables are used.

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous twelve months. The expected life used in the model is based on management's best estimate.

32. 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 debt, which includes the borrowings disclosed in note 24, and equity attributable to equity owners as disclosed in the consolidated statement of changes in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33. FINANCIAL INSTRUMENTS

a. CATEGORIES OF FINANCIAL INSTRUMENTS

	2010	2009
	HK$'000	HK$'000
Financial assets		
Derivative financial instruments	**1,455**	520
Loans and receivables (including cash and cash equivalents)	**824,972**	340,613
Financial liabilities		
Derivative financial instruments	**1,179**	459
Amortised cost	**745,836**	480,810

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, derivative financial instruments, restricted bank deposits, bank balances and cash, trade and other payables, bills payable, amount due to a shareholder and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

(i) Currency risk

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. In order to mitigate the currency risk, the Group has entered into forward currency contracts to partially hedge US$ against RMB. Details of the contracts are set out in note 21. The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market Risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the reporting date are as follows:

	2010 **HK$'000**	2009 HK$'000
Assets		
US$	**273,438**	196,574
RMB	**509,917**	127,079
Liabilities		
US$	**226,532**	87,504
RMB	**314,843**	213,478

Sensitivity analysis

The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 10% (2009: 10%) against RMB, the Group's post-tax profit for the year ended 31 December 2010 would increase by HK$14,630,000 (2009: decrease by HK$6,480,000). If the HK$ strengthened by 10% (2009: 10%) against RMB, there would be an equal and opposite impact on the profit for the year.

For the outstanding forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% (2009: 2%) higher/lower, profit for the year ended 31 December 2010 would increase/decrease by approximately HK$605,000/HK$630,000 (2009: HK$321,000/HK$365,000).

For the outstanding currency structured forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% (2009: 2%) higher/lower, profit for the year ended 31 December 2010 would increase/decrease by approximately HK$204,000/HK$1,777,000 (2009: HK$153,000/ HK$4,972,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market Risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24 for details of these borrowings). The Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group negotiated with banks and entered into various revolving loans such that interest rates associated with the loans are more or less variable. In this regard, the directors of the Company consider that the Group's fair value interest rate risk is minimal.

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see note 22 for details) and its variable-rate bank borrowings and obligations under finance leases (see notes 24 and 25 for details of these borrowings and leases). It is the Group's policy to keep its borrowings and finance leases at floating rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the needs arise.

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 HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

Since bank balances and deposits are in short maturity date and in current accounts, the Group does not expect any significant impact due to movement in interest rates and the balances are excluded from the below sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating-rate bank borrowings and obligations under finance leases at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 120 basis point (2009: 120 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 120 basis points (2009: 120 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would decrease/increase by HK$986,000 (2009: decrease/increase by HK$1,006,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronic industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 58.51% of the trade receivables and the largest trade receivable attributable to the Group's trade receivables was approximately 36.08% of the Group's total trade receivables. The major customers are located in the PRC and mainly engaged in manufacturing and trading of consumer electronics, and LED lighting business. The five largest customers have good repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

In order to minimise the credit risk, 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 each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are banks with high reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current assets of approximately HK$68,472,000 (2009: net current liabilities of HK$67,809,000) as at 31 December, 2010. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cash flows from operations.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised banking facilities of approximately HK$169 million (2009: HK$119 million). The directors of the Company are of the opinion that the Group will be able to renew the banking facilities granted by the banks and the Group expects to have adequate funding to finance its operations and capital expenditure.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33. FINANCIAL INSTRUMENTS *(Continued)*

b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2010								
Non-derivative financial liabilities								
Trade and other payables	–	–	193,973	–	–	–	193,973	193,973
Bills payable	–	–	118,412	–	–	–	118,412	118,412
Amount due to a shareholder	–	–	5,000	–	–	–	5,000	5,000
Obligations under finance leases	2.72	–	19,201	7,482	5,396	1,144	33,223	32,003
Bank and other borrowings								
– fixed rate	3.93	6,572	356,508	–	–	–	363,080	350,952
– variable rate	2.61	–	79,525	–	–	–	79,525	77,499
		6,572	772,619	7,482	5,396	1,144	793,213	777,839
Derivatives – net settlement								
Forward contracts		–	797	–	–	–	797	797
Interest rate swaps		–	382	–	–	–	382	382
		–	1,179	–	–	–	1,179	1,179
2009								
Non-derivative financial liabilities								
Trade and other payable	–	–	150,983	–	–	–	150,983	150,983
Bills payable	–	–	88,497	–	–	–	88,497	88,497
Amount due to a shareholder	–	–	–	21,142	–	–	21,142	21,142
Obligations under finance leases	3.54	–	34,738	13,625	1,776	40	50,179	48,814
Bank and other borrowings								
– fixed rate	1.94	13,099	148,514	–	–	–	161,613	157,276
– variable rate	3.38	–	65,038	–	–	–	65,038	62,912
		13,099	487,770	34,767	1,776	40	537,452	529,624
Derivatives – net settlement								
Currency structured forward contracts		–	459	–	–	–	459	459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33. 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" time band in the above maturity analysis. As at 31 December 2010 and 2009, the aggregate undiscounted principal amounts of these bank loans amounted to HK$6,572,000 and HK$13,099,000 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 three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$7,491,000.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates 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 values of financial assets and financial liabilities (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

– the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

– the fair values of forward contracts are determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money; and

– the fair values of the currency structured forward contracts and interest rate swaps are determined by using the Monte Carlos Simulation Model.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

		2010		
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial assets	**–**	**674**	**781**	**1,455**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**797**	**382**	**1,179**

		2009		
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	520	–	520
Financial liabilities at FVTPL				
Derivative financial liabilities	–	459	–	459

There were no transfers between Levels in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the major non-cash transactions were as follows:

(a) the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$18,600,000 (2009: HK$10,342,000).

(b) On 31 May 2010, the Company issued an aggregate of 15,137,803 ordinary shares of HK$0.1 each as part of the consideration for acquisition of LED-related intellectual properties.

(c) Convertible loan notes of principal amounts of HK$40,000,000 were converted into 20,000,000 ordinary shares of the Company of HK$0.1 each at the conversion price of HK$2.

(d) LED-related intellectual properties and properties, plants and equipment of HK$26,776,000 and HK$6,648,000 respectively, were injected by Dongfang into a newly formed PRC subsidiary of the Group as investment cost during the year.

35. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases:

	2010 **HK$'000**	2009 HK$'000
Premises	**819**	845

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

	2010 **HK$'000**	2009 HK$'000
Within one year	**1,017**	501
In the second to fifth year inclusive	**2,373**	–
Over five years	**1,472**	–
	4,862	501

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term ranging from two to ten years with fixed rental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

35. OPERATING LEASES *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$551,000 (2009: HK$672,000). The outgoings of the rental income were HK$38,500 (2009: HK$42,000).

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

	2010 HK$'000	2009 HK$'000
Within one year	–	303
In the second to fifth year inclusive	–	143
	–	446

The properties held had committed tenants for an average terms ranging from one to two years.

36. CAPITAL COMMITMENT

	2010 HK$'000	2009 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**32,820**	15,790
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	–	11,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

37. PLEDGE OF ASSETS

At the respective end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2010	2009
	HK$'000	HK$'000
Buildings	**145,735**	141,776
Plant and machinery	**24,503**	31,072
Restricted bank deposits	**251,730**	80,105
Prepaid lease payments	**22,535**	23,150
	444,503	276,103

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,000 per month. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

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

39. EVENT AFTER THE REPORTING PERIOD

On 13 January 2011, the Company entered into a conditional placing and subscription agreement with a placing agent and a subscriber for the placing of up to an aggregate of 60,000,000 shares of HK$0.1 each at a subscription price of HK$3.79 per share. The transaction was completed on 25 January 2011 and the net proceeds of the subscription of approximately HK$218.3 million will be applied towards the general working capital of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

40. RELATED PARTY DISCLOSURES

(i) RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management for the Group (representing directors) during the year are set out as follows:

	2010 HK$'000	2009 HK$'000
Shot-term benefits	7,464	5,336
Post-employment benefits	24	25
Share-based payments	2,146	1,286
	9,634	6,647

(b) During the year ended 31 December 2010, the Group purchased raw materials of HK$16,488,000 and generated a licensing income of HK$4,114,000 from Dongfang. No such transaction was noted for the year ended 31 December 2009.

(c) At 31 December 2009, the Group's bank loan of approximately HK$17,045,000 was secured by a personal guarantee of Mr. Yeung. The bank loan was fully repaid and the personal guarantee was released accordingly during the year ended 31 December 2010.

(ii) RELATED PARTY BALANCES

Details of the Group's outstanding balances with related parties are set out and in notes 20 (a), 23 (a) and 26 respectively.

41. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker, Chief Executive Officer, for making strategic decisions. For the year ended 31 December 2009, the Group engaged in manufacturing and trading of PCB business and the information reported to the Chief Executive Officer was analysed based on three types of PCB which representing the operating segments of the Group.

During the year, the Group engaged in a new LED lighting business which constitutes a new operating segment of the Group for the year ended 31 December 2010. Summarised details of each of the four operating segments are as follows:

- Manufacturing and trading of Single-sided PCB ("Single-sided PCB")
- Manufacturing and trading of Double-sided PCB ("Double-sided PCB")
- Manufacturing and trading of Multi-layered PCB ("Multi-layered PCB")
- Manufacturing and trading of LED lighting

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

41. SEGMENTAL INFORMATION *(Continued)*

SEGMENT TURNOVER AND PROFITS *(Continued)*

The following is an analysis of the Group's turnover and results by operating segment.

	2010 HK$'000	2009 HK$'000
TURNOVER – external sales		
Single-sided PCB	**222,134**	197,837
Double-sided PCB	**340,948**	216,971
Multi-layered PCB	**319,631**	324,506
LED lighting	**114,399**	–
Total	**997,112**	739,314

	2010 HK$'000	2009 HK$'000
RESULT		
Segment profits		
– Single-sided PCB	**6,056**	6,656
– Double-sided PCB	**15,375**	11,986
– Multi-layered PCB	**25,074**	13,558
– LED lighting	**38,649**	–
	85,154	32,200
Other income	**7,983**	2,065
Central administrative costs	**(16,306)**	(6,012)
Fair value changes on investment designated at fair value through profit or loss	**–**	(459)
Fair value changes on derivative financial instruments	**1,862**	(430)
Fair value changes on investment properties	**700**	700
Finance costs	**(11,050)**	(11,596)
Profit before tax	**68,343**	16,468

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee and depreciation of property, plant and equipment for administrative purpose and exchange loss), fair value changes on investment designated at fair value through profit or loss, fair value changes on derivative financial instruments, fair value changes on investment properties and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

41. SEGMENTAL INFORMATION *(Continued)*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit:

	2010 **HK$'000**	2009 HK$'000
Depreciation and amortisation		
– Single-sided PCB	**12,866**	6,694
– Double-sided PCB	**19,748**	11,940
– Multi-layered PCB	**18,513**	30,844
– LED lighting	**1,815**	–
	52,942	49,478
– unallocated	**2,694**	2,499
	55,636	51,977
Net impairment loss reversed (recognised) in respect of trade receivables		
– Single-sided PCB	**252**	(240)
– Double-sided PCB	**388**	(263)
– Multi-layered PCB	**364**	(394)
	1,004	(897)
Impairment loss reversed in respect of inventories		
– Single-sided PCB	**–**	181
– Double-sided PCB	**–**	485
– Multi-layered PCB	**–**	284
	–	950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

41. SEGMENTAL INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are located in HK and the PRC.

The Group's revenue from external customers based on the location of customers and information about its non-current assets excluding trade receivables by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia:				
HK	**259,758**	215,675	**4,065**	8,322
Taiwan	**176,420**	154,787	**–**	–
The PRC (excluding HK and Taiwan)	**338,695**	140,240	**513,138**	463,574
Japan	**28,310**	12,124	**–**	–
Other Asian countries	**82,907**	74,627	**–**	–
Europe:				
Hungary	**28,309**	41,788	**–**	–
Turkey	**21,506**	9,405	**–**	–
Other European countries	**38,645**	28,677	**–**	–
Others	**22,562**	61,991	**–**	–
	997,112	739,314	**517,203**	471,896

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	HK$'000
Customer A (note)	**128,684**	82,171

note: The revenue is mainly from Multi-layered PCB segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

42. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

The summarised financial information of the Company is as follows:

	2010 HK$'000	2009 HK$'000
ASSETS		
Investment in subsidiaries	375,593	319,853
Amount due from subsidiaries	134,983	108,556
Bank balances and cash	23,411	25
	533,987	428,434
LIABILITIES		
Amount due to subsidiaries	112,722	191,429
Amount due to a shareholder	–	21,142
Other payables	832	450
	113,554	213,021
	420,433	215,413
CAPITAL AND RESERVES		
Share capital	36,773	24,000
Reserves (note)	383,660	191,413
	420,433	215,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

42. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: Reserves of the Company:

	Share premium HK$'000	Convertible loan notes equity reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000 (note)	Accumulated profits HK$'000	Total equity HK$'000
At 1 January 2009	30,609	–	6,148	–	1,830	145,058	580	184,225
Profit and other comprehensive income for the year	–	–	–	–	–	–	4,776	4,776
Dividends paid	–	–	–	–	–	–	(2,400)	(2,400)
Deemed capital contribution from a shareholder	–	–	–	–	706	–	–	706
Recognition of equity-settled share-based payment	–	–	4,106	–	–	–	–	4,106
Release upon lapse of share options	–	–	(917)	–	–	–	917	–
At 31 December 2009 and 1 January 2010	30,609	–	9,337	–	2,536	145,058	3,873	191,413
Profit and other comprehensive income for the year	–	–	–	–	–	–	16,907	16,907
Issue of shares	74,486	–	–	–	–	–	–	74,486
Issue cost of shares	(1,160)	–	–	–	–	–	–	(1,160)
Issue of warrants	–	–	–	1,990	–	–	–	1,990
Issue of shares upon exercise of share options	25,032	–	(8,089)	–	–	–	–	16,943
Issue of shares upon exercise of warrants	42,948	–	–	(1,518)	–	–	–	41,430
Dividends paid	–	–	–	–	–	–	(3,060)	(3,060)
Release upon early repayment of interest-free shareholder's loan	–	–	–	–	(643)	–	–	(643)
Recognition of equity-settled share-based payment	–	–	6,179	–	–	–	–	6,179
Release upon lapse of share options	–	–	(129)	–	–	–	129	–
Recognition of equity component of convertible loan notes	–	5,328	–	–	–	–	–	5,328
Conversion of equity component of convertible loan notes	39,175	(5,328)	–	–	–	–	–	33,847
At 31 December 2010	211,090	–	7,298	472	1,893	145,058	17,849	383,660

Note: The contributed surplus of the Company represents the difference between the underlying net assets of Tat Chun Printed Circuit Board Company Limited and Pacific Leader Development Limited that acquired by the Company under the group reorganisation and the nominal amount of the ordinary shares issued by the Company in exchange thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

43. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company Directly 2010	Directly 2009	Indirectly 2010	Indirectly 2009	Principal activities
Pacific Leader Development Limited 亮宇發展有限公司	HK	Ordinary shares HK$10,000	**100%**	100%	**–**	–	Investment holding
Tat Chun Printed Circuit Board Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	**100%**	100%	**–**	–	Trading of printed circuit boards
Zhongshan Electric Company Limited 中山市達進電子元件有限公司	The PRC (note i)	Registered capital HK$36,600,000	**–**	–	**100%**	100%	Manufacturing and trading of printed circuit boards
Zhongshan Tat Chun Printed Circuit Board CompanyLimited 中山市達進電子有限公司	The PRC (note i)	Registered capital HK$140,000,000	**–**	–	**100%**	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun (note) 廣東達進電子科技有限公司	The PRC (note i)	Registered capital HK$250,000,000	**100%**	100%	**–**	–	Manufacturing and trading of printed circuit boards
Zhongshan Jinwang Electric Technology Company Limited 中山市憬旺電子科技有限公司	The PRC (note i)	Registered capital HK$12,860,000	**–**	–	**100%**	–	Manufacturing and trading of printed circuit boards
四川達進東方能源管理有限公司 (note iii)	The PRC (note ii)	Registered capital HK$5,701,000	**–**	–	**70%**	–	Manufacturing and trading of LED lighting
達進精電能源管理(深圳)有限公司 (note iii)	The PRC (note ii)	Registered capital HK$82,984,000	**–**	–	**70%**	–	Manufacturing and trading of LED lighting
達進東方(揚州)能源管理有限公司 (note iii)	The PRC (note ii)	Registered capital HK$15,279,000	**–**	–	**74.5%** (note iv)	–	Manufacturing and trading of LED lighting

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The companies are sino-foreign equity joint ventures.

(iii) The companies are newly established during the year ended 31 December 2010.

(iv) This represents the effective interest held by the Company.

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

The above table includes 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.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Turnover	613,156	740,968	838,870	739,314	**997,112**
Profit for the year	39,098	60,034	27,721	11,137	**49,476**

ASSETS AND LIABILITIES

	At 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	692,799	921,151	925,576	944,815	**1,493,964**
Total liabilities	(450,943)	(612,671)	(589,859)	(590,390)	**(862,832)**
Total equity	241,856	308,480	335,717	354,425	**631,132**
Equity attributable to owners of the Company	241,856	308,480	335,717	354,425	**590,736**
Non-controlling interests	–	–	–	–	**40,396**
	241,856	308,480	335,717	354,425	**631,132**