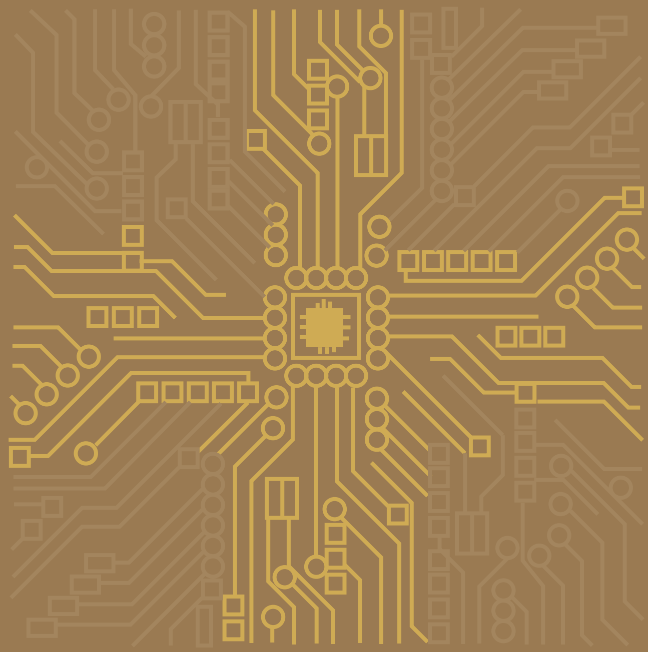
GRANDE

THE GRANDE HOLDINGS LIMITED



ANNUAL REPORT 2010

(Stock code no. 186)

THE GRANDE HOLDINGS LIMITED

ANNUAL REPORT 2010

CONTENTS

CORPORATE INFORMATION

FOUNDING CHAIRMAN

Dr. Stanley Ho

BOARD OF DIRECTORS

Executive Directors

Mr. Christopher W. Ho
Chairman
Mr. Adrian C. C. Ma
Group Managing Director and Chief Executive Officer
Mrs. Christine L. S. Asprey
Mr. Duncan T. K. Hon
(appointed on 3 January 2011)
Mr. Paul K. F. Law
(resigned on 3 January 2011)

Non-executive Director

Mr. Michael A. B. Binney
(resigned on 13 August 2010)

Independent Non-executive Directors

Mr. Henry C. S. Chong
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

INDEPENDENT AUDITORS

Moore Stephens

COMPANY SECRETARY

Mr. Christopher T. O. Chiang

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

CORPORATE OFFICE IN HONG KONG

12th Floor, The Grande Building,
398 Kwun Tong Road,
Kowloon, Hong Kong

CORPORATE OFFICE IN SINGAPORE

456 Alexandra Road,
#12-01 NOL Building,
Singapore 119962

REGISTERED OFFICE

#2 Reid Street,
Hamilton HM 11, Bermuda

SHARE REGISTRAR

Tricor Tengis Limited
Level 25, Three Pacific Place,
1 Queen's Road East,
Hong Kong

SHARE TRANSFER OFFICE

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

COMPANY'S WEBSITE

http://www.grandeholdings.com

CHAIRMAN’S STATEMENT

For the financial year of 2010, the Group reported a consolidated loss attributable to shareholders of HK$628 million which included recognition of impairment losses of HK$588 million on intangible assets comprising HK$516 million on the goodwill in a 40%-owned subsidiary, Sansui Electric Co., Ltd., as represented by the excess of its carrying value over its fair value based on the market capitalisation, and HK$72 million on certain trademarks consequent upon the continuing shrinkage in the global consumer electronics markets. These impairment losses are non-cash and non-recurring in nature and would have no material impact on the Group's cash flow position.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: nil).

Despite the marked improvement in the operating results of the Group's Branded Distribution Division ("BD"), the Electronics Manufacturing Services Division ("EMS") continued to suffer loss during the year. The BD improved its operating profit from HK$67 million for 2009 to HK$196 million for 2010 while the EMS increased its net loss from HK$41 million for 2009 to HK$77 million for 2010. The EMS had been making operating losses consecutively for some years. In view of the continuing deterioration of profit margins in manufacturing the consumer electronics products, the escalation of operating costs in the PRC and the consistent appreciation of RMB, it was anticipated that the EMS would not be able to turn around in the foreseeable future. In order to optimize the utilisation of the Group's resources in the other profitable operations, the loss-making EMS was disposed of to a third party in December 2010.

At present, the Group focuses all its resources on the development and expansion of its branded distribution businesses which comprise the global licensing operation of its owned trademarks including Akai, Sansui and Nakamichi and the distribution operation of Emerson branded products in the North America. The Group has been vigorously exploring and developing the licensing opportunities worldwide for all its owned trademarks and at the same time expanding the distribution networks of Emerson branded products in the North America. Despite the economic outlook remains fragile, the Group is committed to improving its operating and financial results.

I would like to extend my appreciation to the management and staff of the Group for their dedication, loyalty and commitment. I would also like to thank our shareholders, customers, suppliers and business associates for their continuing support and confidence in the Group.

Christopher W. Ho
Chairman

Hong Kong, 18 April 2011

For the year 2010, the Group's loss attributable to shareholders was HK$628 million as compared to a loss of HK$1,266 million for the year 2009. The loss for 2010 included recognition of impairment losses of HK$588 million on intangible assets comprising HK$516 million on the goodwill in a 40%-owned subsidiary, Sansui Electric Co., Ltd., as represented by the excess of its carrying value over its fair value based on the market capitalisation, and HK$72 million on certain trademarks consequent upon the continuing shrinkage in the global consumer electronics markets. These impairment losses are non-cash and non-recurring in nature and would have no material impact on the Group's cash flow position.

The revenue for the continuing operations was HK$1,767 million for the year as compared to HK$1,688 million for 2009. The gross profit from continuing operating activities was HK$375 million as compared to HK$318 million for 2009.

The Group's businesses used to comprise Electronics Manufacturing Services Division ("EMS") and Branded Distribution Division ("BD"). The EMS had been making operating losses consecutively for some years. In view of the continuing deterioration of profit margins in manufacturing the consumer electronics products, the escalation of operating costs in the PRC and the consistent appreciation of RMB, it was anticipated that the EMS would not be able to turn around in the foreseeable future. In order to optimize the utilisation of the Group's resources in the other profitable operations, the loss-making EMS was disposed of to a third party in December 2010. At present, the core business of the Group is represented entirely by BD. As such, the revenue and results of BD have been presented as Continuing Operations in the Group's consolidated financial statements for the year while those of EMS have been presented as Discontinued Operations.

THE BRANDED DISTRIBUTION DIVISION

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

Emerson

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

Emerson's revenue for 2010 was HK$1,662 million as compared to HK$1,565 million for 2009. Its operating profit increased from HK$45 million for 2009 to HK$154 million for 2010. The improvement in the operating profit was mainly attributable to the implementation of effective operational strategies of leveraging Emerson's core competencies to offer a broader variety of consumer electronics products and household electrical appliances to customers in the North America.

It is anticipated that the series of economic stimulus policies and measures implemented by the government of the United States would continue to bear fruit and improve the consumers' sentiment. The Group is cautiously optimistic of the business performance of Emerson in 2011.

Global Licensing

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

The revenue of this segment was HK$105 million for 2010 as compared to HK$122 million for 2009. The operating profit for 2010 was HK$38 million as compared to HK$20 million for 2009. The decrease in revenue was attributable to the continuing sluggishness of the consumer markets in Europe. The improvement in operating profit was principally resulted from the implementation of effective cost control measures.

Despite the consumer electronics markets remain uncertain, the current mode of licensing operations for the Akai, Sansui and Nakamichi trademarks has been contributing stable and regular income to the Group. The Group will continue to focus on expanding its licensing operations for these brands by improving their competitive edge and market awareness worldwide.

THE ELECTRONICS MANUFACTURING SERVICES DIVISION

The EMS used to provide OEM manufacturing services including high precision engineering contract services to both overseas and domestic customers prior to its disposal in December 2010. Since the Group is not prepared to engage itself in any manufacturing business in the future, the revenue and results of EMS have been presented as Discontinued Operations in the Group's consolidated financial statements for the year. The EMS revenue for 2010 was HK$146 million as compared to HK$643 million for 2009. The EMS net loss for 2010 was HK$77 million as compared to a loss of HK$41 million in 2009. The substantial decrease in revenue was attributable to the complete shift of EMS's business from the manufacture of finished products to the provision of sub-contracting services. The deterioration in the net loss was attributable to the continuing shrinkage of profit margins and the substantial inflation of operating costs in the PRC.

Looking ahead, the Group will endeavor to focus on the branded distribution operations and maximize the return for its shareholders.

Adrian C. C. Ma
Group Managing Director
and Chief Executive Officer

Hong Kong, 18 April 2011

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Company wishes to emphasize the importance of its Board in introducing and maintaining high standards of corporate governance and transparency and accountability of Company operations.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In the opinion of the directors, the Company has complied with all the code provisions set out in the CG Code throughout the year under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

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

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

BOARD COMPOSITION

The Board currently comprises seven members, consisting of four executive directors and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Mr. Christopher W. Ho *(Chairman)*
Mr. Adrian C. C. Ma *(Group Managing Director and Chief Executive Officer)*
Mrs. Christine L. S. Asprey
Mr. Duncan T. K. Hon

Independent non-executive directors:

Mr. Henry C. S. Chong
Mr. Herbert H. K. Tsoi
Mr. Martin I. Wright

Changes in directorship during 2010 and up to the date of this report are summarised under "Corporate Information" on page 5 of this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Brief Biographical Details in respect of Directors" on page 23.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Christopher W. Ho and the Chief Executive Officer is Mr. Adrian C. C. Ma. The positions of the Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgment of views. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company is engaged on a service contract and each of the independent non-executive directors is subject to retirement by rotation pursuant to the Company's Bye-laws. The appointment may be terminated by not less than one month's written notice.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Nomination Committee

The Nomination Committee comprises three members, namely, Mr. Henry C. S. Chong (Chairman), Mr. Christopher W. Ho and Mr. Herbert H. K. Tsoi, the majority of them are independent non-executive directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the independent non-executive directors. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The Nomination Committee met once during the year ended 31 December 2010 and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

In accordance with the Company's Bye-laws, Mr. Duncan T. K. Hon, Mr. Adrian C. C. Ma and Mr. Martin I. Wright shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 26 April 2011 contains detailed information of the directors standing for re-election.

There was one meeting held by the Nomination Committee during the year ended 31 December 2010 and the attendance records are set out below:

Name of Directors	**Attendance/Number of Meetings**
Mr Henry C. S. Chong	1/1
Mr. Christopher W. Ho	1/1
Mr. Herbert H. K. Tsoi	1/1

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Newly appointed directors shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, Chief Executive Officer and Company Secretary attend the regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance Records

During the year ended 31 December 2010, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings during the year ended 31 December 2010 are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Christopher W. Ho	4/4
Mr. Adrian C. C. Ma	3/4
Mrs. Christine L. S. Asprey	4/4
Mr. Paul K. F. Law *(resigned on 3 January 2011)*	3/4
Mr. Michael A. B. Binney *(resigned on 13 August 2010)*	0/2
Mr. Henry C. S. Chong	4/4
Mr. Herbert H. K. Tsoi	4/4
Mr. Martin I. Wright	4/4

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major company matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of directors and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2010 are set out on page 63 in note 10 to the consolidated financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely, Mr. Herbert H. K. Tsoi (Chairman), Mr. Christopher W. Ho and Mr. Henry C. S. Chong, the majority of them are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

There was one meeting held by the Remuneration Committee during the year ended 31 December 2010 and the attendance records are set out below:

Name of Directors	**Attendance/Number of Meetings**
Mr. Herbert H. K. Tsoi	1/1
Mr. Christopher W. Ho	1/1
Mr. Henry C. S. Chong	1/1

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

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

INTERNAL CONTROLS

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Martin I. Wright (Chairman), Mr. Henry C. S. Chong and Mr. Herbert H. K. Tsoi. All of them possess the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 31 December 2009 and interim results and interim report for the six months ended 30 June 2010, the financial reporting and compliance procedures, the report of Internal Auditor on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

There were two meetings held by the Audit Committee during the year ended 31 December 2010 and the attendance records are set out below:

Name of Directors	Attendance/Number of Meetings
Mr. Martin I. Wright	2/2
Mr. Henry C. S. Chong	2/2
Mr. Herbert H. K. Tsoi	2/2

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditors' Report" on pages 27 and 28.

During the year under review, the remuneration paid to the Company's external auditors is set out below:

Category of services	Fee paid/payable HK$ million
Audit service	8.6
Non-audit service	
– Tax and consulting services	1.4
Total	10.0

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

To promote effective communication, the Company maintains a website at www.grandeholdings.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted. Investors may write directly to the Company at its corporate office in Hong Kong for any inquiries.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions set out in the notice of the Annual General Meeting (the "AGM") will be voted by poll accordingly.

An announcement on the poll vote results will be made by the Company after the AGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

On behalf of the Board

Christopher W. Ho
Chairman

Hong Kong, 18 April 2011

The directors herein present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of distribution of household appliances and consumer electronic products and licensing of trademarks.

SEGMENTED INFORMATION

Details of revenue and segmented information are set out in notes 8 and 41 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 29 to 88.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below:

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
	million	million	million	million	million
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS – REVENUE	**1,767**	1,688	1,754	3,783	8,755
(LOSS)/PROFIT BEFORE TAX	**(509)**	(1,210)	(286)	(1,046)	280
Tax	**(36)**	(6)	(2)	(20)	(32)
(LOSS)/PROFIT BEFORE NON-CONTROLLING INTERESTS	**(545)**	(1,216)	(288)	(1,066)	248
Non-controlling interests	**(15)**	(9)	61	33	28
	(560)	(1,225)	(227)	(1,033)	276
DISCONTINUED OPERATIONS	**(68)**	(41)	(13)	438	84
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**(628)**	(1,266)	(240)	(595)	360

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES

	31 December				
	2010	2009	2008	2007	2006
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
NON-CURRENT ASSETS	**1,742**	2,600	2,838	3,086	4,379
CURRENT ASSETS	**497**	1,100	1,226	4,123	3,608
TOTAL ASSETS	**2,239**	3,700	4,064	7,209	7,987
CURRENT LIABILITIES	**1,404**	2,085	1,200	3,530	3,198
NON-CURRENT LIABILITIES	**732**	733	736	432	833
TOTAL LIABILITIES	**2,136**	2,818	1,936	3,962	4,031
NET ASSETS	**103**	882	2,128	3,247	3,956
SHARE CAPITAL AND RESERVES	**(600)**	104	1,357	2,388	2,993
NON-CONTROLLING INTERESTS	**703**	778	771	859	963
TOTAL EQUITY	**103**	882	2,128	3,247	3,956

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of the Company's share capital and share premium are set out in note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company did not maintain any reserve available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda.

The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 50% and 84% respectively, of the Group's total revenue for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 90% and 98% respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS

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

Mrs. Christine L. S. Asprey	
Mr. Michael A. B. Binney	(resigned on 13 August 2010)
Mr. Henry C. S. Chong	
Mr. Christopher W. Ho	
Mr. Duncan T. K. Hon	(appointed on 3 January 2011)
Mr. Paul K. F. Law	(resigned on 3 January 2011)
Mr. Adrian C. C. Ma	
Mr. Herbert H. K. Tsoi	
Mr. Martin I. Wright	

In accordance with the provisions of the Company's Bye-laws, Mr. Duncan T. K. Hon, Mr. Adrian C. C. Ma and Mr. Martin I. Wright will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors who are proposed for re-election do not have any unexpired service contract with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest, either direct or indirect, in any significant contract to which the Company or any of its subsidiaries was a party at the reporting date or at any time during the year.

There were no unexpired service contracts which are not determinable by the Company within one year without compensation, other than statutory payments, in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2010, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and HKSE were as follows:

Long positions in shares:

Name of directors	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Beneficiary of a discretionary trust	321,599,822*	69.87%
Mr. Adrian C. C. Ma	Beneficial owner	78,000	0.02%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 321,599,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following persons (other than the directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	321,599,822*	69.87%
Barrican Investments Corporation	Beneficial owner	321,599,822#	69.87%
Accolade Inc.	Trustee	321,599,822#	69.87%

* *Ms. Rosy L. S. Yu is deemed to have interests in these shares by virtue of being the spouse to Mr. Christopher W. Ho.*

\# *Accolade Inc. is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 321,599,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31 December 2010, none of the directors knew of any person (other than the directors or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Executive Directors				
Mr. Christopher W. Ho	60	Chairman	20	Manufacturing, international trading and corporate finance
Mr. Adrian C. C. Ma	66	Group Managing Director and Chief Executive Officer	27	Consumer electronics industry
Mrs. Christine L. S. Asprey	62	Group Executive Director	13	International marketing, market research and industrial affairs
Mr. Duncan T. K. Hon	50	Group Executive Director	4	Consumer electronics industry
Independent Non-executive Directors				
Mr. Henry C. S. Chong	60	Non-executive Director	2	Import and export trading
Mr. Herbert H. K. Tsoi	60	Non-executive Director	13	Solicitor
Mr. Martin I. Wright	49	Non-executive Director	7	Finance and accounting

Directors with other directorships held in the last three years, as up to the date of this report, in public companies the securities of which are listed on any securities market in Hong Kong or overseas are set out below:

(i) Mr. Christopher W. Ho has been a director of Sansui Electric Co., Ltd. ("SEC") (retired on 30 March 2010), a company listed on the First Section of the Tokyo Stock Exchange; Emerson Radio Corp. ("Emerson"), a company listed on the NYSE Alternext US and Lafe Corporation Limited ("Lafe"), a company listed on the Singapore Exchange Securities Trading Limited.

(ii) Mr. Adrian C. C. Ma has been a director of Ross Group Plc (resigned on 29 April 2009), a company listed on the London Stock Exchange; Emerson; Lafe and SEC.

(iii) Mr. Duncan T. K. Hon has been a director of Emerson and SEC.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)

The Company received the annual confirmation of year 2010 from each independent non-executive director and considers that they are independent.

Mr. Christopher W. Ho and Mrs. Christine L. S. Asprey are brother and sister.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had total assets of HK$2,239 million which were financed by total equity of HK$103 million including non-controlling interests of HK$703 million and total liabilities of HK$2,136 million. The Group had a current ratio of approximately 0.35 as compared to that of approximately 0.53 at 31 December 2009.

As at 31 December 2010, the Group had HK$188 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources, borrowings from related companies and short-term borrowings which were charged by banks at floating interest rate as detailed in note 30 to the consolidated financial statements. As at 31 December 2010, the Group had HK$19 million short-term bank borrowings.

The Group had inventories of approximately HK$189 million as at 31 December 2010 representing an increase of HK$10 million as compared to the previous year.

As at 31 December 2010, the Group's gearing ratio was 1390% which is calculated based on the Group's net borrowings of HK$1,432 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK$103 million.

As at 31 December 2010, the Group had net current liabilities of HK$37 million, excluding the outstanding settlement obligations and related accrued expenses of HK$870 million in respect of certain court proceedings as detailed in note 34 to the consolidated financial statements. As set out in note 43 to the consolidated financial statements, the Company subsequently discharged all its obligations in respect of these court proceedings on 31 January 2011.

Subject to any unforeseeable changes on market conditions, the directors have a reasonable expectation that the Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the individual business liquidity and cash flow requirements for the next twelve months. Accolade Inc. ("Accolade"), the Company's ultimate holding company, which has confirmed its intention to provide continuous financial support to the Company, has granted a revolving loan facility to the Company for meeting its general working capital requirements and settlement of its outstanding obligations. The directors consider that Accolade has the financial capability to support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated financial statements. As at 31 December 2010, Accolade had through its subsidiary provided HK$681 million to the Group and out of which HK$671 million is subject to repayment only on 31 January 2012.

CHARGES ON GROUP ASSETS

As at 31 December 2010, certain of the Group's assets with a total carrying value of approximately HK$372 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 39 to the consolidated financial statements.

TREASURY POLICIES

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

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2010 was approximately 100. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

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

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

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group has gained control over SEC's financial and operating policies, the investment in SEC has since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year.

LEGAL PROCEEDINGS

Details of the legal proceedings of the Group are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

On 31 December 2009 and 22 April 2008, the Group entered into the framework lease agreement and the management services agreement respectively with Lafe. On 2 March 2010, the Group renewed the management services agreement with Lafe. The Group has been occupying various storeys and car parking spaces in the premises held by Lafe for its use in operations. These leased properties were disposed of by Lafe to a third party on 31 December 2010. Consequently, the rentals payable by the Group subsequent to that date will no longer constitute any continuing connected transactions. The Group has also been providing certain administrative services to Lafe and its subsidiaries. Mr. Christopher W. Ho, a director of the Company, is deemed to have interests in Lafe as he is one of the beneficiaries of a discretionary trust which owns the entire issued capital of Clarendon Investments Capital Ltd that owns approximately 53% of the issued capital of Lafe and therefore Lafe is a connected person of the Company under the Listing Rules. The transactions constituted continuing connected transactions of the Company.

Significant related party transactions entered by the Group during the year ended 31 December 2010, which constituted connected transactions under the Listing Rules are disclosed in note 7 to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (continued)

The directors have received the auditors' confirmation as required under Rule 14A.38 of Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2010.

The Audit Committee comprises three independent non-executive directors, namely Mr. Henry C. S. Chong, Mr. Herbert H. K. Tsoi and Mr. Martin I. Wright.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 10 to 18 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors up to the date of this report, the Company has sufficient public float as required under the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of event after the reporting period is set out in note 43 to the consolidated financial statements.

INDEPENDENT AUDITORS

Messrs. Moore Stephens retire and a resolution for their reappointment as independent auditors of the Company will be proposed at the forthcoming annual general meeting. The Company has not changed independent auditors in the past three years.

ON BEHALF OF THE BOARD

Christopher W. Ho
Chairman

Hong Kong
18 April 2011

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

905 Silvercord, Tower 2
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Tel: (852) 2375 3180
Fax: (852) 2375 3828
E-mail: ms@ms.com.hk
Website: www.ms.com.hk

馬施雲
會計師事務所

Independent Auditors' Report
to the Shareholders of
The Grande Holdings Limited
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of The Grande Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 88 which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' 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 loss 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 4(a) to the consolidated financial statements which indicates that the Group incurred a loss of HK$628 million during the year ended 31 December 2010 and, as of that date, the Group's current liabilities exceeded its current assets by HK$37 million excluding the outstanding settlement obligations and related accrued expenses of HK$870 million in respect of certain court proceedings as detailed in note 34 to the consolidated financial statements. As at 31 December 2010, the deficiency of equity attributable to the shareholders of the Company was HK$600 million.

These conditions, along with other matters as set forth in note 4(a) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent on the financial support of its ultimate holding company, Accolade Inc., which has granted a revolving loan facility to the Company for meeting its general working capital requirements and settlement of its outstanding obligations and has confirmed its intention to provide continuous financial support to the Company. The consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Moore Stephens
Certified Public Accountants

Hong Kong
18 April 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million (Restated)
CONTINUING OPERATIONS:			
REVENUE	8	**1,767**	1,688
Cost of sales		**(1,392)**	(1,370)
Gross profit		**375**	318
Other income		**43**	138
Gain on disposal of subsidiaries		**76**	3
Distribution costs		**(32)**	(46)
Administrative expenses		**(188)**	(301)
Impairment loss recognised in respect of goodwill	21	**(516)**	(55)
Impairment loss recognised in respect of brands and trademarks	19	**(72)**	(110)
Other expenses		**(71)**	(116)
Finance costs	9	**(48)**	(72)
LOSS BEFORE SETTLEMENT OF COURT PROCEEDINGS AND TAX		**(433)**	(241)
Settlement of court proceedings	34	**(76)**	(969)
LOSS BEFORE TAX		**(509)**	(1,210)
Tax	11	**(36)**	(6)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	9	**(545)**	(1,216)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million (Restated)
DISCONTINUED OPERATIONS:			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	12	**(77)**	(41)
LOSS FOR THE YEAR	9	**(622)**	(1,257)
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:			
Exchange differences on translating foreign operations		**(4)**	11
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	9	**(626)**	(1,246)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company:			
Loss for the year from continuing operations		**(560)**	(1,225)
Loss for the year from discontinued operations		**(68)**	(41)
		(628)	(1,266)
Non-controlling interests:			
Profit for the year from continuing operations		**15**	9
Loss for the year from discontinued operations		**(9)**	–
		6	9
		(622)	(1,257)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company:			
Loss for the year from continuing operations		**(570)**	(1,212)
Loss for the year from discontinued operations		**(68)**	(41)
		(638)	(1,253)
Non-controlling interests:			
Profit for the year from continuing operations		**21**	7
Loss for the year from discontinued operations		**(9)**	–
		12	7
		(626)	(1,246)
LOSS PER SHARE	14	**HK$**	HK$
From continuing and discontinued operations:			
Basic		**(1.36)**	(2.75)
Diluted		**(1.36)**	(2.75)
From continuing operations:			
Basic		**(1.21)**	(2.66)
Diluted		**(1.21)**	(2.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$ million	2009 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	15	**25**	213
Investment properties	16	**1**	40
Available-for-sale investments	17	**30**	48
Deferred tax assets	18	**57**	84
Brands and trademarks	19	**1,609**	1,677
Other assets	20	**7**	8
Goodwill	21	**13**	530
		1,742	2,600
CURRENT ASSETS			
Inventories	23	**189**	179
Accounts and bills receivables	24	**73**	141
Amounts due from related companies	7(a)	**4**	2
Prepayments, deposits and other receivables	25	**36**	425
Tax recoverable		**1**	2
Held-for-trading investments	26	**6**	9
Pledged deposits with banks		**30**	27
Cash and bank balances		**158**	315
		497	1,100
CURRENT LIABILITIES			
Accounts and bills payable	27	**51**	189
Amounts due to related companies	7(a)	**24**	23
Accrued liabilities and other payables	28	**390**	431
Provision for retirement and long service payments	29	**1**	1
Tax liabilities		**4**	7
Trust receipt loans		**–**	264
Secured bank loans	30, 39	**19**	227
Unsecured bank loans	30	**–**	8
Obligations under finance leases	31, 39	**–**	15
Derivative financial instruments	32	**–**	30
Debenture	33	**45**	–
		534	1,195
Settlement obligations of court proceedings	34	**870**	890
		1,404	2,085
NET CURRENT LIABILITIES		**(907)**	(985)
TOTAL ASSETS LESS CURRENT LIABILITIES		**835**	1,615

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**2010 HK$ million**	2009 HK$ million
NON-CURRENT LIABILITIES			
Debenture	33	**–**	53
Derivative financial instruments	32	**–**	61
Amounts due to related companies	7(a)	**671**	535
Accrued liabilities and other payables	28	**61**	84
		732	733
NET ASSETS		**103**	882
CAPITAL AND RESERVES			
Share capital	35	**46**	46
Share premium	35	**1,173**	1,173
Reserves		**(1,819)**	(1,115)
(DEFICIENCY)/BALANCE OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**(600)**	104
NON-CONTROLLING INTERESTS		**703**	778
TOTAL EQUITY		**103**	882

Christopher W. Ho
Chairman

Adrian C. C. Ma
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million	Exchange fluctuation reserve HK$ million	Other reserves HK$ million	Retained deficits HK$ million	Balance/ (Deficiency) of equity attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1 January 2009	46	1,173	193	(72)	23	(6)	1,357	771	2,128
(Loss)/profit for the year –									
From continuing operations	–	–	–	–	–	(1,225)	(1,225)	9	(1,216)
From discontinued operations	–	–	–	–	–	(41)	(41)	–	(41)
	–	–	–	–	–	(1,266)	(1,266)	9	(1,257)
Other comprehensive income – Exchange gain/(loss) on translating foreign operations:									
From continuing operations	–	–	–	13	–	–	13	(2)	11
Total comprehensive income/ (loss) for the year	–	–	–	13	–	(1,266)	(1,253)	7	(1,246)
At 31 December 2009 and 1 January 2010	46	1,173	193	(59)	23	(1,272)	104	778	882
(Loss)/profit for the year –									
From continuing operations	–	–	–	–	–	(560)	(560)	15	(545)
From discontinued operations	–	–	–	–	–	(68)	(68)	(9)	(77)
	–	–	–	–	–	(628)	(628)	6	(622)
Other comprehensive income – Exchange (loss)/gain on translating foreign operations:									
From continuing operations	–	–	–	(10)	–	–	(10)	6	(4)
Total comprehensive (loss)/ income for the year	–	–	–	(10)	–	(628)	(638)	12	(626)
Partial disposal of subsidiaries	–	–	–	–	(7)	–	(7)	15	8
Disposal of subsidiaries *(note 36)*	–	–	–	(59)	(23)	23	(59)	(1)	(60)
Dividend paid	–	–	–	–	–	–	–	(101)	(101)
At 31 December 2010	46	1,173	193	(128)	(7)	(1,877)	(600)	703	103

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	2010 HK$ million	2009 HK$ million (Restated)
OPERATING ACTIVITIES		
Loss before tax from continuing operations	**(509)**	(1,210)
Adjustments for:		
Interest income	**(2)**	(2)
Finance costs	**48**	72
Depreciation	**6**	13
Change in fair value of exchangeable bonds	**–**	(1)
Loss on financial derivatives	**18**	92
Settlement of court proceedings	**76**	969
Amortisation of other assets	**1**	1
Written back of allowance for doubtful debts	**(6)**	–
(Written back)/provision for obsolete inventories	**(5)**	47
Impairment loss recognised in respect of goodwill	**516**	55
Impairment loss recognised in respect of brands and trademarks	**72**	110
Impairment loss recognised in respect of available-for-sale investments	**1**	2
Loss/(gain) on disposal of property, plant and equipment	**44**	(64)
Gain on disposal of available-for-sale investments	**(7)**	–
Gain on disposal of subsidiaries	**(76)**	(3)
Operating cash flows before working capital changes	**177**	81
(Increase)/decrease in inventories	**(40)**	79
Decrease in accounts and bills receivables	**63**	42
Increase in amounts due from related companies	**(6)**	(1)
Decrease/(increase) in prepayments, deposits and other receivables	**6**	(1)
Decrease in held-for-trading investments	**3**	74
(Decrease)/increase in accounts and bills payable	**(69)**	26
Increase in amounts due to related companies	**1**	18
Decrease in accrued liabilities and other payables	**(152)**	(43)
Cash (used in)/generated from operations	**(17)**	275
Interest paid	**(34)**	(11)
Hong Kong profits tax paid	**(3)**	–
Overseas profits tax (paid)/refunded	**(8)**	2
Net cash (used in)/generated from operating activities	**(62)**	266

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$ million	2009 HK$ million (Restated)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(62)**	266
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2)**	(24)
Purchase of brands and trademarks		**–**	(12)
Increase in pledged deposits with banks		**(3)**	(12)
Interest received		**3**	1
Net payment to financial derivatives		**(41)**	(84)
Proceeds from disposal of property, plant and equipment		**41**	113
Proceeds from disposal of available-for-sale investments		**24**	6
Disposal of subsidiaries	36	**(137)**	–
Net cash used in investing activities		**(115)**	(12)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		**(101)**	–
Partial disposal of subsidiaries		**9**	–
Net cash inflow on discontinued operations	12(c)	**116**	119
Net decrease in capital element of finance leases		**–**	(1)
Redemption of exchangeable bonds		**–**	(204)
Redemption of debenture		**(8)**	(161)
Net increase in other borrowings		**69**	226
Repayment of secured bank loans		**(57)**	(27)
Repayment of unsecured bank loans		**(8)**	(23)
Net cash generated from/(used in) financing activities		**20**	(71)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(157)**	183
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**315**	132
CASH AND CASH EQUIVALENTS AT END OF YEAR		**158**	315
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**158**	315

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company's immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is Accolade Inc. ("Accolade"), a company incorporated in the British Virgin Islands.

During the year, the Company acted as an investment holding company. The principal activities of the principal subsidiaries are set out in note 42.

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

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information on page 5 of the annual report.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 January 2010:

HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs (2008)
HKFRSs (Amendments)	Improvements to HKFRSs (2009)
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
HK – Int 4 (Amendment)	Determination of the length of lease term in respect of Hong Kong land leases
HK – Int 5	Presentation of financial statements: Classification by the borrower of a term loan that contains a repayment on demand clause

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

(a) As a result of the adoption of HKFRS 3 (Revised), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements. These include the following changes in accounting policies:

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within twelve months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non–controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (Revised), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) As a result of the adoption of HKAS 27 (Revised), the following changes in accounting policies will be applied as from 1 January 2010:

- Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, with impact on goodwill or profit or loss, respectively.

- If the Group loses control of a subsidiary, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals with impact on profit or loss.

In accordance with the transitional provisions in HKAS 27 (Revised), these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated. In respect of the partial disposal of interests in certain subsidiaries during the year, the impact of the change in accounting policy has been that the deficit of HK$7 million between the consideration received and the carrying amount of the share of net assets disposed of has been recognised directly in equity ("other reserves"). Had the previous accounting policy been applied, this amount would have been recognised in profit or loss.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28 "Investments in associates", and HKAS 31 "Interests in joint ventures", the following policies will be applied as from 1 January 2010:

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if re-acquired on profit or loss. Previously such transactions were treated as partial disposals with impact on profit or loss.

Consistent with the transitional provisions in HKFRS 3 (Revised) and HKAS 27 (Revised), these new accounting policies will be applied prospectively to transactions in current or future period and therefore previous periods have not been restated.

(d) As part of the Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards of ownership of an asset to the lessee. Prior to the amendment, land has been classified as under an operating lease when the title to that land is not expected to pass to the Group at the end of the lease term.

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, the directors of the Company concluded that no reclassification was necessary.

(e) HK – Int 5 clarifies that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified in total by the borrower as a current liability in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

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 the Group did not have long-term loan with a repayment on demand clause, the application of HK – Int 5 has had no impact on the financial positions as of 1 January 2009, 1 January 2010 and 31 December 2010 of the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2010:

HKFRS 1 (Amendment)	(ii)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 1 (Amendment)	(iv)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	(iv)	Disclosures: Transfers of financial assets
HKFRS 9	(vi)	Financial instruments
HKFRSs (Amendments)	(vii)	Improvements to HKFRSs (2010)
HKAS 12 (Amendment)	(v)	Deferred tax: Recovery of underlying assets
HKAS 24 (Revised)	(iii)	Related party disclosures
HKAS 32 (Amendment)	(i)	Classification of right issues
HK(IFRIC) – Int 14 (Amendment)	(iii)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	(ii)	Extinguishing financial liabilities with equity instruments

(i) Effective for annual periods beginning on or after 1 February 2010.
(ii) Effective for annual periods beginning on or after 1 July 2010.
(iii) Effective for annual periods beginning on or after 1 January 2011.
(iv) Effective for annual periods beginning on or after 1 July 2011.
(v) Effective for annual periods beginning on or after 1 January 2012.
(vi) Effective for annual periods beginning on or after 1 January 2013.
(vii) Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

Apart from the adoption of HKFRS 9 which may have an effect on the classification and the treatment of fair value changes of existing available-for-sale investments, the adoption of these new/revised HKFRSs will have no significant impact on the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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. Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

Basis of consolidation

(a) *Basis of consolidation from 1 January 2010:*

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year ended 31 December 2010.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from their activities. In assessing control, potential voting rights that presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only the extent that there is no evidence of impairment.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(a) Basis of consolidation from 1 January 2010: (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(b) Basis of consolidation prior to 1 January 2010:

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the shareholders of the Company.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

– on the sale of goods, when the goods are delivered and title, significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

– on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

– interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount; and

– licensing income is recognised on cash or accrual basis in accordance with the substance of the relevant agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiaries recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Discount on acquisition

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in the profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

In accordance with the Group's internal management reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Inter-segment transfer pricing is based on cost plus an appropriate margin.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for freehold land which is stated at cost less impairment loss and is not depreciated.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life as set out below:

Freehold buildings outside Hong Kong	5 to 50 years
Long term leasehold buildings outside Hong Kong	Over the lease terms
Medium term leasehold buildings outside Hong Kong	Over the lease terms
Plant, equipment and other assets	2 to 15 years
Moulds	2 to 5 years

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when future economic benefits are not 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 the profit or loss in the year in which the item is derecognised.

Investment properties

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such finance leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

All other leases are classified as operating leases. The rentals applicable to such operating leases are charged to the profit or loss on straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or disposal of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

(i) Investments in equity securities are classified as either held-for-trading investments or as available-for-sale investments, and are remeasured to fair value at the end of each reporting period. For investments in equity available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is derecognised of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale investments are not subsequently reversed through profit or loss.

(ii) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including accounts and bills receivables, other receivables, deposits and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

– Financial liability at fair value through profit or loss ("FVTPL"):

Financial liability is designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

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

At each reporting date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

– Other financial liabilities:

Other financial liabilities including bank borrowings, other borrowings, accounts and bills payable, amounts due to related companies and accrued liabilities and other payables are subsequently measured at amortised cost, using the effective interest rate method.

– Equity instruments:

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

(c) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the contract date, and are remeasured to fair value at the end of each reporting period. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit or loss as they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(d) Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

Brands and trademarks

The brands and trademarks with indefinite lives are not subject to amortisation, but are tested for impairment annually or more frequently when there are indications of impairment.

Gains or losses arising from derecognition of brands and trademarks are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Research and deferred development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life from 3 to 5 years, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to the profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

– Tangible assets:

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of individual assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, however, the increased carrying amount would not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) 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 accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

– Intangible assets:

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When 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.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

3. SUMMARY OF 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 its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (the exchange fluctuation reserve) in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation 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 equity (the exchange fluctuation reserve).

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the Group and reported using the historical exchange rate prevailing at the date of the acquisition.

Prior to 1 January 2010, when a foreign operation was partially disposed of or sold, the proportionate share of the cumulative amount in equity was transferred to the consolidated statement of comprehensive income as an adjustment to the profit or loss arising on disposal.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Provision for retirement and long service payments

The provision for retirement and long service payments is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment. The amounts credited in the profit or loss represent the reversal of previous provisions no longer necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs are expensed when incurred except for borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs include interest charge and other costs incurred in connection with the borrowing funds, including amortisation of discounts or premiums relating to the borrowing, and amortisation of ancillary incurred in connection with arranging the borrowing.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditure expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Tax

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 the profit or loss 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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 arising on investments in subsidiaries, except where the Group as the parent 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less advances from banks repayable within three months from the date of the advance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Related parties

A party is considered to be related to the Group if:

(a) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, the management has made the following estimates that have most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

(a) Going concern:

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Review of Operations and Prospects on pages 8 to 9. In addition, note 5 includes details of the Group's financial instruments; its financial risk management objectives; and its exposure to currency risk, interest rate risk, credit risk, price risk, and liquidity risk while note 6 includes the Group's objectives, policies and processes for managing its capital.

As at 31 December 2010, the Group had net current liabilities of HK$37 million, excluding the outstanding settlement obligations and related accrued expenses of HK$870 million in respect of certain court proceedings as detailed in note 34. As set out in note 43, the Company subsequently discharged all its obligations in respect of these court proceedings on 31 January 2011.

Subject to any unforeseeable changes on market conditions, the directors have a reasonable expectation that the Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the individual business liquidity and cash flow requirements for the next twelve months. Accolade, which has confirmed its intention to provide continuous financial support to the Company, has granted a revolving loan facility to the Company for meeting its general working capital requirements and settlement of its outstanding obligations. The directors consider that Accolade has the financial capability to support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated financial statements.

(b) Impairment of property, plant and equipment, interest in leasehold land held for own use under operating leases:

If the circumstances indicate that the carrying values of property, plant and equipment, interest in leasehold land held for own use under operating leases may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling price and amount of operating costs. However, actual sales volume, selling price and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(c) Depreciation of property, plant and equipment:

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the estimated residual values, if any, of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Impairment loss for bad and doubtful debts:

The Group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs could be higher than estimated.

(e) Write down of inventories:

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future sales and management judgment. Based on this review, write down of inventories will be made when the carrying amount of inventories declines below the estimated net realisable value. However, actual sales may be different from estimation and profit or loss could be affected by differences in this estimation.

(f) Estimated impairment of goodwill, brands and trademarks:

Determining whether goodwill, brands and trademarks are impaired requires an estimation of the value in use of the cash-generating units to which goodwill, brands and trademarks have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amounts of goodwill, brands and trademarks are HK$13 million and HK$1,609 million respectively. Particulars of the impairment test are disclosed in note 22.

(g) Income taxes:

As at 31 December 2010, deferred tax assets of HK$57 million in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The releasability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

(h) Basis of consolidation:

Sansui Electric Co., Ltd. ("SEC") is considered as a subsidiary because the Group has gained control over SEC's financial and operating policies by having representatives as Chairman and Deputy Chairman of the board of directors and appointing representative officers to overseeing its corporative affairs.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

	2010 HK$ million	2009 HK$ million
Financial assets:		
Available-for-sale financial assets	**30**	48
Held-for-trading financial assets	**6**	9
Loans and receivables (including cash and cash equivalents)	**304**	908
Financial liabilities:		
At amortised cost	**2,132**	2,720
Derivative financial instruments at fair value	**–**	91

(b) Financial risk management objectives and policies:

The Group's major financial instruments include equity investments, borrowings, accounts receivables, accounts payables, debenture and exchangeable bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk:

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(i) Currency risk: (continued)

Foreign currency denominated financial assets/(liabilities) are as follows:

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	Canadian Dollar HK$ million	Japanese Yen HK$ million
As at 31 December 2010					
Available-for-sale investments	**30**	**–**	**–**	**–**	**–**
Accounts and bills receivables	**72**	**–**	**–**	**–**	**1**
Prepayments, deposits and other receivables	**20**	**5**	**5**	**–**	**3**
Held-for-trading investments	**6**	**–**	**–**	**–**	**–**
Cash and bank balances and pledged deposits	**178**	**–**	**1**	**–**	**2**
Accounts and bills payable	**(45)**	**–**	**–**	**–**	**–**
Amounts due to related companies	**–**	**–**	**–**	**–**	**(3)**
Settlement obligations of court proceedings	**(797)**	**–**	**–**	**(73)**	**–**
Accrued liabilities and other payables	**(304)**	**(2)**	**(13)**	**–**	**(69)**
Bank loans	**(19)**	**–**	**–**	**–**	**–**
Debenture	**(45)**	**–**	**–**	**–**	**–**
	(904)	**3**	**(7)**	**(73)**	**(66)**

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	Singapore Dollar HK$ million	Japanese Yen HK$ million
As at 31 December 2009					
Available-for-sale investments	47	–	–	–	–
Accounts and bills receivables	127	–	12	–	–
Prepayments, deposits and other receivables	26	5	385	1	2
Held-for-trading investments	9	–	–	–	–
Cash and bank balances and pledged deposits	324	–	11	1	5
Accounts and bills payable	(119)	–	(24)	(1)	–
Amounts due to related companies	(7)	–	–	–	(3)
Settlement obligations of court proceedings	(890)	–	–	–	–
Accrued liabilities and other payables	(220)	(3)	(40)	(2)	(69)
Trust receipt loans	(255)	–	(9)	–	–
Bank loans	(44)	–	(151)	–	(32)
Obligations under finance leases	–	–	–	–	(15)
Debenture	(53)	–	–	–	–
Derivative financial instruments	(91)	–	–	–	–
	(1,146)	2	184	(1)	(112)

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(ii) Sensitivity analysis:

The Group is mainly exposed to currency of the Renminbi Yuan, Japanese Yen and Canadian Dollar. If the HK dollar strengths by 5% (2009: 5%) against the following currencies, with all other variables being held constant, the effect on loss after tax and retained deficits arising from the net financial liability/asset position will be as follows:

	2010 (Increase)/ decrease HK$ million	2009 (Increase)/ decrease HK$ million
Renminbi Yuan	**–**	(9)
Japanese Yen	**3**	6
Canadian Dollar	**4**	–

A 5% weakening of the HK dollar against the above currencies would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Fair value interest rate risk:

The Group's fair value interest rate risk relates primarily to fixed-rate debenture and bank borrowings (note 33 and 30 respectively). In relation to these fixed-rate borrowings, the Group aims at keeping borrowings at variable rates. In order to achieve this result, the Group entered into interest rate swaps (note 32) to hedge against its exposures to changes in fair values of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

(iv) Credit risk:

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit ratings.

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(v) Price risk:

The Group's available-for-sale investments and held-for-trading investments are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity and debt security price risk. The management reviews the market situation and consults the professionals to monitor the exposure periodically.

(vi) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's cash and short term deposits, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments was as follows:

	Payable less than 1 year HK$ million	**Payable between 1 to 5 years** HK$ million	**Total contractual undiscounted cash flows** HK$ million	**Carrying amount** HK$ million
As at 31 December 2010				
Accounts and bills payable	**51**	**–**	**51**	**51**
Amounts due to related companies	**60**	**674**	**734**	**695**
Accrued liabilities and other payables	**392**	**61**	**453**	**452**
Settlement obligations of court proceedings	**870**	**–**	**870**	**870**
Bank loans	**19**	**–**	**19**	**19**
Debenture	**48**	**–**	**48**	**45**
	1,440	**735**	**2,175**	**2,132**
As at 31 December 2009				
Accounts and bills payable	189	–	189	189
Amounts due to related companies	50	535	585	558
Accrued liabilities and other payables	440	84	524	516
Settlement obligations of court proceedings	905	–	905	890
Trust receipt loans	271	–	271	264
Bank loans	239	–	239	235
Obligations under finance leases	15	–	15	15
Debenture	–	63	63	53
Derivative financial instruments	30	61	91	91
	2,139	743	2,882	2,811

5. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies: (continued)

(vii) Fair value:

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

HKFRS 7 "Financial instruments: Disclosures" requires disclosure for financial instruments that are measured at fair value by the level of the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2 – quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 – using valuation techniques in which any significant input is not based on observable market data.

The following table presents the financial instruments that are measured at fair value at 31 December 2010:

	Level 1 HK$ million	**Level 2** HK$ million	**Level 3** HK$ million	**Total** HK$ million
Available-for-sale investments	–	30	–	30

The following table presents the financial instruments that are measured at fair value at 31 December 2009:

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Available-for-sale investments	–	47	1	48
Derivative financial instruments	–	(91)	–	(91)

There were no significant transfers between Level 1 and Level 2 in both years 2010 and 2009.

(viii) Interest rate risk:

As at 31 December 2010, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would increase or decrease the Group's loss after tax by approximately HK$14 million (2009: HK$12 million) and HK$14 million (2009: HK$12 million) respectively.

6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain new borrowings.

The management monitors capital with reference to gearing ratio. The Group strategies, which were unchanged from previous year, are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that are possible with greater leverage.

The gearing ratio is calculated based on the Group's net borrowings (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity.

	2010	2009
	HK$	HK$
	million	million
Net borrowings	**1,432**	1,768
Total equity	**103**	882
Gearing ratio	**1390%**	200%

There are no externally imposed capital requirements for current and prior years.

7. RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of material transactions between the Group and other related parties are disclosed below:

	2010	2009
	HK$	HK$
	million	million
Related companies:		
Sales of car parks	**–**	1
Services fee income	**4**	16
Rental expenses	**5**	4
Interest expenses	**31**	32
Other receivables	**4**	2
Other payables	**(695)**	(558)

The Group also disposed of certain loss-making subsidiaries to a related company during the current year.

The amounts due from related companies are unsecured, non-interest bearing and have no fixed terms of repayment. Included in the amounts due to related companies is an amount of HK$681 million (2009: HK$545 million) which is unsecured, bearing interest at 0.25% above the Hong Kong dollar prime rates per annum and repayable on demand except for an amount of HK$671 million (2009: HK$535 million) which is subject to repayment on 31 January 2012. The remaining balance is unsecured, non-interest bearing and repayable on demand.

7. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel:
The remuneration of directors and other members of key management during the year was as follows:

	2010 HK$ million	2009 HK$ million
Short-term employee benefits	**16**	15

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(c) Guarantee
As at 31 December 2009, the Chairman had provided a personal guarantee of HK$60 million and HK$204 million for certain banking facilities granted to the Company and a subsidiary respectively. All these personal guarantees had been discharged during the year consequent upon the full settlement of the related banking obligations.

8. REVENUE

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

The Group disposed of its OEM manufacturing services business during the year of which form principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division are presented as discontinued operations.

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

	2010 HK$ million	2009 HK$ million (Restated)
By principal activity:		
Sales of goods and services income	**1,644**	1,540
Licensing income	**123**	148
Attributable to continuing operations	**1,767**	1,688
Attributable to discontinued operations		
Sales of goods and services income	**146**	643
	1,913	2,331

9. LOSS FOR THE YEAR

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

	Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Depreciation of property, plant and equipment:						
Owned assets	**6**	12	**41**	41	**47**	53
Leased assets	**–**	1	**6**	13	**6**	14
	6	13	**47**	54	**53**	67
Operating lease rentals:						
Land and buildings	**19**	24	**5**	5	**24**	29
Property, plant and equipment	**1**	1	**3**	3	**4**	4
	20	25	**8**	8	**28**	33
Finance costs:						
Interest on bank overdrafts and loans wholly repayable within five years	**1**	8	**28**	12	**29**	20
Interest on obligations under finance leases	**–**	–	**–**	1	**–**	1
Interest on debenture	**6**	14	**–**	–	**6**	14
Interest on amounts due to related companies	**31**	32	**–**	–	**31**	32
Others	**10**	18	**21**	6	**31**	24
	48	72	**49**	19	**97**	91
Auditors' remuneration:						
Current year	**10**	10	**–**	–	**10**	10
Under provision in prior year	**–**	–	**2**	–	**2**	–
	10	10	**2**	–	**12**	10
Staff costs:						
Salaries and other benefits	**85**	99	**14**	19	**99**	118
Retirement benefit costs	**7**	14	**12**	3	**19**	17
	92	113	**26**	22	**118**	135

9. LOSS FOR THE YEAR (continued)

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

	Continuing Operations		Discontinued Operations		Consolidated	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Cost of inventories recognised as expenses	**1,392**	1,370	**15**	511	**1,407**	1,881
Amortisation of other assets included in other expenses	**1**	1	**–**	–	**1**	1
(Written back)/allowance for doubtful debts	**(6)**	–	**1**	5	**(5)**	5
Loss/(gain) on disposal of property, plant and equipment	**44**	(64)	**8**	–	**52**	(64)
Gain on disposal of available-for-sale investments	**(7)**	–	**–**	–	**(7)**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**13**	14	**13**	14
Impairment loss recognised in respect of available-for-sale investments	**1**	2	**–**	–	**1**	2
Change in fair value of investment properties	**–**	–	**–**	2	**–**	2
Change in fair value of exchangeable bonds	**–**	(1)	**–**	–	**–**	(1)
Loss on financial derivatives	**18**	92	**–**	–	**18**	92
Net foreign exchange loss/(gain)	**–**	16	**–**	(1)	**–**	15
Interest income	**(2)**	(2)	**–**	(7)	**(2)**	(9)

10. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Total emoluments HK$ million
2010				
Mr. Christopher W. Ho	**0.9**	**–**	**–**	**0.9**
Mr. Adrian C. C. Ma	**–**	**3.0**	**–**	**3.0**
Mrs. Christine L. S. Asprey	**–**	**0.6**	**–**	**0.6**
Mr. Michael A. B. Binney (resigned on 13 August 2010)	**0.1**	**–**	**–**	**0.1**
Mr. Henry C. S. Chong	**0.2**	**–**	**–**	**0.2**
Mr. Paul K. F. Law (resigned on 3 January 2011)	**–**	**0.3**	**–**	**0.3**
Mr. Herbert H. K. Tsoi	**0.3**	**–**	**–**	**0.3**
Mr. Martin I. Wright	**0.2**	**–**	**–**	**0.2**
	1.7	**3.9**	**–**	**5.6**
2009				
Mr. Christopher W. Ho	0.9	–	–	0.9
Mr. Adrian C. C. Ma	–	3.0	–	3.0
Mrs. Christine L. S. Asprey	–	0.6	–	0.6
Mr. Michael A. B. Binney	0.1	0.1	–	0.2
Mr. Henry C. S. Chong	0.2	–	–	0.2
Mr. Paul K. F. Law	–	0.3	–	0.3
Mr. Herbert H. K. Tsoi	0.3	–	–	0.3
Mr. Martin I. Wright	0.2	–	–	0.2
	1.7	4.0	–	5.7

The remuneration packages of the directors are reviewed and approved by the Remuneration Committee. Details please see Corporate Governance Report on page 10.

10. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

Employee Costs

During the year, the five highest paid individuals included one (2009: one) director, detail of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2010 HK$ million	2009 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**9**	9
Bonuses paid and payable	**1**	–
	10	9

The number of non-directors whose remuneration fell within the bands set out below is as follows:

HK$	**2010 Number of non-directors**	2009 Number of non-directors
1,000,001 – 1,500,000	**2**	2
1,500,001 – 2,000,000	**–**	1
2,000,001 – 2,500,000	**1**	–
4,000,001 – 4,500,000	**–**	1
4,500,001 – 5,000,000	**1**	–

Staff are entitled to receive a basic salary according to their contracts which are reviewed annually by the Group. In addition, staff are entitled to receive a discretionary bonus which is decided by the Group at its absolute discretion having regard to his/her performance.

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Continuing Operations		**Discontinued Operations**		**Consolidated**	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
The tax charge/(credit) comprises:						
Current year provision						
Hong Kong	**1**	1	**–**	–	**1**	1
Overseas	**10**	5	**–**	–	**10**	5
(Over)/under provision in prior year						
Hong Kong	**(3)**	–	**–**	–	**(3)**	–
Overseas	**1**	(3)	**–**	1	**1**	(2)
Deferred tax *(note 18)*						
Hong Kong	**2**	–	**–**	–	**2**	–
Overseas	**25**	3	**–**	–	**25**	3
	36	6	**–**	1	**36**	7

Reconciliation between tax charge and loss before tax at applicable tax rates is as follows:

	Continuing Operations		**Discontinued Operations**		**Consolidated**	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Loss before tax	**(509)**	(1,210)	**(77)**	(40)	**(586)**	(1,250)
Notional tax calculated at Hong Kong profits tax rate of 16.5%	**(84)**	(200)	**(13)**	(6)	**(97)**	(206)
Effect of different tax rates in overseas jurisdictions	**(11)**	(12)	**(3)**	(2)	**(14)**	(14)
Income and expenses not subject to tax	**88**	204	**15**	8	**103**	212
Unused tax losses not recognised	**20**	17	**1**	–	**21**	17
Utilisation of unrecognised tax losses	**(4)**	(3)	**–**	–	**(4)**	(3)
(Over)/under provision in prior year	**(2)**	(3)	**–**	1	**(2)**	(2)
Others	**29**	3	**–**	–	**29**	3
	36	6	**–**	1	**36**	7

12. DISCONTINUED OPERATIONS

(a) The results of the discontinued operations for the year:

	2010 HK$ million	2009 HK$ million
Revenue	**146**	643
Cost of sales	**(110)**	(629)
Gross profit	**36**	14
Other income	**20**	36
Distribution costs	**–**	(1)
Administrative expenses	**(53)**	(48)
Other expenses	**(31)**	(22)
Finance costs	**(49)**	(19)
Tax	**–**	(1)
Loss before non-controlling interests	**(77)**	(41)
Non-controlling interests	**9**	–
	(68)	(41)

(b) The net liabilities of those subsidiaries in connection with the discontinued operations were as follows:

	2010 HK$ million
Property, plant and equipment	**39**
Investment properties	**41**
Accounts and bills receivables	**11**
Prepayments, deposits and other receivables	**108**
Cash and bank balances	**145**
Accounts and bills payable	**(25)**
Accrued liabilities and other payables	**(75)**
Trust receipt loans	**(165)**
Bank loans	**(65)**
Obligations under finance leases	**(17)**
Non-controlling interests	**(1)**
Release of reserve	**(62)**
Net liabilities	**(66)**
Gain on disposal of discontinued operations	**76**
	10
Represented by:	
Cash consideration received	**8**
Amounts due from related companies	**2**
	10

12. DISCONTINUED OPERATIONS (continued)

(c) Net cash inflows on discontinued operations:

	2010 HK$ million	2009 HK$ million
Operating activities	**302**	51
Investing activities	**3**	(1)
Financing activities	**(189)**	69
	116	119

13. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2010.

14. LOSS PER SHARE

The calculation of basic loss per share is based on the following data:

	2010 HK$ million	2009 HK$ million
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation:		
From continuing operations	**(560)**	(1,225)
From discontinued operations	**(68)**	(41)
	(628)	(1,266)

	2010 Number of ordinary shares million	2009 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**460.2**	460.2

Discontinued operations:

Basic loss per share for the discontinued operations is HK$0.15 (2009: HK$0.09) per share, based on the loss from the discontinued operations and the weighted average numbers of ordinary shares presented above.

The Company did not have any potential ordinary shares during the above two years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$ million	Plant, equipment and other assets HK$ million	Moulds HK$ million	Total HK$ million
Cost:				
At 1 January 2009	116	497	29	**642**
Foreign currency adjustment	(1)	1	–	**–**
Additions	20	4	1	**25**
Disposal of subsidiaries	–	(1)	(2)	**(3)**
Disposals	(42)	(27)	(3)	**(72)**
At 31 December 2009 and 1 January 2010	93	474	25	**592**
Foreign currency adjustment	10	11	(1)	**20**
Additions	1	2	–	**3**
Disposal of subsidiaries	–	(295)	–	**(295)**
Disposals	(83)	(58)	(24)	**(165)**
At 31 December 2010	21	134	–	**155**
Accumulated depreciation and impairment:				
At 1 January 2009	5	290	26	**321**
Foreign currency adjustment	–	1	–	**1**
Provided during the year	1	65	1	**67**
Impairment	–	14	–	**14**
Disposal of subsidiaries	–	–	(1)	**(1)**
Disposals	(5)	(17)	(1)	**(23)**
At 31 December 2009 and 1 January 2010	1	353	25	**379**
Foreign currency adjustment	–	9	(1)	**8**
Provided during the year	1	52	–	**53**
Impairment	–	13	–	**13**
Disposal of subsidiaries	–	(255)	–	**(255)**
Disposals	(1)	(43)	(24)	**(68)**
At 31 December 2010	1	129	–	**130**
Carrying values:				
At 31 December 2010	20	5	–	**25**
At 31 December 2009	92	121	–	213

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the Group had assessed the fair value of certain machineries and equipment based on their obsolescence, physical conditions and estimated resale value in its PRC plants and as a result, the carrying amount of these machineries and equipment was written down by HK$13 million (2009: HK$14 million).

The carrying values of plant and machinery held under finance leases at 31 December 2010 was nil (2009: HK$23 million).

Buildings comprise:

	2010 HK$ million	2009 HK$ million
Freehold buildings outside Hong Kong	**21**	92
Long-term leasehold buildings outside Hong Kong	**–**	1
Total cost	**21**	93

16. INVESTMENT PROPERTIES

	2010 HK$ million	2009 HK$ million
At fair value		
At beginning of year	**40**	42
Foreign currency adjustment	**2**	–
Change in fair value	**–**	(2)
Disposal of subsidiaries *(note 36)*	**(41)**	–
At end of year	**1**	40

The carrying amount of investment properties comprises land as follows:

	2010 HK$ million	2009 HK$ million
Medium term leasehold land:		
Outside Hong Kong	**–**	39
In Hong Kong	**1**	1
Carrying amount	**1**	40

The investment property in Hong Kong was valued at HK$1 million as at 31 December 2010 by Dudley Surveyors Limited, independent professional surveyors, with reference to market evidence of transaction prices for similar properties.

All the Group's investment properties are held for earning rental income or for capital appreciation purposes and are measured using the fair value model.

17. AVAILABLE–FOR–SALE INVESTMENTS

	2010 HK$ million	2009 HK$ million
Unlisted investments:		
Student loan auction rate securities *(note)*	**30**	47
Others	**–**	1
	30	48

Note:

As of 31 December 2010, the Group had US$5.0 million (2009: US$8.1 million) face value invested in available-for-sale investments, consisting entirely of student loan auction rate securities ("SLARS"). These securities have long-term nominal maturities for which interest rates are reset through a Dutch auction process at pre-determined calendar intervals; a process which, prior to February 2008, had historically provided a liquid market for these securities. As a result of the continuing liquidity issues experienced in the global credit and capital markets, these SLARS have had multiple failed auctions, although the Company was successful in December 2010 in redeeming one of its SLARS with US$3.1 million face value at par in a market auction. The carrying value of these SLARS at 31 December 2010 and 2009, respectively was US$3.9 million and US$6.0 million.

18. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised:

The major components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax depreciation HK$ million	Tax losses HK$ million	Total HK$ million
At 1 January 2009	7	78	85
Arising from disposal of subsidiaries *(note 36)*	–	2	2
Credited/(charged) to profit or loss *(note 11)*	5	(8)	(3)
At 31 December 2009 and 1 January 2010	12	72	84
Charged to profit or loss *(note 11)*	(19)	(8)	(27)
At 31 December 2010	(7)	64	57

18. DEFERRED TAX ASSETS (continued)

(b) Deferred tax assets not recognised:

The deferred tax assets have not been recognised in respect of the following items:

	2010 HK$ million	2009 HK$ million
Tax losses carried forward	**2,649**	1,353
Accelerated depreciation allowances	**76**	957
	2,725	2,310

The above tax losses are available indefinitely for offsetting against future taxable profits of the subsidiaries except for the losses in the amount of HK$981 million (2009: HK$911 million) which will be expired in the years from 2011 to 2017 (2009: from 2010 to 2015).

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

19. BRANDS AND TRADEMARKS

	2010 HK$ million	2009 HK$ million
Gross amount		
At 1 January	**1,905**	2,002
Foreign currency adjustment	**4**	1
Additions	**–**	12
Impairment	**(72)**	(110)
At 31 December	**1,837**	1,905
Accumulated amortisation at 31 December	**(228)**	(228)
Carrying amount at 31 December	**1,609**	1,677

Prior to 1 January 2005, brands and trademarks were amortised over their estimated useful lives but not more than 20 years and stated at their cost less accumulated amortisation and impairment losses. On 1 January 2005, the Group reassessed the useful lives of the brands and trademarks and concluded that all brands and trademarks have indefinite useful lives.

The various brands and trademarks held by the Group have been legally registered in the worldwide countries for certain years and the trademarks registration is renewable at minimal cost. The directors of the Company are of the opinion that the Group will renew these trademarks continuously and has the ability to do so. Various assessments including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 22.

20. OTHER ASSETS

	2010 HK$ million	2009 HK$ million
Other deferred assets:		
At beginning and end of year	**11**	11
Accumulated amortisation and impairment:		
At beginning of year	**6**	5
Provided during the year	**1**	1
At end of year	**7**	6
Carrying amount of other deferred assets at end of year	**4**	5
Other receivables	**3**	3
Total other assets at end of year	**7**	8

21. GOODWILL

	2010 HK$ million	2009 HK$ million
At beginning of year	**530**	585
Impairment	**(516)**	(55)
Partial disposal of subsidiaries	**(1)**	–
Carrying amount at end of year	**13**	530

Included in the goodwill at 31 December 2010 was nil (2009: HK$516 million) attributable to the cash-generating unit comprising the Group's interest in SEC, Sansui's global licensing and distribution operations and the Sansui trademarks. These assets and operations formed an integrated operating unit of the Group since the revenues and profits generated from them were heavily dependent upon each other.

SEC no longer had any significant involvement in the global licensing operations of the Sansui trademarks as at the end of the reporting period. The impairment loss recognised for the year 2010 was attributable to the change in fair value of the Group's equity interest in SEC which continually reported operating losses over the past years. It represented the excess of the carrying value over the fair value based on the market capitalisation of SEC at the end of the reporting period.

22. IMPAIRMENT TESTING ON GOODWILL, BRANDS AND TRADEMARKS

Goodwill, brands and trademarks are allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	Goodwill		Brands and trademarks	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Branded distribution				
Emerson	**13**	14	**477**	476
Distribution and licensing	**–**	516	**1,132**	1,201
	13	530	**1,609**	1,677

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections are used in these calculations, which are based on financial projections approved by management. The brands and trademarks are considered by management as having indefinite useful lives. The licensing operation will command a long-term commitment over a time horizon of more than five years in building, nurturing and growing the brand recognition and establishing and expanding the distribution network in any geographical region. A ten-year financial budget, based on management's approved long-term plans of product development and business expansion, is therefore used for testing the impairment of these brands and trademarks.

The discount rates used for value-in-use calculations are in a range of 9.84% to 10% (2009: 10% to 13%). The management determines the budgeted gross margin based on past performance and its expectation of market development. The growth rates used to extrapolate cash flow projections beyond the ten-year financial budget are in a range of 3% to 7% (2009: 5% to 9%).

23. INVENTORIES

	2010 HK$ million	2009 HK$ million
Raw materials	**–**	28
Work in progress	**–**	10
Finished goods	**189**	141
	189	179

None of the raw materials (2009: HK$28 million) and finished goods amounted to HK$189 million (2009: HK$141 million) were stated at net realisable values.

24. ACCOUNTS AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers.

	2010 HK$ million	2009 HK$ million
Gross amount	**144**	232
Less: allowance for doubtful debts	**(71)**	(91)
Net amount	**73**	141

The carrying amount of accounts and bills receivables approximates their fair value.

The movement of allowance for doubtful debts is as follows:

	2010 HK$ million	2009 HK$ million
At beginning of year	**91**	86
Written off	**(15)**	–
Impairment loss (written back)/recognised	**(5)**	5
At end of year	**71**	91

The aged analysis of accounts and bills receivables (net of allowance for doubtful debts) is as follows:

	2010 HK$ million	2009 HK$ million
0 – 3 months	**72**	138
3 – 6 months	**–**	1
Over 6 months	**1**	2
	73	141

In addition, some of the unimpaired accounts and bills receivables are past due as at the end of the reporting period. The aged analysis of accounts and bills receivables past due but not impaired is as follows:

	2010 HK$ million	2009 HK$ million
0 – 3 months	**57**	37
3 – 6 months	**–**	2
Over 6 months	**1**	1
	58	40

24. ACCOUNTS AND BILLS RECEIVABLES (continued)

Before accepting any new customer, the management assesses the potential customer's credit quality with reference to the customer's reputation and market standing and defines the credit limits accordingly. Continuity of the credit limits to the customers is reviewed by management as and when necessary. Based on the aforesaid assessment, the above past due but not impaired accounts and bills receivables are still considered to be fully recoverable.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 HK$ million	2009 HK$ million
Prepayments	**6**	8
Deposits	**8**	18
VAT receivables	**5**	6
Other receivables	**17**	389
Other assets	**–**	4
	36	425

Included in the other receivables in 2009 was an amount of HK$378 million due from former associates to certain subsidiaries which had disposed of by the Group during the year.

26. HELD-FOR-TRADING INVESTMENTS

The amounts represent fine wines held for investment purposes at fair value.

27. ACCOUNTS AND BILLS PAYABLE

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

	2010 HK$ million	2009 HK$ million
0 – 3 months	**42**	163
3 – 6 months	**1**	1
Over 6 months	**8**	25
	51	189

28. ACCRUED LIABILITIES AND OTHER PAYABLES

	2010		2009	
	Current HK$ million	**Non–Current HK$ million**	Current HK$ million	Non–Current HK$ million
Accrued expenses and provisions	**116**	**32**	169	35
Other payables	**273**	**29**	214	47
Other borrowings	**–**	**–**	41	–
Deposits received	**1**	**–**	7	2
	390	**61**	431	84

Included in the other payables were amounts in aggregate of HK$209.2 million (2009: HK$121.1 million) which were due for payment prior to the end of the reporting period. Such balances (2009: HK$73.5 million) were secured by the Group's shareholding interest in its certain subsidiaries.

The Company is in ongoing negotiation with the creditors on rescheduling the payment terms of the outstanding balances with them. The directors of the Company are confident that the negotiations with these creditors will ultimately reach a successful conclusion. Should any of these creditors call for immediate payment, the directors consider that the outstanding obligations can be covered by the corresponding assets pledged by the Group and/or financial assistance from Accolade.

29. PROVISION FOR RETIREMENT AND LONG SERVICE PAYMENTS

	2010 HK$ million	2009 HK$ million
At beginning of year	**1**	2
Utilisation	**–**	(1)
At end of year	**1**	1

30. BANK LOANS

	2010 HK$ million	2009 HK$ million
Secured bank loans wholly repayable within one year	**19**	227
Unsecured bank loans wholly repayable within one year	**–**	8

The carrying amounts of the borrowings are denominated in the following currencies:

	2010 HK$ million	2009 HK$ million
Hong Kong Dollar	**–**	8
Renminbi Yuan	**–**	151
United States Dollar	**19**	44
Japanese Yen	**–**	32
	19	235

At the end of the reporting period, none (2009: 78%) of the Group's total borrowings were with interest rates fixed to maturity.

The ranges of effective interest rates on the Group's borrowings at the end of the reporting period were as follows:

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	**–**	3.17% to 5.35%
Variable-rate borrowings	**1.24%**	1.24% to 5.25%

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2010 HK$ million	2009 HK$ million	**2010 HK$ million**	2009 HK$ million
Amounts payable under finance leases within one year	**–**	15	**–**	15
Less: future finance charges	**–**	–	**–**	–
Present value of lease obligations	**–**	15	**–**	15

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 HK$ million	2009 HK$ million
Held for trading or not qualifying as hedges:		
Interest rate swaps	–	91
Analysis of derivative financial instruments:		
Current liabilities	–	30
Non-current liabilities	–	61
	–	91

The outstanding balances attributable to the derivative financial Instruments have been reclassified to and included as part of the other payables as shown in note 28 consequent upon the termination of these contracts during the reporting period.

33. DEBENTURE

On 10 December 2008, the Company issued a principal amount of US$27.6 million (equivalent to HK$214 million) Debenture ("Debenture") at par value to an independent third party. The Debenture shall be redeemed by the Company on or before the extended maturity date of 5 July 2011. For the period from the first anniversary of the issue date of the Debenture until the maturity date, interest shall be accrued on the outstanding principal amount under the Debenture at 12% per annum.

The principal outstanding at the end of the reporting period was approximately US$5.8 million (2009: US$6.8 million).

34. SETTLEMENT OF COURT PROCEEDINGS

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

On 23 November 2010, an amendment agreement relating to the Settlement Agreement was entered into with the plaintiffs under which the plaintiffs had agreed to extend the date of final payment of approximately HK$801 million inclusive of an extension fee of approximately HK$47 million by another four months to February 2011. The extension fee and the related expenses were accrued and expensed during the year.

As at 31 December 2010, the outstanding balance of the settlement obligations together with the related accrued expenses were HK$870 million.

As set out in note 43, the Company subsequently discharged all its obligations under the Settlement Agreement on 31 January 2011.

35. SHARE CAPITAL AND SHARE PREMIUM

	2010 HK$ million	2009 HK$ million
Authorised share capital:		
1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK$0.10 each	**46**	46
Share premium	**1,173**	1,173

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of subsidiaries

Summary of the effects on disposal of subsidiaries

	2010 HK$ million	2009 HK$ million
Net (liabilities)/assets disposed of:		
Property, plant and equipment	**40**	2
Investment properties	**41**	–
Cash and bank balances	**145**	–
Accounts and bills receivables	**11**	–
Inventories	**–**	3
Prepayments, deposits and other receivables	**110**	–
Accounts and bills payable	**(25)**	–
Accrued liabilities and other payables	**(76)**	(2)
Amounts due to associates	**–**	(1)
Trust receipt loans	**(165)**	–
Bank loans	**(65)**	–
Obligations under finance leases	**(17)**	–
Non-controlling interests	**(1)**	–
Release of reserve	**(59)**	–
	(61)	2
Gain on disposal of subsidiaries	**74**	3
	13	5
Represented by:		
Cash consideration received	**8**	–
Other receivables	**–**	6
Amounts due from related companies	**5**	–
Deferred tax assets	**–**	2
Other payables	**–**	(3)
	13	5

The subsidiaries disposed of during the year contributed HK$344 million to the Group's net operating cash flows, generated HK$3 million from investing activities, utilised HK$189 million in respect of the Group's financing activities and paid interest for HK$42 million.

The subsidiaries disposed of during the year 2009 had no material effect on the operating loss and cash flow of the Group.

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Disposal of subsidiaries (continued)

The analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010 HK$ million	2009 HK$ million
Cash consideration received	**8**	–
Cash and bank balances of disposed subsidiaries	**(145)**	–
	(137)	–

37. LEGAL PROCEEDINGS

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010/January 2011 and judgment has not yet been handed down.

There was another action filed in August 2009 in the Federal Court of California, USA against several defendants also claiming that the Company and several other companies were the alter egos of GrandeTel Technologies, Inc. The complaint was served in August 2009. The defendants were not successful in objecting to the jurisdiction of the Californian courts and the case will proceed.

38. COMMITMENTS

		2010 HK$ million	2009 HK$ million
(a)	Capital commitments:		
	Contracted for	–	–
	Authorised, but not contracted for	–	–
		–	–

(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2010 HK$ million	2009 HK$ million
Land and buildings:		
Not later than one year	8	23
Later than one year and not later than five years	18	43
Later than five years	–	1
	26	67

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years (2009: 3 years) and rentals are fixed for an average of 4 years (2009: 4 years).

	2010 HK$ million	2009 HK$ million
Others:		
Not later than one year	1	1

39. BANKING AND OTHER BORROWING FACILITIES

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

		2010 HK$ million	2009 HK$ million
(a)	Legal charges over brands and trademarks, account receivables, inventories and bank balances	–	572
(b)	Legal charges over available-for-sale investments	30	47
(c)	Legal charges over plant and machineries	–	30
(d)	Legal charges over freehold buildings outside Hong Kong	–	20
(e)	Pledge of brands and trademarks	–	602
(f)	Pledge of freehold buildings outside Hong Kong	–	71
(g)	Pledge of investment properties	–	39
(h)	Pledge of listed shares of certain subsidiaries	312	225
(i)	Pledge of bank deposits	30	27
		372	1,633

40. PROVIDENT FUND SCHEMES

From 1 December 2000 onwards, all the staff of the Group in Hong Kong were offered the opportunity to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), introduced by the Government of the Hong Kong Special Administrative Region. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,000 per employee and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of each employee's monthly salaries up to a maximum of HK$1,000. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65 years old, death or total incapacity.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The subsidiaries are required to contribute a certain percentage of the relevant payroll of these employees to the pension scheme to fund the benefits. The only obligation for the Group with respect of the pension scheme is the required contribution under the pension scheme.

The staff in United States of America who wish to participate in the plan may contribute up to the legal limits, to which a specified percentage is matched by the subsidiaries in accordance with their plans.

The Group also operates various retirement benefit schemes for qualifying employees of its overseas subsidiaries, including subsidiaries in Singapore and Japan. The assets of the retirement benefit schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes a certain percentage of the relevant payroll costs to the schemes, which contribution is matched by employees.

41. SEGMENT REPORTING

The Group currently organises its operations into the following reportable operating segments. The Group disposed of its OEM manufacturing services business during the year of which from principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division are presented as discontinued operations.

Operating segments	**Principal activities**
Continuing operations –	
Branded distribution	Distribution of audio and video products and licensing business
Emerson	– Comprising a group listed on the NYSE Alternext US
Distribution and licensing	– Comprising the brands and trademarks, namely, Akai, Sansui and Nakamichi
Discontinued operations –	
Electronics manufacturing services	Manufacture and trading of electronic products and subcontracting service

41. SEGMENT REPORTING (continued)

(a) Segment information

2010	Branded distribution: Emerson HK$ million	Branded distribution: Distribution and licensing HK$ million	Branded distribution: Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Revenue:								
Sales of goods and provision of services to external customers	1,605	39	-	-	1,644	146	-	1,790
Licensing income from external customers	57	66	-	-	123	-	-	123
Total	1,662	105	-	-	1,767	146	-	1,913
Results:								
Segment results	154	38	4		196	(4)		192
Unallocated corporate expenses				(21)	(21)			(21)
					175			171
(Loss)/gain on disposal of property, plant and equipment	(3)	(42)		1	(44)	(8)		(52)
Gain on disposal of available-for-sale investments	7	-		-	7	-		7
Impairment loss recognised in respect of:								
Property, plant and equipment	-	-		-	-	(13)		(13)
Brands and trademarks	-	(72)		-	(72)	-		(72)
Goodwill				(516)	(516)	-		(516)
Available-for-sale investments				(1)	(1)	-		(1)
Gain/(loss) on disposal of subsidiaries				76	76	(2)		74
Written back/(allowance) for doubtful debts				6	6	(1)		5
Loss on financial derivatives				(18)	(18)	-		(18)
Settlement of court proceedings				(76)	(76)	-		(76)
Interest income				2	2	-		2
Finance costs				(48)	(48)	(49)		(97)
Tax				(36)	(36)	-		(36)
Loss for the year					(545)	(77)		(622)
Assets:								
Segment assets	1,085	2,187	(1,158)	125	2,239	-	-	2,239
Liabilities:								
Segment liabilities	677	3,704	(4,080)	1,835	2,136	-	-	2,136
Other information:								
Depreciation and amortisation	5	1	-	1	7	47	-	54
Capital expenditure	2	-	-	-	2	1	-	3

41. SEGMENT REPORTING (continued)

(a) Segment information (continued)

2009 (Restated)	Branded distribution: Emerson HK$ million	Branded distribution: Distribution and licensing HK$ million	Branded distribution: Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Revenue:								
Sales of goods and provision of services to external customers	1,514	25	–	1	1,540	643	–	2,183
Licensing income from external customers	51	97	–	–	148	–	–	148
Inter-segment sales	–	10	–	–	10	–	(10)	–
Total	1,565	132	–	1	1,698	643	(10)	2,331
Results:								
Segment results	45	20	2		67	(7)		60
Unallocated corporate expenses				(47)	(47)			(47)
					20			13
(Loss)/gain on disposal of property, plant and equipment	(1)	63		2	64	–		64
Change in fair value of investment properties	–	–		–	–	(2)		(2)
Impairment loss recognised in respect of:								
Property, plant and equipment	–	–		–	–	(14)		(14)
Brands and trademarks	–	(110)		–	(110)	–		(110)
Goodwill				(55)	(55)	–		(55)
Available-for-sale investments				(2)	(2)	–		(2)
Gain on disposal of subsidiaries				3	3	–		3
Allowance for doubtful debts				–	–	(5)		(5)
Change in fair value of exchangeable bonds				1	1	–		1
Loss on financial derivatives				(92)	(92)	–		(92)
Settlement of court proceedings				(969)	(969)	–		(969)
Interest income				2	2	7		9
Finance costs				(72)	(72)	(19)		(91)
Tax				(6)	(6)	(1)		(7)
Loss for the year					(1,216)	(41)		(1,257)
Assets:								
Segment assets	1,133	1,942	(629)	667	3,113	3,298	(2,711)	3,700
Liabilities:								
Segment liabilities	799	1,962	(2,312)	1,817	2,266	2,985	(2,433)	2,818
Other information:								
Depreciation and amortisation	6	4	–	4	14	54	–	68
Capital expenditure	35	1	–	–	36	1	–	37

41. SEGMENT REPORTING (continued)

(b) Geographical information

	Revenue		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2010 HK$ million	2009 HK$ million (Restated)	**2010 HK$ million**	2009 HK$ million (Restated)	**2010 HK$ million**	2009 HK$ million (Restated)
Asia	**84**	111	**83**	364	**–**	3
North America	**1,679**	1,569	**422**	404	**2**	21
Europe	**4**	8	**–**	1	**–**	–
Unallocated	**–**	–	**1,609**	1,677	**–**	12
	1,767	1,688	**2,114**	2,446	**2**	36

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

Name	Notes	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2010	2009	Principal activities
Directly held:						
Broadland Investments Limited	(i)	British Virgin Islands	US$106	**-**	100%	Investment holding
The Grande (Nominees) Limited		British Virgin Islands	US$1	**100%**	100%	Investment holding
Grande N.A.K.S. Ltd		British Virgin Islands	US$10,000	**100%**	100%	Investment holding
Unijoy Limited		British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly held:						
Tomei Kawa Electronics International Limited		British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding
Innovative Capital Ltd		British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding
Capetronic Technology Limited	(i)	Hong Kong	HK$2,184,060	**-**	100%	Trading of audio and video products
The Grande Group (Hong Kong) Limited	(i)	Hong Kong	HK$20	**-**	100%	Provision of administration services
Sansui Enterprises Limited		British Virgin Islands	US$1	**100%**	100%	Trademarks licensing

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Notes	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2010	2009	Principal activities
Indirectly held: (continued)						
TWD Industrial Company Limited		British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding
Sansui Acoustics Research Corporation		British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding
Nakamichi Designs Limited		British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Nakamichi Enterprises Limited		British Virgin Islands	US$10,001	**100%**	100%	Trademarks licensing
Capetronic Display Devices Holdings Limited		British Virgin Islands	US$100	**100%**	100%	Investment holding
Akai Electric Co., Ltd.		Japan	JPY10,000,000	**88%**	88%	Trading of audio and video products
Phenomenon Agents Limited		British Virgin Islands	US$50,000	**88%**	88%	Brands and trademarks holding
Akai Sales Pte. Ltd.		Singapore	S$2	**88%**	88%	Trademarks licensing
S&T International Distribution Limited		British Virgin Islands	US$1	**100%**	100%	Investment holding
Emerson Radio Corp.	(ii)	United States of America	US$529,000	**56%**	58%	Distribution of household appliances and products
Hi-Tech Precision Products Ltd		British Virgin Islands	US$1	**100%**	100%	Investment holding
Sansui Electric Co., Ltd.	(iii)	Japan	JPY5,794,263,000	**40%**	40%	Investment holding
Capetronic Group Ltd	(i)	British Virgin Islands	US$10,000	**–**	100%	Investment holding
Sansui Electric (China) Co. Ltd	(i), (iv)	The People's Republic of China	RMB50,000,000	**–**	100%	Manufacture and sale of electronic subassemblies
Akai Electric (China) Co. Ltd	(i), (iv)	The People's Republic of China	RMB130,000,000	**–**	100%	Manufacture and sale of printed circuit board subassemblies
Zhongshan Tomei Audio & Video Products Co. Ltd	(i), (v)	The People's Republic of China	HK$103,589,875	**–**	88%	Manufacture of mechadecks and video products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

(i) Disposed of during 2010

(ii) Listed on the NYSE Alternext US

(iii) Listed on the First Section of the Tokyo Stock Exchange

(iv) Wholly foreign-owned enterprises

(v) Equity joint venture

43. EVENT AFTER THE REPORTING PERIOD

On 31 January 2011, the Company discharged all its outstanding settlement obligations in respect of the court proceedings as detailed in note 34, with financial assistance from Accolade. There are 9,853,882 shares in Emerson Radio Corp. pledged to a financial institution as partial security for bridging financing facilities granted to certain subsidiaries of Accolade for the sole purpose of discharging such settlement obligations of the Company.

44. FINANCIAL INFORMATION OF THE COMPANY

	2010 HK$ million	2009 HK$ million
NON-CURRENT ASSETS		
Available-for-sale investments	–	1
Amount due from a subsidiary	1,280	1,305
	1,280	1,306
CURRENT ASSETS		
Prepayments, deposits and other receivables	1	–
CURRENT LIABILITIES		
Amounts due to subsidiaries	140	87
Amounts due to related companies	10	–
Accrued liabilities and other payables	199	114
Unsecured bank loans	–	8
Derivative financial instruments	–	30
Debenture	45	–
	394	239
Settlement obligations of court proceedings	870	890
	1,264	1,129
NET CURRENT LIABILITIES	(1,263)	(1,129)
TOTAL ASSETS LESS CURRENT LIABILITIES	17	177
NON-CURRENT LIABILITIES		
Amounts due to related companies	671	–
Accrued liabilities and other payables	–	15
Derivative financial instruments	–	61
Debenture	–	53
	671	129
NET (LIABILITIES)/ASSETS	(654)	48
CAPITAL AND RESERVES		
Share capital	46	46
Share premium	1,173	1,173
Reserves	(1,873)	(1,171)
(DEFICIENCY)/BALANCE OF EQUITY	(654)	48

45. COMPARATIVE AMOUNTS

Certain comparative amounts have been represented to conform with the current year's presentation.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 18 April 2011.