The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, RSM Nelson Wheeler Certified Public Accountants. Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, a copy of the following Accountants' Report is available for inspection.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Garden Two
28 Yun Ping Road
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14 January 2011

The Board of Directors
Telefield International (Holdings) Limited
China Merchants Securities (HK) Co., Limited

We set out below our report on the financial information (the "Financial Information") of Telefield International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 and the eight months ended 31 August 2010 (the "Relevant Period") for inclusion in the prospectus dated 14 January 2011 issued by the Company (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of placing and public offering.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liabilities on 18 May 2010. The Company has established a place of business in Hong Kong at Units 609-610, 6/F, Bio Informatics Centre, No.2 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 13 October 2010. Through a group reorganisation as more fully explained in the paragraph headed "Group reorganisation" in Appendix VI to the Prospectus (the "Group Reorganisation"), the Company has become the holding company of the Group since 31 December 2010.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 2 to the Financial Information.

All the companies now comprising the Group have adopted 31 December as the financial year end date, except for MBK Limited which adopts 31 March as its financial year end date. MBK Limited was disposed of on 1 April 2009. We acted as auditors of all the companies now comprising the Group for the Relevant Period except as disclosed below.

The statutory financial statements of 廣州中慧電子有限公司 (Guangzhou Telefield Limited), 惠州中慧電子有限公司 (Huizhou Telefield Limited), and 愛康科商貿(深圳)有限公司 (Aiko (Shenzhen) Limited) have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the People's Republic of China (the "PRC") and were audited by the following certified public accountants registered in the PRC.

Name of company	Financial year/period	Name of auditor
廣州中慧電子有限公司 Guangzhou Telefield Limited *	Years ended 31 December 2007, 2008 and 2009	廣東伯德會計師事務所有限公司 Guangdong Better Certified Public Accountants Co., Ltd. *
惠州中慧電子有限公司 Huizhou Telefield Limited *	Period from 27 February 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	惠州榮德會計師事務所 Hui Zhou Ronde Certified Public Accountants*
愛康科商貿(深圳)有限公司 Aiko Beauty(Shenzhen) Limited *	Years ended 31 December 2007, 2008 and 2009	深圳市永明會計師事務所有限責任公司 Yong Ming (Shenzhen) Certified Public Accountants Co., Ltd.*

* *English names for identification purpose*

The financial statements of TrekStor GmbH for the period from 2 September 2009 (date of incorporation) to 31 December 2009 have been prepared in accordance with German Generally Accepted Accounting Principles issued by the German Legislative Body and were audited by RSM Altavis GmbH registered in Germany, in accordance with German Generally Accepted Standards on Auditing issued by the Institute of Public Auditors in Germany (IDW).

The statutory financial statements of Aiko Products Limited (formerly known as Aiko Beauty Products Limited) for the year ended 31 December 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Central & Co. Certified Public Accountants registered in Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

No audited financial statements of Telefield Medical Devices Limited has been prepared since operation as it is not yet due for statutory audit as at the date of this report.

No audited financial statements of Alagona Holdings Limited, Telefield TrekStor S.a.r.l., Telefield NA Inc., Octopus Electronics LLC, Bracciano Limited, Space Wisdom Limited and the Company have been prepared for the Relevant Period as there are no statutory audit requirements in the respective places of incorporation.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with HKFRSs (the "HKFRS Financial Statements").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs and on the basis of preparation set out in note 2 to the Financial Information. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Prospectus.

The directors of the Company are responsible for the preparation of the HKFRS Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, the directors of the Company have prepared the comparative financial information of the Group for the eight months ended 31 August 2009 (the "Comparative Financial Information") in accordance with HKFRSs and on the basis of preparation set out in note 2 to the Financial Information. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 to the Financial Information, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 31 August 2010 and of the Group's results and cash flows for the Relevant Period.

FINANCIAL INFORMATION

A. COMBINED INCOME STATEMENTS

		Year ended 31 December			Eight months ended 31 August	
		2007	2008	2009	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	*7*	564,052	848,492	821,898	496,794	689,541
Cost of goods sold		(497,797)	(712,162)	(634,166)	(380,675)	(537,076)
Gross profit		66,255	136,330	187,732	116,119	152,465
Other income	*9*	5,636	3,819	12,371	4,630	5,862
Selling and distribution expenses		(12,767)	(17,413)	(39,851)	(19,043)	(46,608)
Administrative expenses		(27,565)	(40,299)	(52,996)	(28,000)	(49,658)
Other operating expenses		(12,752)	(20,530)	(22,507)	(9,406)	(14,619)
Profit from operations		18,807	61,907	84,749	64,300	47,442
Finance costs	*10*	(1,969)	(1,844)	(947)	(607)	(2,328)
Gain on disposal of subsidiaries	*35(a)*	–	–	1,596	784	–
Share of loss of an associate	*19*	(297)	(17)	–	–	–
Profit before tax		16,541	60,046	85,398	64,477	45,114
Income tax expense	*11*	(2,188)	(8,792)	(12,731)	(10,913)	(9,155)
Profit for the year/period	*12*	14,353	51,254	72,667	53,564	35,959
Attributable to:						
Owners of the Company		14,353	51,258	76,216	53,564	47,179
Non-controlling interests		–	(4)	(3,549)	–	(11,220)
		14,353	51,254	72,667	53,564	35,959
Earnings per share						
Basic (HK cents)	*16*	3.59	12.81	19.05	13.39	11.79

B. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit for the year/period	14,353	51,254	72,667	53,564	35,959
Other comprehensive income:					
Exchange differences on translating foreign operations	4,060	3,590	58	1	884
Gains on property valuation	–	64	2,508	–	–
Share of other comprehensive income of associate	395	–	–	–	–
Other comprehensive income for the year/period, net of tax	4,455	3,654	2,566	1	884
Total comprehensive income for the year/period	18,808	54,908	75,233	53,565	36,843
Attributable to:					
Owners of the Company	18,808	54,912	78,782	53,565	48,063
Non-controlling interests	–	(4)	(3,549)	–	(11,220)
	18,808	54,908	75,233	53,565	36,843

C. COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 August
		2007	**2008**	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	*17*	41,635	51,673	57,713	58,314
Intangible assets	*18*	–	–	48,616	41,789
Investment in an associate	*19*	17	–	–	–
Available-for-sale financial assets	*20*	–	–	–	–
Deferred tax assets	*32*	–	–	10,520	8,538
		41,652	51,673	116,849	108,641
Current assets					
Inventories	*21*	65,349	66,234	112,806	155,948
Trade receivables	*22*	150,725	155,828	158,640	156,814
Prepayments, deposits and other receivables		7,175	13,966	12,274	32,095
Derivative instruments	*23*	–	–	–	4,022
Amounts due from related parties	*24*	3,412	8,923	15	15
Current tax assets		–	–	2,431	1,043
Bank and cash balances	*25*	12,627	76,267	68,622	109,020
		239,288	321,218	354,788	458,957
Current liabilities					
Trade payables	*26*	93,520	102,887	107,116	134,603
Accruals and other payables		46,019	71,261	103,352	111,288
Financial liabilities at fair value through profit or loss	*31*	–	–	5,692	7,221
Amounts due to related parties	*27*	4,168	5,852	18,255	71
Bank borrowings	*28*	51,503	49,082	28,591	70,562
Finance lease payables	*29*	2,195	622	–	–
Product warranty provision	*30*	4,103	12,836	12,968	11,904
Current tax liabilities		1,360	8,029	11,205	15,226
		202,868	250,569	287,179	350,875
Net current assets		36,420	70,649	67,609	108,082
Total assets less current liabilities		78,072	122,322	184,458	216,723

		At 31 December			At 31 August
		2007	2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Finance lease payables	*29*	622	–	–	–
Financial liabilities at fair value through profit or loss	*31*	–	–	21,479	19,024
Deferred tax liabilities	*32*	1,963	1,923	17,109	14,986
		2,585	1,923	38,588	34,010
NET ASSETS		75,487	120,399	145,870	182,713
Capital and reserves					
Share capital	*33*	3,171	3,171	3,171	3,171
Reserves	*34*	72,316	117,228	143,510	191,573
Equity attributable to owners of the Company		75,487	120,399	146,681	194,744
Non-controlling interests		–	–	(811)	(12,031)
TOTAL EQUITY		75,487	120,399	145,870	182,713

D. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Other reserve *(Note 34(b)(i))*	Foreign currency translation reserve *(Note 34(b)(ii))*	Property revaluation reserve *(Note 34(b)(iii))*	Contributed surplus *(Note 34(b)(iv))*	Statutory reserve *(Note 34(b)(v))*	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	3,171	–	2,778	191	18,298	–	32,241	6,500	63,179	–	63,179
Total comprehensive income for the year	–	395	4,060	–	–	–	14,353	–	18,808	–	18,808
2006 final dividend paid	–	–	–	–	–	–	–	(6,500)	(6,500)	–	(6,500)
2007 proposed final dividend *(note 15)*	–	–	–	–	–	–	(10,000)	10,000	–	–	–
At 31 December 2007 and 1 January 2008	3,171	395	6,838	191	18,298	–	36,594	10,000	75,487	–	75,487
Non-controlling interests of newly set up subsidiary	–	–	–	–	–	–	–	–	–	4	4
Total comprehensive income for the year	–	–	3,590	64	–	–	51,258	–	54,912	(4)	54,908
2007 final dividend paid *(note 15)*	–	–	–	–	–	–	–	(10,000)	(10,000)	–	(10,000)
2008 proposed final dividend *(note 15)*	–	–	–	–	–	–	(19,000)	19,000	–	–	–
At 31 December 2008 and 1 January 2009	3,171	395	10,428	255	18,298	–	68,852	19,000	120,399	–	120,399
Non-controlling interests of newly set up subsidiaries *(note 36)*	–	–	–	–	–	–	–	–	–	2,738	2,738
Total comprehensive income for the year	–	–	58	2,508	–	–	76,216	–	78,782	(3,549)	75,233
Disposal of an associate	–	(395)	–	–	–	–	395	–	–	–	–
Transfers	–	–	–	–	–	355	(355)	–	–	–	–
2008 final dividend paid *(note 15)*	–	–	–	–	–	–	–	(19,000)	(19,000)	–	(19,000)
2009 interim dividends paid *(note 15)*	–	–	–	–	–	–	(33,500)	–	(33,500)	–	(33,500)
At 31 December 2009 and 1 January 2010	3,171	–	10,486	2,763	18,298	355	111,608	–	146,681	(811)	145,870
Total comprehensive income for the period	–	–	884	–	–	–	47,179	–	48,063	(11,220)	36,843
At 31 August 2010	3,171	–	11,370	2,763	18,298	355	158,787	–	194,744	(12,031)	182,713
(Unaudited)											
At 31 December 2008 and 1 January 2009	3,171	395	10,428	255	18,298	–	68,852	19,000	120,399	–	120,399
Total comprehensive income for the period	–	–	1	–	–	–	53,564	–	53,565	–	53,565
2009 interim dividend paid (note 15)	–	–	–	–	–	–	(15,000)	–	(15,000)	–	(15,000)
At 31 August 2009	3,171	395	10,429	255	18,298	–	107,416	19,000	158,964	–	158,964

E. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	16,541	60,046	85,398	64,477	45,114
Adjustments for:					
Allowance for receivables, net	1,740	913	239	–	–
Allowance on inventories, net	335	917	–	–	–
Amortisation of intangible assets	–	–	5,564	3,278	4,729
Depreciation	8,989	11,845	11,214	7,049	8,414
Fair value loss on financial liabilities at fair value through profit or loss	–	–	711	711	2,689
Fair value gain on derivative instrument	–	–	–	–	(1,027)
Finance costs	1,969	1,844	947	607	2,328
Gain on disposal of subsidiaries *(note 35(a))*	–	–	(1,596)	(784)	–
Discount on acquisitions *(note 35(b))*	–	–	(9,010)	(2,436)	–
Interest income	(526)	(247)	(64)	(32)	(17)
Impairment loss on amount due from related companies	–	450	–	–	–
Impairment loss on available-for-sale financial assets	–	2,340	–	–	–
Impairment loss on investment in an associate	1,462	–	–	–	–
Loss on disposal of fixed assets	–	1,664	2,294	–	7
Provision on product warranty	3,790	10,872	8,811	6,908	9,822
Reversal of allowance for receivables, net	–	–	–	(223)	(204)
Reversal of allowance on inventories, net	–	–	(306)	(3,150)	(844)
Reversal of impairment loss on amount due from related parties	–	–	(637)	–	–
Equity-settled share-based payments	–	–	2,738	–	–
Share of loss of an associate	297	17	–	–	–
Operating profit before working capital changes	34,597	90,661	106,303	76,405	71,011
Payment of contingent considerations *(note 31)*	–	–	(4,774)	(1,938)	(3,326)
Decrease/(increase) in inventories	10,473	(1,802)	(2,417)	(2,802)	(42,298)
(Increase)/decrease in trade receivables	(33,074)	(6,016)	(3,058)	47,590	2,030
Decrease/(increase) in prepayments, deposits and other receivables	1,371	(6,791)	622	(2,921)	(19,821)
(Increase)/decrease in amount due from related parties	(1,241)	(5,961)	9,545	(2,664)	–
Increase/(decrease) in trade payables	19,800	9,367	4,229	(4,986)	27,487
(Decrease)/increase in accruals and other payables	(1,818)	25,242	22,341	3,181	12,383
(Decrease)/increase in amount due to related parties	(1,388)	1,684	(3,425)	(1,957)	316
Decrease in product warranty provisions	(2,135)	(2,139)	(16,709)	(10,105)	(10,449)
Cash generated from operations	26,585	104,245	112,657	99,803	37,333
Income tax paid	(2,303)	(2,096)	(12,410)	(469)	(3,501)
Finance costs paid	(1,969)	(1,844)	(947)	(607)	(2,328)
Net cash generated from operating activities	22,313	100,305	99,300	98,727	31,504

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of an associate	(1,381)	–	–	–	–
Business combinations *(note 35(b))*	–	–	(35,201)	(24,232)	(5,130)
Disposal of subsidiaries *(note 35(a))*	–	–	(215)	(161)	–
Investment in available-for-sale financial assets	–	(2,340)	–	–	–
Interest received	526	247	64	32	17
Purchase of derivative instrument	–	–	–	–	(2,995)
Purchases of fixed assets	(13,508)	(24,312)	(16,803)	(8,464)	(9,156)
Proceeds from disposal of fixed assets	–	1,324	26	–	68
Net cash used in investing activities	(14,363)	(25,081)	(52,129)	(32,825)	(17,196)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital injected by non-controlling interest shareholders	–	4	–	–	–
Bank loans raised	2,116	10,000	12,000	12,000	54,336
Repayment of bank loans	(3,222)	(4,726)	(6,926)	(4,387)	(9,564)
Net factoring loans (repaid)/raised	(12,137)	3,191	(22,410)	(22,410)	–
Net import/export loans raised/(repaid)	3,173	(10,886)	(3,155)	(7,356)	(2,801)
Repayment of finance lease payables	(2,036)	(2,195)	(622)	(622)	–
Dividends paid	(6,500)	(10,000)	(34,000)	(15,000)	(18,500)
Net cash (used in)/generated from financing activities	(18,606)	(14,612)	(55,113)	(37,775)	23,471
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,656)	60,612	(7,942)	28,127	37,779
Effect of foreign exchange rate changes	3,752	3,028	297	1	2,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	19,531	12,627	76,267	76,267	68,622
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12,627	76,267	68,622	104,395	109,020
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances *(note 25)*	12,627	76,267	68,622	104,395	109,020

F. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liabilities on 18 May 2010. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business is Units 609-610, 6/F, Bio Informatics Centre, No.2 Science Park West Avenue, Hong Kong Science Park, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 2 to the Financial Information.

In the opinion of the directors of the Company, as at the date of this report, Dragon Fortune International Limited ("Dragon Fortune"), a company incorporated in Hong Kong, is the ultimate parent and ultimate controlling party of the Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The companies now comprising the Group are under the common control of Dragon Fortune and its beneficial owners (collectively, the "Controlling Shareholders"). Pursuant to the Group Reorganisation, the Company acquired the entire interests of Telefield Holdings Limited and its subsidiaries (collectively, the "Main Group") on 31 December 2010 by way of swap of shares, and the Company became the holding company of the Group.

The Group Reorganisation is more fully explained in Appendix VI to the Prospectus in the paragraph headed "Group reorganisation".

As the Company and the Main Group were both controlled by the Controlling Shareholders before and after the Group Reorganisation, the Group Reorganisation was accounted for as a business combination of entities under common control. The financial statements of the Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Group Reorganisation had occurred from the date when the combining entities first came under the control of the Controlling Shareholders.

The combined financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the Controlling Shareholders.

The combined income statements and statements of comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the date of this report had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

At the date of this report, the Company had the following subsidiaries:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 31 August	
			2007	2008	2009	2010	
Directly held:							
Telefield Holdings Limited	B.V.I. 25 September 1997	410,000 ordinary shares of US$1 each	100%	100%	100%	100%	Investment holding
Indirectly held:							
Aiko Products Limited (Formerly known as Aiko Beauty Products Limited)	Hong Kong 6 August 2003	10,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Trading of electrical appliances, provision of consultancy and agency services
Alagona Holdings Limited	B.V.I. 23 October 2009	1 ordinary share of US$1 each	–	–	100%	100%	Investment holding
Bracciano Limited	B.V.I. 5 January 2010	1 ordinary share of US$1 each	–	–	–	100%	Investment holding
Circuit Development Limited	Hong Kong 7 September 1993	10,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Property investment
Genius Well Industries Limited (1)	Hong Kong 19 March 1997	1,500,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Inactive
MBK Limited (Formerly known as "Colisa Medical Limited" or "Cambo (HK) Limited")(2)	Hong Kong 5 August 2008	1 ordinary share of HK$1 each	–	100%	–	–	Inactive
Metro Creator Limited	Hong Kong 4 August 2009	10,000 ordinary shares of HK$1 each	–	–	100%	100%	Investment holding
Modern Channel Limited	Hong Kong 4 August 2009	10,000 ordinary shares of HK$1 each	–	–	100%	100%	Inactive
Octopus Electronics LLC(3)	U.S.A. 1 May 2008	Registered capital of US$50,000	–	100%	–	–	Inactive
Space Wisdom Limited	B.V.I. 6 January 2010	1 ordinary share of US$1 each	–	–	–	100%	Inactive
Sino Achieve Limited	Hong Kong 9 November 2007	5,000,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding and trading

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 31 August	
			2007	2008	2009	2010	
Indirectly held (cont'd):							
Telefield Limited	Hong Kong 28 April 1989	20,000,000 ordinary shares of HK$1 each and 5,000,000 non-voting deferred shares of HK$1 each	100%	100%	100%	100%	Investment holding, Electronic Manufacturing Services for telecommunications, security, car electronics, home appliances, other consumer and industrial electronic products
Telefield Medical Devices Limited	Hong Kong 25 January 2010	1,000 ordinary shares of HK$1 each	–	–	–	100%	Inactive
Telefield NA Inc.	U.S.A. 26 December 2008	Share capital of US$2,000,000	–	100%	100%	100%	Trading of business telephone system
Telefield Technologies Limited (2)	Hong Kong 27 November 2007	10,000 ordinary shares of HK$1 each	–	60%	–	–	Trading of global positioning system and car electronic products
Telefield TrekStor S.a.r.l.	Luxembourg 29 October 2009	200 registered shares of EUR125 each	–	–	51%	51%	Investment holding and sub-licensing of trademark
Telefield Universal Limited (Formerly known as Good Creation International Limited)	Hong Kong 2 December 2008	15,600,000 ordinary shares of HK$1 each	–	100%	100%	100%	Investment holding and trading
TrekStor GmbH (Formerly known as Mainsee 646.VV GmbH)	Germany 9 September 2009	Share capital of EUR25,000	–	–	51%	51%	Assembling, marketing and distribution of "TrekStor" branded products such as portable storage devices and multimedia products
TrekStor Limited (Formerly known as Century Joiner Limited)	Hong Kong 8 September 2009	100 ordinary shares of HK$1 each	–	–	51%	51%	Holding of trademark and intellectual property, licensing of trademark
愛康科商貿(深圳)有限公司 Aiko Beauty (Shenzhen) Limited (4)	PRC 26 September 2006	Registered capital of HK$1,000,000	100%	100%	100%	100%	Trading of appliances

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 31 August	
			2007	2008	2009	2010	
惠州中慧電子有限公司 Huizhou Telefield Limited [(4)]	PRC 27 February 2008	Registered capital of HK$15,000,000	–	100%	100%	100%	Manufacture and sale of telecommunications and other products
廣州中慧電子有限公司 Guangzhou Telefield Limited [(4)]	PRC 27 October 1992	Registered capital of US$7,060,000	100%	100%	100%	100%	Manufacture of telecommunications and other products

(1): This subsidiary was dissolved on 31 July 2010 by way of member's voluntary winding up.

(2): These subsidiaries were disposed of to a related party during the year 2009 as set out in note 35(a) to the Financial Information.

(3): This subsidiary was dissolved on 10 December 2009 by way of member's voluntary winding up.

(4): English names for identification purpose.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Relevant Period, except for those disclosed below, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

HKFRS 3 (revised) Business Combinations and HKAS 27 (revised) Consolidated and Separate Financial Statements (Collectively, the "New Standards") were effective for annual periods beginning on or after 1 July 2009. The earliest financial reporting period for the Group to early adopt the New Standards is the year ended 31 December 2008. The Group has adopted the New Standards since 1 January 2008. Details of HKFRS 3 (revised) and HKAS 27 (revised) is set out in note 4(c) and 4(a) respectively.

For the year ended 31 December 2007, the Group has adopted the former HKFRS 3 and HKAS 27 for the purpose of preparation of this Financial Information. There is no material impact to the Group's financial position as at 31 December 2007 and results for the year ended 31 December 2007 if the New Standards were applied for the same financial period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of leasehold land and building and investments which are carried at their fair values.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information include the financial statements of the Group made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly, or indirectly, to the Company. Non-controlling interests are presented in the combined statement of financial position and combined statement of changes in equity within equity. Non-controlling interests are presented in the combined income statement and combined statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the period between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Merger accounting for business combination under common control

Pursuant to the sale and purchase agreement dated 31 December 2009, Telefield Holdings Limited acquired Aiko Products Limited and its subsidiaries (the "Aiko Group") from Vita Health Enterprises Limited (the "Acquisition"). Aiko Group was beneficially owned and jointly controlled by the Controlling Shareholders. The Acquisition was completed on 31 December 2009.

The Aiko Group is principally engaged in trading of electrical appliances, provision of consultancy and agency services.

As Telefield Holdings Limited and the Aiko Group were both controlled by the Controlling Shareholders before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the enlarged group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of Controlling Shareholders.

The combined income statements and statements of comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the group structure as at completion date of Acquisition had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (note 4(aa)) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the profit or loss on disposal.

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

(f) Fixed assets

Land and buildings comprise mainly warehouse and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

Revaluation increases of land and building are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and buildings, the attributable revaluation increase remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts over the estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold land and buildings	4%
Leasehold improvements	Over the lease term or 25%
Plant, machinery, moulds and tools	10% – 25%
Furniture and equipment	20%
Motor vehicles	20% – $33^{1}/_{3}$%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Intangible assets

Trademarks are measured initially at fair value upon business combination and are assessed to have indefinite useful lives. No amortisation should be charged to profit or loss. Useful lives should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the trademarks. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

License rights and customer relationship are measured initially at fair value upon business combination and amortised on straight-line basis over their estimated useful lives less impairment losses. Useful lives of license rights and customer relationship are as follows:

License rights	4.8 years
Customer relationship	6 years

The useful life of customer relationship of six years was estimated by the Company's management team upon business combination, based on their expected successful rate in retaining the acquirees' customers, and the prevailing general practice in the industry in estimating the expected useful life of customer relationship acquired in business combination.

(h) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's product development activity is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(l) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(m) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. 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 for specific financial liabilities and equity instruments are set out from note 4(p) to 4(t) to the Financial Information.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value though profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held-for-trading and those designated at fair value through profit or loss are recognised in profit or loss.

(s) Equity instruments

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

(t) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in profit or loss as they arise.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(v) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detail formal plan which is without realistic possibility of withdrawal.

(w) Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain management employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The issuance of fully vested equity instruments, or rights to equity instruments, is presumed to relate to past service, requiring the full amount of the grant-date fair value to be expensed immediately.

(x) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(y) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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, unused tax losses or unused tax credits 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 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 each 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, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives its significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

(vii) 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.

(aa) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstance indicate the carrying amount may not be recoverable.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ac) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Financial Information.

Split of land and building elements

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under fixed assets.

Legal title of certain intangible assets

The Group has acquired the "TrekStor" trademarks during the year ended 31 December 2009 as set out in note 35(b) to the Financial Information. As at the date of this report, none of the "TrekStor" trademarks have been registered under the Group's name. The Group is entitled to use the "TrekStor" trademarks (German Trademarks Nos. 908224 and 30726432 and the Community Trademarks Nos. 4913661, 3936184 and 6665863) and is entitled to grant sublicenses prior to the settlement of the outstanding purchase price. According to the TrekStor Transfer Agreement, the vendor still retains a lien on the "TrekStor" trademarks (German Trademarks Nos. 908224 and 30726432 and the Community Trademarks Nos. 4913661, 3936184 and 6665863) to secure the outstanding purchase price. Despite the above, the directors determine to recognise these trademarks as intangible assets, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling these trademarks.

(b) Key sources of estimation uncertainty

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

Fair value of certain assets, liabilities and equity-settled share-based payment involving valuation technique

During the Group's acquisitions of certain businesses as set out in note 35(b) to the Financial Information, valuation techniques were applied to determine the fair values of the acquired assets, liabilities and contingent liabilities. Furthermore, the fair value of derivative instruments, financial liabilities at fair value through profit or loss and equity-settled share-based payment as set out in note 23, note 31 and note 36 to the Financial Information respectively also involve valuation techniques. When applying valuation techniques, various subjective assumptions and generally accepted methodologies were used to derive the fair values. Any changes in these assumptions can significantly affect the estimate of the fair value of the underlying assets, liabilities and equity-settled share-based payment.

Fixed assets and depreciation

The Group's management determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of fixed assets

The Group assesses annually whether fixed assets have any indication of impairment in accordance with the accounting policy. The recoverable amounts of fixed assets have been determined based on value-in-use calculations. These calculation require the use of judgement and estimates.

Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful live of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with a finite useful life are reviewed by the management at least at the end of each reporting period.

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment of available-for-sale financial assets

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the financial information available from the unlisted equity investment. Details are set out in note 20 to the Financial Information.

Impairment of trade receivables

The Group makes impairment of trade receivables based on assessments of the recoverability of the trade receivables, including the current creditworthiness and/or the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debt requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will have impact on the carrying value of the trade and other receivables and doubtful debt expenses in the reporting period in which such estimate has been changed.

Product warranty provision

Product warrant provision of the Group is recognised based on past experience of level of repairs and returns, discounted to their present value as appropriate. Movement of the product warranty provision during the Relevant Period is set out in note 30 to the Financial Information.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. Should the final assessment of tax authorities were different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions of the Relevant Period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollar, Euro, Renminbi and Hong Kong dollar.

The following tables detail the Group's major exposure at the end of reporting period to foreign currency risk arising from recognised assets or liabilities denominated in respective foreign currency. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at the end of reporting periods.

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Denominated in United States Dollar				
Trade receivables	149,723	152,615	110,315	120,936
Deposits and other receivables	–	4,290	1,419	–
Bank and cash balances	3,975	46,939	36,554	59,713
Trade payables	(36,265)	(40,937)	(37,218)	(47,962)
Accruals and other payables	(12,487)	(21,756)	(24,872)	(9,424)
Bank borrowings	(32,169)	(29,185)	(5,522)	(6,722)
Amounts due from/(to) group companies	–	(6)	38,480	6,097
Total	72,777	111,960	119,156	122,638
Denominated in Renminbi				
Deposits and other receivables	–	–	987	384
Trade payables	(6,039)	(7,965)	(7,555)	(9,631)
Accruals and other payables	–	–	(1,842)	(1,660)
Amounts due from/(to) group companies	(118)	(25,094)	(19,306)	(23,982)
Total	(6,157)	(33,059)	(27,716)	(34,889)

	At 31 December 2007	2008	2009	At 31 August 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Denominated in European Dollar				
Trade receivables	–	–	–	199
Bank and cash balances	3	17	–	15
Trade payables	(653)	(445)	(795)	(908)
Amounts due from/(to) group companies	–	–	33,512	29,432
Total	(650)	(428)	32,717	28,738
Denominated in Hong Kong Dollar				
Bank and cash balances	–	4,066	669	3,002
Amounts due from/(to) group companies	58,247	42,471	51,453	63,645
Total	58,247	46,537	52,122	66,647

The following table indicates the instantaneous change in the Group's profit for the year/period and retained profits that would have been arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting periods had changed at those dates, assuming all other risk variables remained constant.

	At 31 December 2007		2008		2009		At 31 August 2010	
Foreign currency/ functional currency	Increase/ (decrease) in foreign exchange rates	*HK$'000*	Increase/ (decrease) in foreign exchange rates	*HK$'000*	Increase/ (decrease) in foreign exchange rates	*HK$'000*	Increase/ (decrease) in foreign exchange rates	*HK$'000*
United States Dollar/	1%	667	1%	1,025	1%	1,099	1%	1,299
Hong Kong Dollar	(1)%	(667)	(1)%	(1,025)	(1)%	(1,099)	(1)%	(1,299)
Renminbi/	5%	(2,466)	5%	(3,273)	5%	(3,243)	5%	(3,702)
Hong Kong Dollar	(5)%	2,466	(5)%	3,273	(5)%	3,243	(5)%	3,702
Euro/	10%	(60)	10%	(39)	10%	3,005	10%	2,650
Hong Kong Dollar	(10)%	60	(10)%	39	(10)%	(3,005)	(10)%	(2,650)

During eight months ended 31 August 2010, the Group has used derivative financial instruments to mitigate its risks associated with foreign currency fluctuations. The use of financial derivatives has been closely monitored by directors of the Company. The Group would choose financial institutions with high credit rating as counter party when using derivative financial instruments.

(b) Credit risk

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The carrying amount of the bank and cash balance, derivative financial instruments, trade receivables and other receivables and due from related companies included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has certain concentration of credit risk, as the Group's largest three debtors account for 76%, 59%, 48% and 54% of trade receivables as at 31 December 2007, 2008, 2009 and 31 August 2010, respectively.

In order to minimise credit risk, management have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The contractual maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 August 2010				
Trade payables	134,603	–	–	–
Accruals and other payables	111,288	–	–	–
Amounts due to related parties	71	–	–	–
Bank borrowings	70,562	–	–	–
Financial liabilities at fair value through profit or loss	7,397	8,231	12,828	–

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009				
Trade payables	107,116	–	–	–
Accruals and other payables	103,352	–	–	–
Amounts due to related parties	18,255	–	–	–
Bank borrowings	28,591	–	–	–
Financial liabilities at fair value through profit or loss	5,832	7,263	17,086	–

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008				
Trade payables	102,887	–	–	–
Accruals and other payables	71,261	–	–	–
Amounts due to related parties	5,852	–	–	–
Bank borrowings	49,082	–	–	–
Finance lease payables	633	–	–	–

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Trade payables	93,520	–	–	–
Accruals and other payables	46,019	–	–	–
Amounts due to related parties	4,168	–	–	–
Bank borrowings	51,503	–	–	–
Finance lease payables	2,298	637	–	–

Bank borrowings included certain bank loans that were expected by the Group management to be repayable twelve months or more after the end of each reporting period. The maturity analysis in respect of bank borrowings (with interest thereon) provided by the Group management incorporating the above expectation is as follows:

Bank borrowings	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 August 2010	58,497	8,963	4,223	–
At 31 December 2009	20,887	6,166	2,186	–
At 31 December 2008	44,382	3,730	1,627	–
At 31 December 2007	50,469	2,645	250	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

As at 31 December 2007, 2008 and 2009 and 31 August 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year/period and retained profits as follows:

Increase/(decrease) in interest rates	At 31 December 2007	2008	2009	At 31 August 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
100 basis points	(432)	8	139	(19)
(100) basis points	432	(8)	(139)	19

The sensitivity analysis above indicates the impact on the Group's profit for the year/period and retained profits that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the Relevant Period.

(e) Categories of the Group's financial instruments at end of each reporting period

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading	–	–	–	4,022
Loans and receivables (including cash and cash equivalents):				
Trade receivables	150,725	155,828	158,640	156,814
Deposits and other receivables	6,765	12,479	8,518	23,668
Amounts due from related parties	3,412	8,923	15	15
Bank and cash balances	12,627	76,267	68,622	109,020
	173,529	253,497	235,795	293,539
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Designated as such upon initial recognition	–	–	27,171	26,245
Financial liabilities at amortised cost:				
Trade payables	93,520	102,887	107,116	134,603
Accruals and other payables	46,019	71,261	103,352	111,288
Amounts due to related parties	4,168	5,852	18,255	71
Bank borrowings	51,503	49,082	28,591	70,562
	195,210	229,082	284,485	342,769

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009 and 31 August 2010:

At 31 December 2009

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities				
Financial liabilities at fair value through profit or loss:				
Contingent considerations *(note 35(b))*	–	27,171	–	27,171

At 31 August 2010

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through profit or loss:				
Derivative instruments	–	4,022	–	4,022
Liabilities				
Financial liabilities at fair value through profit or loss:				
Contingent considerations *(note 35(b))*	–	26,245	–	26,245

(f) Fair values

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

7. REVENUE

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Sales of goods	572,702	863,762	839,798	503,620	703,272
Others	339	81	183	82	150
	573,041	863,843	839,981	503,702	703,422
Net sales return arising from product warranty	(8,989)	(15,351)	(18,083)	(6,908)	(13,881)
	564,052	848,492	821,898	496,794	689,541

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

EMS	–	Electronic Manufacturing Services
Licensed Brand Business	–	Marketing and distribution of "RCA" branded SMB phone systems in the U.S.A. and Canada
Own Brand Business	–	Assembling, marketing and distribution of "TrekStor" branded products such as portable storage devices and multimedia products in Europe

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the Financial Information. Segment profits or losses do not include impairment loss on available-for-sale financial assets, impairment loss on amounts due from related parties, impairment loss on investment in an associate, reversal of impairment loss on amounts due from related companies, share of loss of an associate and gain on disposal of subsidiaries. Segment assets do not include amounts due from related parties. Segment liabilities do not include amounts due to related parties, bank loans and deferred tax liabilities for general operating purpose. Segment non-current assets do not include investment in an associate, available-for-sale financial assets and deferred tax assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(a) Information about reportable segment profit or loss, assets and liabilities:

	EMS	Licensed Brand Business	Own Brand Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Eight months ended 31 August 2010				
Revenue from external customers	468,673	104,562	116,306	689,541
Intersegment revenue	62,775	–	–	62,775
Segment profit/(loss)	67,516	2,444	(22,408)	47,552
Interest revenue	16	1	–	17
Interest expense	868	–	1,460	2,328
Depreciation and amortisation	8,242	4,448	453	13,143
Staff costs	79,180	3,681	23,926	106,787
Income tax expense/(credit)	7,522	1,731	(98)	9,155
Additions to segment non-current assets	9,086	22	48	9,156
As at 31 August 2010				
Segment assets	477,723	106,205	63,573	647,501
Segment liabilities	236,422	85,686	63,176	385,284

	EMS	Licensed Brand Business	Own Brand Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Eight months ended 31 August 2009				
Revenue from external customers	430,249	66,545	–	496,794
Intersegment revenue	47,306	–	–	47,306
Segment profit	61,823	5,486	–	67,309
Interest revenue	32	–	–	32
Interest expense	607	–	–	607
Depreciation and amortisation	7,030	3,297	–	10,327
Staff costs	61,294	2,465	–	63,759
Income tax expense	7,948	2,965	–	10,913
Discount on acquisitions *(note 35(b))*	–	2,436	–	2,436
Additions to segment non-current assets	8,337	35,195	–	43,532
As at 31 August 2009				
Segment assets	357,565	125,412	–	482,977
Segment liabilities	193,617	105,523	–	299,140

	EMS	Licensed Brand Business	Own Brand Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2009				
Revenue from external customers	681,876	117,367	22,655	821,898
Intersegment revenue	74,328	–	–	74,328
Segment profit/(loss)	84,328	4,956	(3,341)	85,943
Interest revenue	64	–	–	64
Interest expense	937	–	10	947
Depreciation and amortisation	11,151	5,507	120	16,778
Staff costs	103,306	6,074	10,598	119,978
Income tax expense/(credit)	10,506	2,252	(27)	12,731
Discount on acquisitions *(note 35(b))*	–	2,436	6,574	9,010
Additions to segment non-current assets	16,325	35,463	20,248	72,036
As at 31 December 2009				
Segment assets	378,028	113,781	62,470	554,279
Segment liabilities	194,625	98,085	59,501	352,211

	EMS	Licensed Brand Business	Own Brand Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008				
Revenue from external customers	848,492	–	–	848,492
Segment profit	62,853	–	–	62,853
Interest revenue	247	–	–	247
Interest expense	1,844	–	–	1,844
Depreciation and amortisation	11,845	–	–	11,845
Staff costs	103,171	–	–	103,171
Share of loss of an associate	17	–	–	17
Income tax expense	8,792	–	–	8,792
Impairment loss on available-for-sale financial assets	2,340	–	–	2,340
Impairment loss on amounts due from related companies	450	–	–	450
Additions to segment non-current assets	24,312	–	–	24,312
As at 31 December 2008				
Segment assets	363,968	–	–	363,968
Segment liabilities	195,013	–	–	195,013

	EMS HK$'000	Licensed Brand Business HK$'000	Own Brand Business HK$'000	Total HK$'000
Year ended 31 December 2007				
Revenue from external customers	564,052	–	–	564,052
Segment profit	18,300	–	–	18,300
Interest revenue	526	–	–	526
Interest expense	1,969	–	–	1,969
Depreciation and amortisation	8,989	–	–	8,989
Staff costs	70,736	–	–	70,736
Share of loss of an associate	297	–	–	297
Income tax expense	2,188	–	–	2,188
Additions to segment non-current assets	13,508	–	–	13,508
As at 31 December 2007				
Segment assets	277,511	–	–	277,511
Segment liabilities	145,002	–	–	145,002
Investment in associates	17	–	–	17

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Year ended 31 December			Eight months ended 31 August	
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2009 HK$'000 (unaudited)	2010 HK$'000
Revenue					
Total revenue of reportable segments	564,052	848,492	896,226	544,100	752,316
Elimination of intersegment revenue	–	–	(74,328)	(47,306)	(62,775)
Consolidated revenue	564,052	848,492	821,898	496,794	689,541

	Year ended 31 December			Eight months ended 31 August	
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2009 HK$'000 (unaudited)	2010 HK$'000
Profit or loss					
Total profit of reportable segments	18,300	62,853	85,943	67,309	47,552
Elimination of intersegment profits	–	–	(2,778)	(3,616)	(2,438)
Unallocated amounts:					
Impairment loss on available-for-sale financial assets	–	(2,340)	–	–	–
Impairment loss on amounts due from related parties	–	(450)	–	–	–
Impairment loss on investment in an associate	(1,462)	–	–	–	–
Reversal of impairment loss on amounts due from related companies	–	–	637	–	–
Share of loss of an associate	(297)	(17)	–	–	–
Gain on disposal of subsidiaries	–	–	1,596	784	–
Consolidated profit before tax	16,541	60,046	85,398	64,477	45,114

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Segment Assets					
Total assets of reportable segments	277,511	363,968	554,279	482,977	647,501
Elimination of intersegment receivables	–	–	(90,399)	(62,362)	(86,018)
Elimination of unrealised profits	–	–	(2,778)	(3,616)	(2,438)
Unallocated amounts:					
Amounts due from related parties *(note 24)*	3,412	8,923	15	11,587	15
Deferred tax assets	–	–	10,520	10,668	8,538
Investment in an associate	17	–	–	–	–
Consolidated total assets	280,940	372,891	471,637	439,254	567,598

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Segment Liabilities					
Total liabilities of reportable segments	145,002	195,013	352,211	299,140	385,284
Elimination of intersegment payables	–	–	(90,399)	(62,362)	(86,018)
Unallocated amounts:					
Amounts due to related parties *(note 27)*	4,168	5,852	18,255	2,224	71
Bank borrowings	51,503	49,082	28,591	26,928	70,562
Finance lease payables	2,817	622	–	–	–
Deferred tax liabilities	1,963	1,923	17,109	14,360	14,986
Consolidated total liabilities	205,453	252,492	325,767	280,290	384,885

(c) Geographical information:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue					
Americas	196,502	390,418	319,136	194,176	217,587
Europe	90,069	210,971	267,687	162,302	323,048
Asia-Pacific and Japan	277,481	247,103	235,075	140,316	148,906
Consolidated total	564,052	848,492	821,898	496,794	689,541

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Non-current assets					
Americas	–	–	29,956	31,899	25,530
Europe	–	–	19,631	–	17,062
Asia-Pacific and Japan	41,635	51,673	56,742	52,979	57,511
Consolidated total	41,635	51,673	106,329	84,878	100,103

In presenting the geographical information, revenue is based on the locations of the customers.

(d) Revenue from major customers:

An analysis of revenue from major customers which account for over 10 percent or more of the Group's revenue is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
EMS segment					
Customer a	161,714	216,828	N/A	N/A	N/A
Customer b	161,625	139,236	158,526	97,145	94,191
Customer c	78,347	86,680	N/A	N/A	N/A
Customer d	N/A	111,344	N/A	65,004	N/A
Customer e	N/A	104,981	235,882	138,273	228,389
Own Brand Business segment					
Customer f	N/A	N/A	N/A	N/A	85,973

9. OTHER INCOME

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Bank interest income	526	247	64	32	17
Discount on acquisitions *(note 35(b))*	–	–	9,010	2,436	–
Gains on derivative instruments	–	–	–	–	2,453
Fair value gain on derivative instruments	–	–	–	–	1,027
Reversal of allowance for receivables, net *(note 22)*	–	–	–	223	204
Sales of scrap materials	1,070	1,625	1,184	–	61
Others	4,040	1,947	2,113	1,939	2,100
	5,636	3,819	12,371	4,630	5,862

The discount on acquisitions represent non-recurring gain of bargain purchase arising on business combinations as set out in note 35(b) to the Financial Information.

10. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank overdraft interest	–	11	5	–	–
Bank loans interest	440	407	556	349	789
Finance lease interest	291	98	11	11	–
Interest on import/export loans	1,018	991	355	235	230
Interest on factoring loans	220	337	20	12	1,309
	1,969	1,844	947	607	2,328

11. INCOME TAX EXPENSE

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax – Hong Kong Profits Tax					
Provision for the year	1,123	5,880	10,918	9,174	5,499
Under/(over)-provision in prior years	27	266	(20)	(20)	–
	1,150	6,146	10,898	9,154	5,499
Current tax – Overseas					
Provision for the year	829	2,728	2,257	1,546	3,395
(Over)/under-provision in prior years	–	(42)	–	–	16
	829	2,686	2,257	1,546	3,411
Deferred tax *(note 32)*	209	(40)	(424)	213	245
	2,188	8,792	12,731	10,913	9,155

Hong Kong Profits Tax has been provided at a rate of 17.5% based on the estimated assessable profit for the year ended 31 December 2007. Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the years ended 31 December 2008 and 2009.

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the eight months ended 31 August 2009 and 2010.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before tax	16,541	60,046	85,398	64,477	45,114
Hong Kong Profits Tax rate	17.5%	16.5%	16.5%	16.5%	16.5%
Tax at the domestic income tax rate	2,895	9,908	14,091	10,639	7,444
Tax effect of income that is not taxable	(88)	(79)	(1,809)	(99)	(763)
Tax effect of expenses that are not deductible	1,331	2,891	6,781	5,432	2,319
Tax effect of temporary differences not recognised	(1,140)	(329)	342	372	347
Tax effect of offshore profits that are not taxable	(1,135)	(5,280)	(9,079)	(6,990)	(5,513)
Under/(over)-provision in prior years	27	224	(20)	(20)	16
Tax effect of unused tax losses not recognised	18	860	2,266	662	3,188
Effect of different tax rates of subsidiaries	280	597	159	917	2,117
Income tax expense	2,188	8,792	12,731	10,913	9,155

12. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period is stated after charging/(crediting) the following:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Impairment loss on available-for-sale financial assets	–	2,340	–	–	–
Impairment loss on amounts due from related companies	–	450	–	–	–
Impairment loss on investment in an associate	1,462	–	–	–	–
Reversal of impairment loss on amounts due from related companies	–	–	(637)	–	–
Amortisation of intangible assets (included in selling and distribution expenses)	–	–	5,564	3,278	4,729
Auditor's remuneration	241	412	801	56	488
Allowance for receivables, net *(note 22)*	1,740	913	239	–	–
Reversal of allowance for receivables, net *(note 22)*	–	–	–	(223)	(204)
Cost of goods sold *(Note (i))*					
Cost of inventories sold	497,462	711,245	634,472	383,825	537,920
Allowance for inventories	8,286	7,170	10,077	–	7,450
Reversal of allowance for inventories *(Note (ii))*	(7,951)	(6,253)	(10,383)	(3,150)	(8,294)
	497,797	712,162	634,166	380,675	537,076
Depreciation	8,989	11,845	11,214	7,049	8,414
Directors' emoluments					
As directors	–	–	–	–	–
For management	5,339	8,478	8,800	4,179	4,373
	5,339	8,478	8,800	4,179	4,373
Research and development expenditure *(Note (iii))*	10,997	17,129	18,816	9,392	11,930
Exchange losses, net	516	2,777	998	2,033	3,498
Fair value gain on derivative instruments	–	–	–	–	(1,027)
Fair value loss on financial liabilities at fair value through profit or loss	–	–	711	711	2,689
Loss on disposal of fixed assets	–	1,664	2,294	–	7
Operating lease charges					
Land and buildings	5,027	7,588	9,316	5,867	7,653
Staff costs including directors' emoluments					
Salaries, bonus and allowances	66,059	96,155	109,836	59,697	102,044
Equity-settled share-based payments (included in other operating expenses)	–	–	2,738	–	–
Retirement benefit scheme contributions	4,677	7,016	7,404	4,062	4,743
	70,736	103,171	119,978	63,759	106,787

Notes:

(i) During the years ended 31 December 2007, 2008 and 2009 and eight months ended 31 August 2010, cost of goods sold includes approximately HK$48,216,000, HK$70,951,000, HK$66,079,000 and HK$60,501,000 respectively relating to staff costs and depreciation, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The Group make allowance for raw materials aged more than 9 months. The reversal of such allowance represent the amount of raw materials subsequently used in production.

(iii) During the years ended 31 December 2007, 2008 and 2009 and eight months ended 31 August 2010, research and development includes approximately HK$9,815,000, HK$13,967,000, HK$16,184,000 and HK$10,773,000 respectively relating to staff costs, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

13. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The emoluments of each of the Company's director were as follows:

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Eight months ended 31 August 2010					
Mr. Cheng Han Ngok, Steve	–	1,482	68	–	1,550
Mr. Lee Kai Bon	–	716	33	–	749
Mr. Ng Kim Yuen	–	823	38	–	861
Mr. Poon Ka Lee, Barry	–	564	8	–	572
Madam Fok Pui Yin	–	613	28	–	641
Total	–	4,198	175	–	4,373
Eight months ended 31 August 2009 (unaudited)					
Mr. Cheng Han Ngok, Steve	–	1,466	68	–	1,534
Mr. Lee Kai Bon	–	644	29	–	673
Mr. Ng Kim Yuen	–	770	35	–	805
Mr. Poon Ka Lee, Barry	–	640	8	–	648
Madam Fok Pui Yin	–	496	23	–	519
Total	–	4,016	163	–	4,179
Year ended 31 December 2009					
Mr. Cheng Han Ngok, Steve	–	2,335	102	1,000	3,437
Mr. Lee Kai Bon	–	1,064	46	345	1,455
Mr. Ng Kim Yuen	–	1,253	54	410	1,717
Mr. Poon Ka Lee, Barry	–	745	7	220	972
Madam Fok Pui Yin	–	838	36	345	1,219
Total	–	6,235	245	2,320	8,800

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Mr. Cheng Han Ngok, Steve	–	2,154	99	1,838	4,091
Mr. Lee Kai Bon	–	1,012	43	482	1,537
Mr. Ng Kim Yuen	–	1,166	49	539	1,754
Mr. Poon Ka Lee, Barry	–	–	–	237	237
Madam Fok Pui Yin	–	438	16	405	859
Total	–	4,770	207	3,501	8,478
Year ended 31 December 2007					
Mr. Cheng Han Ngok, Steve	–	2,066	95	523	2,684
Mr. Lee Kai Bon	–	972	41	114	1,127
Mr. Ng Kim Yuen	–	1,099	46	197	1,342
Mr. Poon Ka Lee, Barry	–	–	–	–	–
Madam Fok Pui Yin	–	50	–	136	186
Total	–	4,187	182	970	5,339

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Period.

(b) Five highest paid individuals' remuneration

The five highest paid individuals in the Group during the year included 3, 3, 4 and 1 directors for the years ended 31 December 2007, 2008, 2009 and eight months ended 31 August 2010 respectively. Details of those emoluments have been disclosed above. Details of the remuneration of the remaining highest paid individuals during the Relevant Period are set out below:

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and allowances	1,305	1,270	1,110	1,432	4,004
Discretionary bonus	38	160	81	–	–
Retirement benefit scheme contributions	41	23	12	8	129
	1,384	1,453	1,203	1,440	4,133

The number of highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
				(unaudited)	
Nil to HK$1,000,000	2	2	–	2	2
HK$1,000,001 to HK$1,500,000	–	–	1	–	2

No remunerations were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rate specified in the rules. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

Eligible employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The subsidiaries of the Group incorporated in the U.S.A. and Germany make monthly contribution to the social security fund managed by respective relevant authorities, which undertake the retirement obligations of the Group's employees in the U.S.A. and Germany. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contributions payable are charged as an expense to the combined income statements as and when incurred.

15. DIVIDENDS

		Year ended 31 December			Eight months ended 31 August	
		2007	2008	2009	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Proposed final	*(a)*	10,000	19,000	–	–	–
Interim	*(b)*	–	–	33,500	15,000	–
		10,000	19,000	33,500	15,000	–

(a) A final dividend of HK$24.39 per ordinary share of Telefield Holdings Limited was proposed for the year ended 31 December 2007 and was paid to its then shareholder in 2008. A final dividend of HK$46.34 per ordinary share of Telefield Holdings Limited was proposed for the year ended 31 December 2008 and was paid to its then shareholder in 2009.

(b) The first interim dividend for 2009 of HK$36.59 per ordinary share of Telefield Holdings Limited, totaling HK$15,000,000 was declared and distributed to its then shareholder in 2009. The second interim dividend for 2009 of HK$45.12 per ordinary share of Telefield Holdings Limited, totaling HK$18,500,000 was declared in 2009 and subsequently paid in 2010.

16. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the Relevant Period is based on the combined profit attributable to the owners of the Company for each of the Relevant Period and 400,000,000 shares as if the total number of shares just after the completion of placing and public offering had been in issue throughout the Relevant Period.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the Relevant Period.

17. FIXED ASSETS

Group

	Land and buildings	Leasehold improvements	Plant, machinery, moulds and tools	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 January 2007	8,300	7,429	78,365	5,979	319	100,392
Additions	–	998	11,013	1,064	433	13,508
Exchange differences	–	353	3,245	198	20	3,816
At 31 December 2007 and 1 January 2008	8,300	8,780	92,623	7,241	772	117,716
Additions	–	3,443	18,963	1,154	752	24,312
Elimination of accumulated depreciation	(664)	–	–	–	–	(664)
Surplus on revaluation	64	–	–	–	–	64
Disposals	–	(1,359)	(13,747)	(628)	(351)	(16,085)
Exchange differences	–	413	2,944	208	25	3,590
At 31 December 2008 and 1 January 2009	7,700	11,277	100,783	7,975	1,198	128,933
Business combination *(note 35(b))*	–	–	–	570	–	570
Additions	–	1,303	14,231	1,057	212	16,803
Elimination of accumulated depreciation	(308)	–	–	–	–	(308)
Surplus on revaluation	2,508	–	–	–	–	2,508
Disposals	–	(7,013)	(20,318)	(2,054)	–	(29,385)
Disposal of subsidiary	–	–	(340)	(100)	–	(440)
Exchange differences	–	–	–	(13)	–	(13)
At 31 December 2009 and 1 January 2010	9,900	5,567	94,356	7,435	1,410	118,668
Additions	–	2,626	5,447	1,083	–	9,156
Disposals	–	–	–	–	(100)	(100)
Exchange differences	–	–	–	(73)	–	(73)
At 31 August 2010	9,900	8,193	99,803	8,445	1,310	127,651

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant, machinery, moulds and tools *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Accumulated depreciation						
At 1 January 2007	–	6,339	52,809	4,266	264	63,678
Charge for the year	332	830	6,826	914	87	8,989
Exchange differences	–	326	2,940	128	20	3,414
At 31 December 2007 and 1 January 2008	332	7,495	62,575	5,308	371	76,081
Charge for the year	332	635	9,774	779	325	11,845
Elimination on revaluation	(664)	–	–	–	–	(664)
Written back on disposal	–	(1,152)	(11,253)	(376)	(316)	(13,097)
Exchange differences	–	309	2,640	131	15	3,095
At 31 December 2008 and 1 January 2009	–	7,287	63,736	5,842	395	77,260
Charge for the year	308	1,280	8,426	781	419	11,214
Elimination on revaluation	(308)	–	–	–	–	(308)
Written back on disposal	–	(5,962)	(19,868)	(1,235)	–	(27,065)
Disposal of subsidiary	–	–	(112)	(34)	–	(146)
Exchange differences	–	–	–	–	–	–
At 31 December 2009 and 1 January 2010	–	2,605	52,182	5,354	814	60,955
Charge for the period	264	635	6,802	475	238	8,414
Written back on disposal	–	–	–	–	(25)	(25)
Exchange differences	–	–	–	(7)	–	(7)
At 31 August 2010	264	3,240	58,984	5,822	1,027	69,337
Carrying amount						
At 31 August 2010	9,636	4,953	40,819	2,623	283	58,314
At 31 December 2009	9,900	2,962	42,174	2,081	596	57,713
At 31 December 2008	7,700	3,990	37,047	2,133	803	51,673
At 31 December 2007	7,968	1,285	30,048	1,933	401	41,635

The analysis of the cost or valuation at 31 August 2010 of the above assets is as follows:

	Land and buildings	Leasehold improvements	Plant, machinery, moulds and tools	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	8,193	99,803	8,445	1,310	117,751
At valuation	9,900	–	–	–	–	9,900
	9,900	8,193	99,803	8,445	1,310	127,651

The analysis of the cost or valuation at 31 December 2009 of the above assets is as follows:

At cost	–	5,567	94,356	7,435	1,410	108,768
At valuation	9,900	–	–	–	–	9,900
	9,900	5,567	94,356	7,435	1,410	118,668

The analysis of the cost or valuation at 31 December 2008 of the above assets is as follows:

At cost	–	11,277	100,783	7,975	1,198	121,233
At valuation	7,700	–	–	–	–	7,700
	7,700	11,277	100,783	7,975	1,198	128,933

The analysis of the cost or valuation at 31 December 2007 of the above assets is as follows:

At cost	–	8,780	92,623	7,241	772	109,416
At valuation	8,300	–	–	–	–	8,300
	8,300	8,780	92,623	7,241	772	117,716

The Group's land and buildings are situated in Hong Kong and are held under medium term leases.

The Group's land and buildings were revalued at 31 December 2008 and 2009 on the open market value basis by reference to market evidence of recent transactions for similar properties by Colliers International (HK) Limited, an independent firm of professional valuers.

The carrying amount of land and buildings at 31 December 2007, 2008, 2009 and 31 August 2010 would have been approximately HK$5,886,000, HK$5,552,000, HK$5,218,000 and HK$4,995,000 had they been stated at cost less accumulated depreciation and impairment losses respectively.

The carrying amount of plant and machinery held by the Group under finance leases amounted to approximately HK$5,489,000, HK$4,799,000, HK$Nil and HK$Nil at 31 December 2007, 2008, 2009 and 31 August 2010 respectively.

18. INTANGIBLE ASSETS

Group

	Trademarks *HK$'000*	Licence rights *HK$'000*	Customer relationship *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2009	–	–	–	–
Business combination	16,013	21,361	17,289	54,663
Exchange differences	(397)	–	(89)	(486)
At 31 December 2009 and 1 January 2010	15,616	21,361	17,200	54,177
Exchange differences	(1,734)	–	(388)	(2,122)
At 31 August 2010	13,882	21,361	16,812	52,055
Accumulated amortisation				
At 1 January 2009	–	–	–	–
Amortisation for the year	–	3,560	2,004	5,564
Exchange differences	–	–	(3)	(3)
At 31 December 2009 and 1 January 2010	–	3,560	2,001	5,561
Amortisation for the period	–	2,848	1,881	4,729
Exchange differences	–	–	(24)	(24)
At 31 August 2010	–	6,408	3,858	10,266
Carrying amount				
At 31 August 2010	13,882	14,953	12,954	41,789
At 31 December 2009	15,616	17,801	15,199	48,616

All the intangible assets above have been acquired by the Group in business combinations (note 35(b)) occurred during the year 2009.

The Group's trademarks protect the design and specification of the Group's "TrekStor" trade logo, and were assessed to have indefinite useful lives. (Note 5(a))

License rights represent the right to use the "RCA" trademark in trading of certain manufactured business phones in the United States and Canada. The amortisation period of the license rights is 4.8 years.

Customer relationship represents the future economic benefit to the Group arising from regular contact between individual customer and the business entity before business combination. The amortising period of customer relationship is 6 years.

19. INVESTMENT IN AN ASSOCIATE

Group

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments in Hong Kong:			
Share of net assets	17	–	N/A
Goodwill	1,462	1,462	N/A
	1,479	1,462	N/A
Impairment losses	(1,462)	(1,462)	N/A
	17	–	N/A

Details of the Group's associate at 31 December 2007 and 2008 are as follows:

Name	**Place of incorporation/ registration**	**Issued and paid up capital**	**Percentage of ownership interest/voting power/profit sharing**	**Principal activities**
Colisa Limited	Hong Kong	Issued and fully paid capital of HK$252,960	30%	Research, design and development of medical devices

The 30% equity interest in Colisa Limited was disposed of to a fellow subsidiary, in which Mr. Cheng Han Ngok, Steve, Mr. Lee Kai Bon, Mr. Ng Kim Yuen, Mr. Poon Ka Lee, Barry and Madam Fok Pui Yin have beneficial interests, on 30 December 2009.

Summarised financial information in respect of the Group's associate is set out below:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	342	44	N/A
Total liabilities	(295)	(1,035)	N/A
Net assets	47	(991)	N/A
Group's share of associate's net assets	17	–	N/A

	For the year ended 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Total revenue	9	18	30
Total loss for the year	(1,826)	(1,038)	(52)
Group's share of loss of associate for the year – recognised in combined income statement	(297)	(17)	Nil
– not recognised in combined income statements	Nil	(295)	(16)
Group's share of accumulated losses of associate not recognised in combined income statements	Nil	(295)	(311)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	At 31 December			As at 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity securities, at cost	2,000	4,340	4,340	4,340
Less: Impairment loss	(2,000)	(4,340)	(4,340)	(4,340)
	–	–	–	–

The Group has 11.46% equity interest in Ades Technology Limited which is a private limited company incorporated in Hong Kong at 31 December 2007, 2008, 2009 and 31 August 2010.

The Group has 2.19%, 2.10% and 2.10% equity interest in Touch Media International Holdings, which is a private company incorporated in the Cayman Islands at 31 December 2008, 2009 and 31 August 2010 respectively.

21. INVENTORIES

Group

	At 31 December			As at 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	32,755	37,185	51,535	68,006
Work in progress	21,983	13,848	14,077	32,865
Finished goods	10,611	6,640	39,153	47,512
Goods in transit	–	8,561	8,041	7,565
	65,349	66,234	112,806	155,948

22. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. During the Relevant Period, the credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The Group's aging analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	139,167	137,738	157,438	146,905
91 to 180 days	11,558	18,090	1,202	3,741
181 to 365 days	–	–	–	6,167
Over 365 days	–	–	–	1
	150,725	155,828	158,640	156,814

As at 31 December 2007, 2008 and 2009 and 31 August 2010, trade receivables of HK$44.9 million, HK$30.0 million, HK$Nil and HK$Nil were pledged to a bank to secure factoring loan facilities as set out in note 28 to the Financial Information.

Reconciliation of allowance for trade receivables during the Relevant Period is set out below:

	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of reporting period	–	1,740	2,653	2,892
Allowance for the year/period	1,740	1,247	462	–
Reversal	–	(334)	(223)	(204)
At end of reporting period	1,740	2,653	2,892	2,688

As at 31 December 2007, 2008 and 2009 and 31 August 2010, trade receivables of approximately HK$30,641,000, HK$25,353,000, HK$23,894,000 and HK$40,803,000 were past due but not impaired. These relate to a number of independent customers. An aging analysis of these trade receivables is as follows:

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 3 months	29,993	24,364	22,750	35,109
Over 3 months	648	989	1,144	5,694
	30,641	25,353	23,894	40,803

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollars	150,689	152,615	134,514	142,425
Hong Kong dollars	36	219	44	68
Renminbi	–	2,994	2,843	4,212
Euro	–	–	19,860	9,328
Others	–	–	1,379	781
Total	150,725	155,828	158,640	156,814

23. DERIVATIVE INSTRUMENTS

	At 31 August 2010 HK$'000
Currency option, at fair value	4,022

The Group utilises the currency option to mitigate currency exposure of loan to subsidiary denominated in foreign currency. The currency option enabled the Group to have short position in Euro and long position in USD. The contract amount of the option is USD4,320,000.

At 31 August 2010, the fair value of the Group's currency option is estimated to be approximately HK$4,022,000. The currency option is recognised at purchase cost and is measured at its fair value at the end of each reporting period subsequently. The fair value is estimated using Black-Scholes Options Pricing Model and is based on the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuer. The key assumptions used is as follows:

	At 31 August 2010
Spot exchange rate (Euro/USD)	1.27
Strike exchange rate (Euro/USD)	1.44
Expected volatility	13.75%
Time to expiration	0.35 years
Euro risk free rate	0.56%
USD risk free rate	0.23%

24. AMOUNTS DUE FROM RELATED PARTIES

Group

		At 31 December			At 31 August
		2007	2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from Dragon Fortune	*(a)*	2,944	8,836	–	–
Due from a fellow subsidiary	*(a)*	45	–	–	–
Due from an associate	*(a)*	–	38	–	–
Due from related companies	*(b)*	423	25	15	15
Due from a director	*(c)*	–	24	–	–
		3,412	8,923	15	15

(a) The amounts due from Dragon Fortune, a fellow subsidiary and an associate are unsecured, interest-free and have no fixed repayment terms.

(b) Amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Name of directors having beneficial interest	At 1 January 2007	At 31 December 2007	At 31 December 2008	At 31 December 2009	At 31 August 2010	Maximum amount outstanding during the year/period ended 31 December 2007	31 December 2008	31 December 2009	31 August 2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cyber Team Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	–	331	–	–	–	651	637	–	–
Asia Pacific Information Network Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	–	75	–	–	–	75	75	–	–
Vita Health Enterprise Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	17	17	25	15	15	17	25	25	15
		17	423	25	15	15				

The amounts due from related companies are unsecured, interest free and has no specific repayment terms.

(c) Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Terms of loan	At 1 January 2007	At 31 December 2007	At 31 December 2008	At 31 December 2009	At 31 August 2010	Maximum amount outstanding during the year/period ended 31 December 2007	31 December 2008	31 December 2009	31 August 2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Cheng Han Ngok, Steve	Unsecured, repayable on demand and interest-free	–	–	24	–	–	–	152	83	–

25. BANK AND CASH BALANCES

The Group's cash and cash equivalent are as follows:

		At 31 December		At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash on hand	335	594	207	126
Cash at bank	12,292	75,673	68,415	108,894
Cash and cash equivalents in the combined cash flow statements	12,627	76,267	68,622	109,020

The Group's bank and cash balances are denominated in the following currencies:

		At 31 December		At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar	3,770	46,939	40,392	60,966
Hong Kong dollar	5,555	21,989	21,202	39,860
Renminbi	3,295	7,318	4,604	6,273
Euro	3	17	2,419	1,919
Others	4	4	5	2
	12,627	76,267	68,622	109,020

Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE PAYABLES

The aging analysis of the Group's trade payables, based on invoice date, is as follows:

		At 31 December		At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 90 days	92,043	98,827	103,744	125,580
91 – 180 days	1,005	3,017	2,577	7,143
181 – 365 days	215	612	–	729
Over 365 days	257	431	795	1,151
	93,520	102,887	107,116	134,603

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000
United States dollar	36,265	40,937	37,218	47,962
Hong Kong dollar	50,291	53,086	59,148	69,882
Renminbi	6,155	8,410	9,563	14,749
Euro	653	445	1,185	2,010
Others	156	9	2	–
Total	93,520	102,887	107,116	134,603

27. AMOUNTS DUE TO RELATED PARTIES

Group

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Due to related companies	4,153	4,856	–	–
Due to a director	15	498	–	17
Due to a fellow subsidiary	–	–	–	54
Due to Dragon Fortune	–	–	18,255	–
Due to non-controlling interest shareholder	–	498	–	–
	4,168	5,852	18,255	71

The amounts due to a director, related companies, a fellow subsidiary, Dragon Fortune and non-controlling interest shareholder are unsecured, interest-free and have no fixed repayment terms.

28. BANK BORROWINGS

Group

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans	5,799	11,073	16,146	60,918
Import/export loans	26,485	15,599	12,445	9,644
Factoring loans	19,219	22,410	–	–
	51,503	49,082	28,591	70,562

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

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 August 2010				
Bank loans	41,582	–	19,336	60,918
Import/export loans	2,922	6,722	–	9,644
	44,504	6,722	19,336	70,562

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009				
Bank loans	16,146	–	–	16,146
Import/export loans	6,923	5,522	–	12,445
	23,069	5,522	–	28,591

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008				
Bank loans	11,073	–	–	11,073
Import/export loans	8,824	6,775	–	15,599
Factoring loans	–	22,410	–	22,410
	19,897	29,185	–	49,082

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Bank loans	5,799	–	–	5,799
Import/export loans	13,535	12,950	–	26,485
Factoring loans	–	19,219	–	19,219
	19,334	32,169	–	51,503

The average interest rates at the end of each reporting period were as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
Bank loans	6.0%	4.4%	3.1%	3.0%
Import/export loans	6.1%	4.5%	2.8%	2.9%
Factoring loans	5.5%	1.7%	N/A	N/A

All bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at the end of each reporting period, the Group's bank borrowings were secured by the followings:

(i) Corporate guarantee of Telefield Holdings Limited;

(ii) Corporate guarantee of Telefield Limited and Telefield Medical Devices Limited as at 31 August 2010;

(iii) Personal guarantee of a director of the Group;

(iv) Government guarantee of the Hong Kong Special Administrative Region up to HK$7.2 million as at 31 December 2009 and 31 August 2010; and

(v) Certain sets of machinery with carrying amount of approximately HK$5.5 million, HK$4.8 million as at 31 December 2007 and 2008 respectively.

During eight months ended 31 August 2010, the Group has breached certain covenant clauses of a bank loan agreement in relation to the maintenance of the net leverage ratio and consolidated tangible net worth of the Group (note 33). As a result, the bank loan of approximately HK$16.7 million is subject to an early repayment option by the bank. Such bank loan is reclassified as current liability as at 31 August 2010. On 7 July 2010, the bank agreed to waive the breach of convents covering the period from 27 January 2010 to 31 August 2010 retrospectively. Subsequently, the bank loan was fully repaid on 8 September 2010.

29. FINANCE LEASE PAYABLES

Group

	Minimum lease payments				Present value of minimum lease payments			
	At 31 December			At 31 August	At 31 December			At 31 August
	2007	2008	2009	2010	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,298	633	–	–	2,195	622	–	–
In the second to fifth years, inclusive	637	–	–	–	622	–	–	–
	2,935	633	–	–	2,817	622	–	–
Less: Future finance charges	(118)	(11)	–	–	N/A	N/A	N/A	N/A
Present value of lease obligations	2,817	622	–	–	2,817	622	–	–
Less: Amount due for settlement within 12 months (shown under current liabilities)					(2,195)	(622)	–	–
Amount due for settlement after 12 months					622	–	–	–

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. The average effective borrowing rates were 6.63%, 4.75% at 31 December 2007 and 2008 respectively. All finance lease payables are arranged at floating rates thus expose the Group to cash flow interest rate risk and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in Hong Kong dollars and were secured by the same as disclosed under note 28(i), (iii) and (v) (bank borrowings) to the Financial Information.

30. PRODUCT WARRANTY PROVISION

The movement in the Group's product warranty provision are analysed as follows:

	Year ended 31 December			Eight months ended 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	2,448	4,103	12,836	12,968
Provision arising from business combinations *(note 35(b))*	–	–	8,149	–
Provision used	(2,135)	(2,139)	(16,709)	(10,449)
Unused provision reversed	(313)	(1,964)	(4,276)	(1,075)
Additional provision	4,103	12,836	13,087	10,897
Exchange differences	–	–	(119)	(437)
At 31 December/ 31 August	4,103	12,836	12,968	11,904

The Group has committed to repurchase its products from or offer replacement of its products to certain distributors when these distributors receive returned goods from unsatisfied ultimate consumers. Such kind of provision for product warranties granted by the Group are recognised base on past experience of level of repairs and returns, discounted to their present value as appropriate.

Surge in provision made in 2008 mainly because of (1) special provision of approximately HK$5 million for the additional possible product return in US market resulted from the subprime mortgage crisis; and (2) quality provision of approximately HK$4.9 million for a specific product model. Besides, upon business combination of Licensed Brand Business in early 2009, approximately HK$8.1 million of provision was acquired. Most of the abovementioned provisions have been utilitised in 2009.

After the business combinations (note 35(b)) in 2009, additional product warranty provision of HK$6.9 million and HK$4.2 million were made for the Licensed Brand Business and Own Brand Business respectively.

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has acquired two businesses as set out in note 35(b) during the year ended 31 December 2009. Part of the considerations were contingent considerations and had been valued at fair value upon completion of respective acquisitions. Details of the contingent considerations are as follows:

	Licensed Brand Business	Own Brand Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Upon acquisition, at fair value	29,295	1,988	31,283
Settlement during the period	(4,774)	–	(4,774)
Change of fair value during the period	711	–	711
Exchange differences	–	(49)	(49)
At 31 December 2009	25,232	1,939	27,171
Settlement during the period	(3,326)	–	(3,326)
Change of fair value during the period	704	1,985	2,689
Exchange differences	–	(289)	(289)
At 31 August 2010	22,610	3,635	26,245
At 31 December 2009			
Current liabilities	5,692	–	5,692
Non-current liabilities	19,540	1,939	21,479
	25,232	1,939	27,171
At 31 August 2010			
Current liabilities	7,221	–	7,221
Non-current liabilities	15,389	3,635	19,024
	22,610	3,635	26,245

The contingent consideration for Licensed Brand Business is based on certain percentage of net sales of Telefield NA Inc. for the calendar year 2009 to 2013 with annual minimum guaranteed amount increased progressively throughout the five calendar years.

The contingent consideration for Own Brand Business is based on 20% of accumulated consolidated taxable profit of TrekStor GmbH and TrekStor Limited for the five years after acquisition or 10% of yearly consolidated taxable profit of TrekStor GmbH and TrekStor Limited for the five years after acquisition, whichever is higher. The total contingent consideration for Own Brand Business is capped at EUR500,000.

The fair values of both contingent considerations at date of acquisitions, 31 December 2009 and 31 August 2010 are based on valuation results of Grant Sherman Appraisal Limited, an independent firm of professional valuer. The discount rates used in the valuations of the branded businesses were as follows:

	At date of acquisitions	At 31 December 2009	At 31 August 2010
Licensed Brand Business	5.0%	5.0%	5.0%
Own Brand Business	3.8%	3.8%	2.7%

32. DEFERRED TAX

Group

	Accelerated tax depreciation *HK$'000*	Valuation of intangible assets *HK$'000*	Valuation of contingent considerations *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2007	(1,754)	–	–	–	(1,754)
Credit/(charge) to profit or loss for the year *(note 11)*					
– origination and reversal of temporary differences	(209)	–	–	–	(209)
Exchange differences	–	–	–	–	–
At 31 December 2007 and 1 January 2008	(1,963)	–	–	–	(1,963)
Credit/(charge) to profit or loss for the year *(note 11)*					
– origination and reversal of temporary differences	40	–	–	–	40
Exchange differences	–	–	–	–	–
At 31 December 2008 and 1 January 2009	(1,923)	–	–	–	(1,923)
Business combinations *(note 35(b))*	–	(17,296)	11,286	831	(5,179)
Credit/(charge) to profit or loss for the year *(note 11)*					
– origination and reversal of temporary differences	(137)	2,158	(1,108)	(489)	424
Exchange differences	–	89	–	–	89
At 31 December 2009 and 1 January 2010	(2,060)	(15,049)	10,178	342	(6,589)
Credit/(charge) to profit or loss for the period *(note 11)*					
– origination and reversal of temporary differences	(22)	1,759	(2,276)	294	(245)
Exchange differences	–	386	–	–	386
At 31 August 2010	(2,082)	(12,904)	7,902	636	(6,448)

The following is the analysis of the deferred tax balances for combined statement of financial position purposes:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	–	–	10,520	8,538
Deferred tax liabilities	(1,963)	(1,923)	(17,109)	(14,986)
	(1,963)	(1,923)	(6,589)	(6,448)

At 31 December 2007, 2008, 2009 and 31 August 2010 the Group has unused tax losses of approximately HK$0.1 million, HK$5.4 million, HK$14.0 million and HK$35.4 million from some of its subsidiaries available for offset against future profits in these subsidiaries respectively. No deferred tax asset in relation to unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$Nil, HK$1.5 million, HK$5.0 million and HK$4.4 million that will expire before 2014 respectively. Other tax losses may be carried forward indefinitely.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

33. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2010. At the date of incorporation, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Details of movement of share capital of the Company subsequent to the incorporation date are set out in Appendix V to the Prospectus.

The share capital balance as at 31 December 2007, 2008, 2009 and 31 August 2010 represented the issued and paid up share capital of Telefield Holdings Limited. During the Relevant Period, the authorised share capital of Telefield Holdings Limited was US$4,100,000 divided into 4,100,000 shares of US$1 each, and the issued and paid up share capital was US$410,000 divided into 410,000 shares of US$1 each.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts (i.e. bank borrowings and finance lease payables) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves).

During the Relevant Period, the Group's strategy was to maintain debt-to adjusted capital ratio at the lowest as possible, in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio at the end of each reporting period was as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$	*HK$*	*HK$*	*HK$*
Debt-to-adjusted capital ratio	55%	N/A	N/A	N/A

The Group's cash and cash equivalents at 31 December 2008 and 2009 and 31 August 2010 were in excess of the sum of bank borrowings and finance lease payables, as a result, no debt-to-adjusted capital ratio were presented.

During the Relevant Period, the bankers of the Group which provide the bank borrowings (note 28) and finance lease payables (note 29) have certain capital requirements as set out below:

(i) maintaining the net gearing ratio of consolidated financial statements of Telefield Holdings Limited at or below 1.0 for the year ended 31 December 2009 and the eight months ended 31 August 2010;

(ii) maintaining consolidated tangible net worth of Telefield Limited at or above HK$20 million;

(iii) maintaining consolidated tangible net worth of Telefield Holdings Limited not less than HK$120 million for the year ended 31 December 2009 and HK$140 million for the eight months ended 31 August 2010;

(iv) maintaining management dividend payout ratio of Telefield Limited at or below 0.5 for the year ended 31 December 2007, 2008 and 2009;

(v) maintaining management bonus and dividend payout ratio of Telefield Holdings Limited at or below 0.5 for the eight months ended 31 August 2010; and

(vi) maintaining the net leverage ratio of consolidated financial statements of Telefield Holdings Limited at or below 1.75 for the eight months ended 31 August 2010.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the combined statement of changes in equity.

(b) Nature and purpose of reserves

(i) Other reserve

The amount represents share of associate's reserve before disposal.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(e)(iii) to the Financial Information.

(iii) *Property revaluation reserve*

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 4(f) to the Financial Information.

The property revaluation reserve of the Company in respect of buildings is distributable to the extent of approximate HK$191,000, HK$255,000, HK$2,763,000 and HK$2,763,000 as at 31 December 2007, 2008, 2009 and 31 August 2010.

(iv) *Contributed surplus*

The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to a group reorganisation in 1997, over the nominal value of shares of Telefield Holdings Limited issued in exchange therefor.

(v) *Statutory reserve*

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

35. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Disposal of subsidiaries

The Group disposed of its subsidiaries, MBK Limited and Telefield Technologies Limited on 1 April 2009 and 31 December 2009 respectively to a fellow subsidiary, in which Mr. Cheng Han Ngok, Steve, Mr. Lee Kai Bon, Mr. Ng Kim Yuen, Mr. Poon Ka Lee, Barry and Madam Fok Pui Yin have beneficial interests.

Net assets/(liabilities) of subsidiaries at respective dates of disposal were as follows:

	MBK Limited	**Telefield Technologies Limited**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fixed assets	–	294	294
Trade receivables	–	7	7
Prepayments, deposits and other receivables	794	276	1,070
Bank and cash balances	161	54	215
Accruals and other payables	(68)	(442)	(510)
Due to the Group	(391)	(5)	(396)
Due to minority shareholders	–	(996)	(996)
Net assets/(liabilities) disposed of	496	(812)	(316)
Gain on disposal of subsidiaries	784	812	1,596
Consideration	1,280	–	1,280
Net cash outflow arising on disposal:			
Cash consideration received	–	–	–
Cash and cash equivalents disposed of	(161)	(54)	(215)
	(161)	(54)	(215)

(b) Business combinations (other than common control)

For the purpose of expanding the Group's branded businesses, the Group has two business combinations (other than common control) during the year ended 31 December 2009.

On 1 March 2009, the Group acquired certain assets and liabilities from a company in the U.S.A. to engage in marketing and distribution of "RCA" branded SMB phone systems in the U.S.A. and Canada ("Licensed Brand Business"). The Group has the license to use the "RCA" brand to distribute prescribed products in the U.S.A. and Canada for the period from 1 March 2009 to 31 December 2013.

On 2 November 2009, the Group acquired certain assets and liabilities from a liquidation administrator in Germany to engage in assembling, marketing and distribution of "TrekStor" products such as portable storage devices and multimedia products in Europe ("Own Brand Business").

Upon acquisitions, the Group has 100% equity interests in Licensed Brand Business and Own Brand Business. The fair value of the identifiable assets and liabilities of Licensed Brand Business and Own Brand Business acquired as at their respective dates of acquisitions are as follows:

	Licensed Brand Business	**Own Brand Business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Fixed assets	–	570	570
Inventories	30,600	13,249	43,849
License rights	21,361	–	21,361
Trademarks	–	16,013	16,013
Customer relationship	13,707	3,582	17,289
Product warranty provisions	(8,149)	–	(8,149)
Deferred tax assets	12,117	–	12,117
Deferred tax liabilities	(13,673)	(3,623)	(17,296)
	55,963	29,791	85,754
Discount on acquisitions	(2,436)	(6,574)	(9,010)
	53,527	23,217	76,744
Satisfied by:			
Cash*	24,232	21,229	45,461
Contingent considerations at fair value *(note 31)*	29,295	1,988	31,283
	53,527	23,217	76,744

* Approximately HK$10,260,000 and HK$5,130,000 of cash consideration was not yet paid as at 31 December 2009 and 31 August 2010 respectively.

The Group recognised discount on acquisitions of approximately HK$9 million as other income (note 9) in relation to the business combinations of Licensed Brand Business and Own Brand Business. The directors of the Company are of the opinion that the discount on acquisition of Licensed Brand Business was resulted from the good business relationship with the vendor, which was a major customer of the Group. Furthermore, the directors of the Company are of the opinion that the discount on acquisition of Own Brand Business was resulted from a liquidation sale.

The acquisition-related legal and professional costs incurred in two business combinations of approximately HK$907,000 were accounted for as expenses.

The contributions of revenue and profit to the Group since respective dates of acquisition and up to 31 December 2009 are as follows:

	Licensed Brand Business	**Own Brand Business**
	HK$'000	*HK$'000*
Revenue contribution	117,367	22,655
Profit/(loss) contribution	2,704	(3,314)

The contributions of revenue and profit to the Group for the year ended 31 December 2009 as if the acquisitions were completed on 1 January 2009 are not available for disclosure as the sellers of respective acquired businesses considered those financial information as confidential.

36. SHARE-BASED PAYMENTS

Equity-settled share-based payment

In order to retain the management team of former Own Brand Business, immediate after the completion of the acquisition of Own Brand Business on 2 November 2009, the Group granted 49% of the equity interests of TrekStor Limited, Telefield TrekStor S.a.r.l. and TrekStor GmbH ("Relevant Equity Interests") to them. As there was no pre-agreed future service period of the management, the relevant equity-settled share-based payment deemed to be vested immediately.

The fair value of the Relevant Equity Interests at grant date is estimated to be approximately HK$2,738,000 base on valuation result of Grant Sherman Appraisal Limited, an independent firm of professional valuer. The valuation is based on a market approach and income approach, and the major assumptions used is as follows:

(i) An assumed discount rate range of approximately 17% to 20%;

(ii) An assumed terminal value base on long term sustainable growth rate of 3%;

(iii) Assumed financial multiples of companies deemed to be similar to Own Brand Business; and

(iv) Assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in TrekStor Limited, Telefield TrekStor S.a.r.l. and TrekStor GmbH.

The fair value of Relevant Equity Interests is charged to the combined profit or loss for the year end 31 December 2009 and credited to the non-controlling interests on the combined statement of financial position of the Group.

37. CONTINGENT LIABILITIES

As at 31 December 2007, 2008, 2009 and 31 August 2010, the Group did not have any significant contingent liabilities.

38. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

		At 31 December		At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Plant and machinery				
Contracted but not provided for	4,771	2,091	82	776
Approved but not contracted for	–	–	–	21,640
	4,771	2,091	82	22,416

39. LEASE COMMITMENTS

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

		At 31 December		At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	5,218	6,469	7,250	8,592
In the second to fifth years, inclusive	11,406	14,131	21,769	22,939
Over five years	2,847	3,599	17,274	15,019
	19,471	24,199	46,293	46,550

Operating lease payments represent rentals payable by the Group for certain of its staff quarter, factories and offices. Leases are negotiated for a range from one to seventeen years and rentals are fixed over the lease terms and do not include contingent rentals.

40. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year/period:

	Name of directors having beneficial interest	Year ended 31 December			Eight months ended 31 August	
		2007	2008	2009	2009	2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Rent paid to related companies						
– Modern Field Ltd	Cheng Han Ngok, Steve	480	480	480	320	295
– Swintown Investment Limited	Ng Kim Yuen	240	240	240	160	160
– Grand Access Limited	Lee Kai Bon	184	240	240	160	160
		904	960	960	640	615
Legal and professional fee paid to a related companies						
– Expertsec Limited	Poon Ka Lee, Barry	125	2	51	34	31
Purchase of a vehicle from a related company						
–Expertsec Limited	Poon Ka Lee, Barry	–	–	100	–	–
Sale proceeds of a vehicle to a related company						
– Expertsec Limited	Poon Ka Lee, Barry	–	–	–	–	68
Design charges paid to a related company						
– Asia Pacific Information Network Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	1,170	1,092	273	273	–
Consultation fees paid to a related company						
– Cyber Team Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	720	720	–	–	–
Consultation fees received from an associate						
– Colisa Limited	N/A	15	97	–	–	–
Impairment loss on amounts due from related parties						
– Cyber Team Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	–	317	–	–	–
– Colisa Limited (an associate of the Group)	N/A	–	133	–	–	–
		–	450	–	–	–

41. EVENTS AFTER REPORTING PERIOD

(a) On 31 December 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000, by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(b) On 31 December 2010, resolutions of all shareholders of the Company were passed to approve the matters set out in paragraph headed "Resolutions in writing of all the Shareholders passed on 31 December 2010" in Appendix VI to the Prospectus.

(c) The banks have agreed in principle that all personal guarantees and securities provided by the Company's directors will be released or replaced by guarantees or other securities from the Company and/or its subsidiaries upon listing of shares of the Company on Main Board of the Stock Exchange.

(d) Pursuant to the board resolution of Telefield Holdings Limited on 30 December 2010, Telefield Holdings Limited resolved to declare the interim dividend in respect of the eight months ended 31 August 2010 of HK$33.8 millions to the members of Telefield Holdings Limited whose names appear in the Register of Members of Telefield Holdings Limited on 31 August 2010.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2010.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong