S.A.S. GROUP

S.A.S. Dragon Holdings Limited

(Stock Code : 1184)

商界展關懷
caringcompany 2009-12 ®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Annual Report 2011

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Wong Sui Chuen *(Chairman)*
Mr. Wong Tak Yuen, Adrian
Mr. Cheung Chi Kwan

COMPANY SECRETARY

Mr. Wong Wai Tai

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

SHARE REGISTRARS AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

LEGAL ADVISOR

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

AUDITOR

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

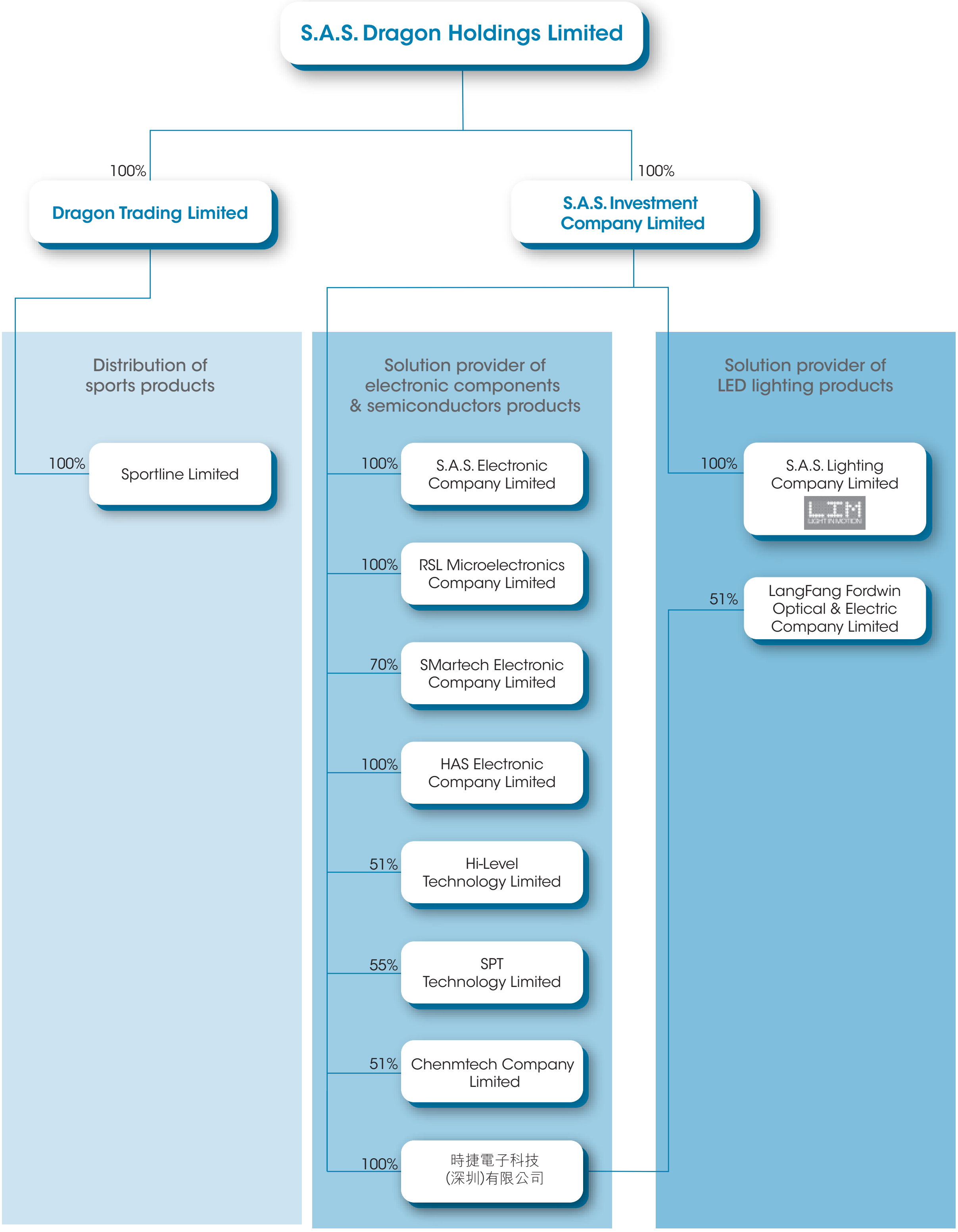
WEBSITE

http://www.sasdragon.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1184

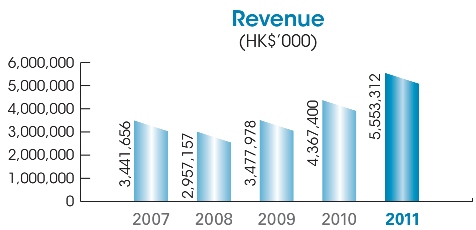
GROUP STRUCTURE

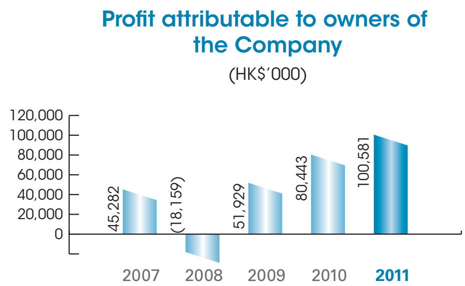


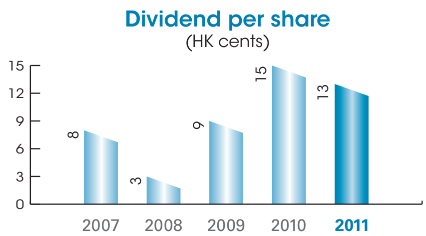
FINANCIAL HIGHLIGHTS

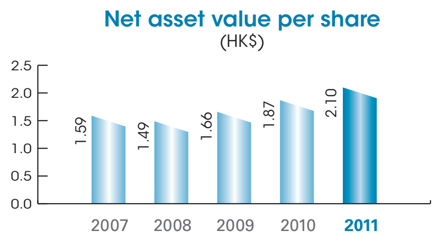
	2011 HK$'million	2010 HK$'million	Change
Revenue	5,553.3	4,367.4	+27%
Net profit attributable to owners of the Company	100.6	80.4	+25%
Basic earnings per share (HK cents)	38.37	30.82	+24%
Divided per share (HK cents)			
– Interim paid	3.00	3.00	–
– Proposed final	10.00	10.00	–
– Proposed special	–	2.00	NM
– Full year total	13.00	15.00	-13%
Net asset value per share (HK$)	2.10	1.87	+12%

NM: Not Meaningful









Established since 1981 and listed on the Hong Kong Stock Exchange in 1994, S.A.S. GROUP IS A LEADING ELECTRONIC SUPPLY CHAIN SERVICES PROVIDER IN THE GREATER CHINA. The Group specializes in design, development, sourcing, quality assurance and logistics management of global proprietary electronic components and semiconductors products including chipset solutions, display panel, memory chips, light-emitting diode ("LED") lighting solutions, power supply system solutions, multimedia system solutions, PEMCO and other premier solutions for a wide range of applications for mobile, consumer electronic, computer, telecommunication, networking and LED lighting products. S.A.S. Group serves more than 100 famous semiconductor suppliers and over 10,000 electronics manufacturing services ("EMS") providers, original equipment manufacturers, original design manufacturers and valued-added resellers and has more than 15 sales offices in China, Hong Kong and Taiwan.

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board, I am pleased to present the consolidated results of S.A.S Dragon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

FINANCIAL REVIEW

In 2011, the Group's strategy to focus on high growth potential products in the Greater China market continues to pay off. During the year under review, the Group achieved record turnover of HK$5,553,312,000, up 27% from HK$4,367,400,000 achieved last year. Gross profit was HK$262,968,000 (2010: HK$263,226,000) and the Group realized record profit attributable to owners of the Company of approximately HK$100,581,000, 25% higher than last year's HK$80,443,000. Basic earnings per share was HK38.37 cents (2010: HK30.82 cents).

DIVIDENDS

The Board has recommended a final dividend of HK10 cents (2010: final dividend of HK10 cents and a special dividend of HK2 cents) per ordinary share for the year ended 31 December 2011 subject to approval by shareholders at the forthcoming annual general meeting. Together with an interim dividend of HK3 cents (2010: HK3 cents) per share already paid, total dividend for the year will amount to HK13 cents (2010: HK15 cents) per share.

BUSINESS REVIEW

Distribution of Electronic Components and Semiconductor Products

In 2011, global economies were negatively affected by the Eurozone debt crisis and volatile recovery of the U.S. economy. The semiconductor market was further hit by the earthquake and tsunami in Japan and floods in Thailand. Amid the tough market environment, the Group's distribution team adjusted its product line mix by procuring a number of new distribution rights and disposing a distribution right at premium. During the year under review, this segment achieved record sales revenue of HK$5.5 billion, up 27% from HK$4.3 billion recorded last year, accounting for 99% of the Group's total revenue. Such growth was driven by the solid growing demand of smartphones, LED TVs, tablet PCs and LED lighting products from the Greater China market. However, slow growth of the overall semiconductor market triggered intensified competition among all industry players. The Group faced fiercer competition in second half of 2011 and the Group's overall gross margin reduced to approximate 5% from approximate 6% recorded last year.

Mobile Phone Products

China-made smartphones continued to be the fastest-growing segment in the mobile market. Growing demands of high-end and low-end smartphones from China and other emerging markets have boosted the Group revenue during the year review. The Group was able to capture these hot segments by providing full range product solutions including different 3G/2G baseband processors, large memory storage, high resolution displays, WiFi solutions and other embedded solutions to most large handset manufacturers and EMS factories in China.

CHAIRMAN'S STATEMENT

Consumer Electronic Products

Solid replacement demand of LED TVs, increasing popularity of personal tablet PC and technology evolution of electronic appliances have boosted the Group's revenue during the year under review.

LED Lighting Products

Thanks to favorable government policy, LED lighting market entered into a period of rapid development. By leveraging the Group's engineering expertise to deliver one-stop LED lighting solutions, the Group achieved sales revenue under the LED semiconductor business of approximate HK$192 million, representing a growth of 57% compared with HK$122 million recorded in previous year. Meanwhile, the Group completed more commercial indoor and outdoor LED projects with smart lighting system for hotels, banks, departments stores, retail shops, restaurants, offices and factories under the LIM branding. Although contributions of these projects was still insignificant compared with the Group's overall revenue and profit, the Group considers this segment has potential to advance further.

Telecommunication and Networking Products

During the second half of 2011, the Group started to promote various telecommunication and networking solutions in the Greater China after procuring the distribution right from Marvell Asia Pte Limited (the "Marvell") and acquiring controlling interests in a distributor in Taiwan, Chenmtech Company Limited (the "Chenmtech"). The Group received orders from a number of customers after testing the Marvell's products and benefited from the immediate profit contributions from Chenmtech after acquisition.

Manufacturing of liquid crystal display modules

During the year under review, due to persisting weak demand and unfavorable market conditions, the Group's jointly controlled entity discontinued the business of manufacturing of liquid crystal display modules. In the reporting year, the Group recognised its share of loss of HK$3.7 million (2010: loss of HK$4.5 million).

Properties investment

As of 31 December 2011, the Group held 6 units of investment properties (31 December 2010: 6 units), all of which are commercial units located in Hong Kong. The aggregate carrying value of investment properties amounted to HK$136 million (31 December 2010: HK$127 million).

CHAIRMAN'S STATEMENT

During the year under review, due to a rent-free period granted to a new tenant of one investment property, the above investment properties altogether generated rental income of HK$3.7 million (2010: HK$4.1 million) with an annualized return of 2.7% (2010: 3.2%).

OUTLOOK

Considered as a good start in 2012, S.A.S. Lighting Company Limited (the "S.A.S. Lighting"), a wholly-owned subsidiary of the Group, entered into a distribution agreement with Cree Hong Kong Limited (the "Cree") in March 2012 granting S.A.S. Lighting as distributor of various LED lighting products of Cree in China and Hong Kong. Cree is a part of Cree, Incorporation, a U.S. listed company which is a market-leading innovator of LED lighting products. Leveraged on Cree's leading position in the LED lighting industry, the Group will able to deliver more advance and competitive LED lighting solutions to our customers.

Looking ahead, barring the challenging environment, we are still positive about our business outlook. We believe the Group will manage to perform competitively by virtue of our economies of scales, superior local sales and field application engineers support in the Greater China, competent inventory management and value added services as well as solid customer relations. We will continue to look into further growth and M&A opportunities in the Greater China and bring higher returns to our shareholders.

APPRECIATION

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

Yim Yuk Lun, Stanley *JP*
Chairman

Hong Kong, 26 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2011, the Group's current ratio was 121% (31 December 2010: 121%), net gearing ratio was 13% (31 December 2010: 16%), which was calculated based on the Group's net borrowings (calculated as total bank borrowings minus total cash and bank balances minus financial assets at fair value through profit or loss) of approximately HK$82,092,000 (31 December 2010: HK$87,215,000) and total equity of HK$612,656,000 (31 December 2010: HK$542,510,000).

The Group recorded debtors turnover of approximately 30 days for the year under review (2010: 35 days) based on the amount of trade and bills receivable as at 31 December 2011 divided by sales for the same period and multiplied by 365 days.

The Group recorded inventory turnover and average payable period of approximately 27 days and 32 days respectively for the year under review (2010: approximately 34 days and 40 days respectively) based on the amount of inventory and trade and bills payables as at 31 December 2011 divided by cost of sales for the same period and multiplied by 365 days.

The Group generated net operating cash inflow of HK$30,093,000 and net raising of bank borrowings of HK$219,040,000 for the year under review, compared with net operating cash inflow of HK$259,119,000 and net raising of bank borrowings of HK$11,006,000 for the same period in 2010.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group has foreign currency sales and purchases, bank deposits and borrowings primary denominated in United States dollars and Renminbi which expose the Group to foreign currency risk.

The Group entered into foreign currency forward contracts to hedge the currency risk resulting from its short-term bank loans denominated in foreign currencies.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2011, the Group employed approximately 480 employees in the Greater China. The Group ensures that their employees are offered competitive remuneration packages. Other staff benefits include provident fund schemes and medical insurance. Also, discretionary bonus was granted to eligible employees based on the Group's financial results and individual performance.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. Yim Yuk Lun, Stanley JP, aged 52, is the founder and the Chairman and Managing Director of the Group. He is responsible for the formulation of corporate strategies and the overall direction for the Group's management team. He is currently the vice chairman of the Hong Kong Electronic Industries Association, a member of Hong Kong Professionals and Senior Executives Association, a member of Yan Chai Hospital Advisory Board, a member of Shanghai Committee of Chinese People's Political Consultative Conference and a member of Yun Fu City Committee of Chinese People's Political Consultative Conference.

Mr. Wong Sui Chuen, aged 58, was appointed as an Executive Director of the Company in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. He is currently appointed as the vice president of Shenzhen Association of Enterprises with Foreign Investment, the director of Shanghai Chinese Overseas Friendship Association, the consultant of Shenzhen Association for the Promotion of International Economy & Culture and the director of Dongguan Electronic Industries Association.

Mr. Lock Shui Cheung, aged 49, was appointed as an Executive Director of the Company in 2010. He holds a higher diploma in Marine Electronics from Hong Kong Polytechnic University and a Master's degree in Business Administration from the University of Hull, England. He has more than twenty years sales and management experience in electronic components distribution business with various global companies including Toshiba Electronics, National Semiconductor and Arrow Electronics.

Mr. Lau Ping Cheung, aged 41, was appointed as an Executive Director of the Company in 2011. He joined S.A.S. Electronic Company Limited, a wholly owned subsidiary of the Company in 2002 and is currently the Sales Vice President of S.A.S. Electronic Company Limited. He graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering and got his Master's degree in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and The University of Warwick in 2003. He has over eighteen years' experience in electronic field on sales, marketing and R&D project development.

Non-Executive Director

Dr. Chang Chu Cheng, aged 68, was appointed as a Non-Executive Director of the Company in 1994. Dr. Chang gained his Doctorate in Solid State Electronics from the University of Manchester Institute of Science & Technology in 1969 and lectured in physics and electronics at the Chinese University of Hong Kong prior to the founding of Varitronix in 1978. He is presently the Chairman of iView Limited and Honorary Chairman of Varitronix International Limited. He is also currently an independent non-executive director of Fujikon Industrial Holdings Limited.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Independent Non-Executive Directors

Dr. Lui Ming Wah SBS JP, aged 74, was appointed as an Independent Non-Executive Director of the Company in 1994. He is currently the independent non-executive director of AV Concept Holdings Limited, Glory Mark Hi-Tech (Holdings) Limited, Gold Peak Industries (Holdings) Limited and L.K. Technology Holdings Limited, all being listed companies in the Hong Kong Stock Exchange and a director of Asian Citrus Holding Limited, a listed company in the London Stock Exchange and Hong Kong. Dr. Lui holds a Master's degree in applied science from the University of New South Wales, Australia and a Doctorate in engineering from the University of Saskatchewan, Canada. Dr. Lui is currently the managing director of Keystone Electronics Company Limited. Dr. Lui is the Hon. Chairman of the Hong Kong Electronic Industries Association Limited and Hon. President of CMA.

Mr. Liu Chun Ning, Wilfred, aged 50, was appointed as an Independent Non-Executive Director of the Company in 2001. He is currently an executive director of Chong Hing Bank Limited who is in charge of the securities business of Chong Hing Bank Limited, an non-executive director of Liu Chong Hing Investment Limited and an independent non-executive director of Get Nice Holdings Limited, whose shares are listed in the Hong Kong Stock Exchange. He was appointed as independent non-executive director of Seamless Green China (Holdings) Limited during 2008 to July 2011, a listed company in the Hong Kong Stock Exchange. He holds a Bachelor's degree in economics from the University of Newcastle-upon-Tyne (UK).

Mr. Wong Tak Yuen, Adrian, aged 57, was appointed as an Independent Non-Executive Director of the Company in 1999. Mr. Wong holds a Bachelor's degree in Economics and Mathematics from the University of Western Ontairo, London, Canada. Mr. Wong has over twenty years experience in the financial Industry.

Mr. Cheung Chi Kwan, aged 52, was appointed as an Independent Non-Executive Director of the Company in 2004. Mr. Cheung has over twenty years of accounting experience. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. In addition, Mr. Cheung holds a Bachelor's Degree in Laws from University of Wolverhampton, United Kingdom.

SENIOR MANAGEMENT

Mr. Wang Yi, Michael, aged 45, joined the Group in 2002 as the Sales Director of SMartech Electronic Company Limited. He graduated from Shanghai University of Technology, with a Bachelor's degree in Electronic engineering. He has several years experience as Field Application Engineer in Philips Semiconductor Shanghai and ten years experience as Sales & Marketing Manager of Samsung Semiconductor in the PRC.

Mr. Cao Lei, Benny, aged 45, joined the Group in 2005 as the General Manager of SMartech Electronic Company Limited. He graduated from Shanghai Railway Technology Institute with a college degree in Reliability Engineering. He has more than sixteen years management experience in electronics field on sales and marketing.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr. Chang Wei Hua, Benson, aged 47, joined the Group in 2007 as the Director and General Manager of Hi-Level Technology Limited. He graduated from Tung-Nan Institute of Technology in Taiwan with a Bachelor's degree in Electronics Engineering. He has more than twenty years management experience in electronic field on sales, marketing and R & D project.

Mr. Wei Wei, aged 42, joined the Group in 2007 as the Director and Executive Vice President of Hi-Level Technology Limited. He graduated from Huazhong University of Science & Technology in WuHan with a Bachelor's degree in Electronics Engineering. He has more than eighteen years management experience in electronics field on sales, marketing and R & D project.

Mr. Yim Tsz Kit, aged 27, joined the Group in 2009 as the Marketing Director of S.A.S. Lighting Company Limited. He holds a Bachelor's degree from Central Saint Martins in United Kingdom and a Master's degree in Business Administration from the University of Wales. Before joining the group, he was working in banking industry. He is a son of Mr. Yim Yuk Lun, Stanley, the Chairman and Managing Director of the Group and a substantial shareholder of the Company.

Mr. Lu Yung Wei, Eric, aged 35, joined the Group in 2011 as the Director and General Manager of Chenmtech Company Limited. He graduated from the University of Auckland with a Bachelor's degree in Commerce. He has more than fifteen years management experience in electronic component distribution, specialized in the area of networking, display, and the industrial PC.

Mr. Chin Kan Tak, Danny, aged 55, joined the Group in 1990 as the Chief Operation Officer of the Group. He has more than twenty years experience in the operation and management of electronic industry.

Mr. Wong Wai Tai, Peter, aged 40, joined the Group in 2005 as the Financial Controller of the Group. He holds a Bachelor's degree of Business Administration from Hong Kong Baptist University and got his Master of Laws awarded by Renmin University of China in 2011. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has over fifteen years experience in accounting, auditing, taxation and financial management.

CORPORATE GOVERNANCE REPORT

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

The Company complied with the applicable Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011, except for the deviations from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraphs below.

BOARD OF DIRECTORS

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

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

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors, namely Mr. Wong Tak Yuen, Adrian, Mr. Cheung Chi Kwan and Dr. Chang Chu Cheng. Mr. Wong Tak Yuen, Adrian is the Chairman of the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice in 2011 to review the interim and final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code.

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

During the financial year ended 31 December 2011, the Group has engaged the external auditors to provide the following services and their respective fees charged are set out as below:

Type of Services	Amount HK$'000
Audit fee	1,387
Other non-audit services	266

REMUNERATION COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

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

	Board	Audit Committee	Remuneration Committee
Number of Meeting(s)	7	2	1
Executive Directors			
Yim Yuk Lun, Stanley *JP*	7/7	N/A	N/A
Wong Sui Chuen	6/7	N/A	1/1
Lock Shui Cheung	7/7	N/A	N/A
Lau Ping Cheung (appointed on May 2011)	2/3	N/A	N/A
Non-Executive Directors			
Dr. Chang Chu Cheng	4/7	1/2	N/A
Independent Non-Executive Directors			
Cheung Chi Kwan	6/7	2/2	N/A
Liu Chun Ning, Wilfred	0/7	N/A	N/A
Dr. Lui Ming Wah *SBS JP*	6/7	N/A	1/1
Wong Tak Yuen, Adrian	6/7	2/2	1/1

INTERNAL CONTROL

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

COMMUNICATION WITH SHAREHOLDERS

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

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

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 23.

An interim dividend of HK3 cents per share, amounting to approximately HK$7,864,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK10 cents per share to the shareholders on the register of members on 24 May 2012.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 24.66% and 52.47% respectively of the Group's total purchases for the year.

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

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

INVESTMENT PROPERTIES

At 31 December 2011, the investment properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK$136,300,000. The revaluation resulted in a surplus of HK$9,100,000 and is recognised in the consolidated statement of comprehensive income. Details are set out in note 16 to the consolidated financial statements.

Particulars of investment properties of the Group at 31 December 2011 are set out on page 102.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2011, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, is represented by the contributed surplus and the retained profits in the aggregate amount of HK$152,706,000 (2010: HK$142,114,000) as disclosed in note 41 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Yim Yuk Lun, Stanley *JP* *(Chairman and Managing Director)*
Wong Sui Chuen
Lock Shui Cheung
Lau Ping Cheung *(appointed on 1 May 2011)*

Non-Executive Director

Dr. Chang Chu Cheng

Independent Non-Executive Directors

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

In accordance with Clause 87 of the Company's Bye-Laws, Mr. Liu Chun Ning, Wilfred, Dr. Lui Ming Wah *SBS JP* and Mr. Wong Tak Yuen, Adrian retire and, being eligible, offer themselves for re-election.

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

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests of the directors of the Company in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Future Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of issued share capital of the Company
Yim Yuk Lun, Stanley *JP*	Beneficial owner	13,990,000	5.33%
	Held by controlled corporation (note)	63,771,400	24.33%
		77,761,400	29.66%
Chang Chu Cheng	Beneficial owner	1,800,000	0.69%
Lock Shui Cheung	Beneficial owner	1,000,000	0.38%
Wong Sui Chuen	Beneficial owner	912,000	0.35%

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

Save as disclosed above, other than certain nominee shares in subsidiaries held by certain directors in trust for the Company, none of the directors or chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 December 2011.

DIRECTORS' REPORT

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 32 to the consolidated financial statements. The Company has not granted or issue any share option.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions:

Ordinary shares of HK$0.10 each of the Company

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

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 December 2011.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Save for those connected transactions for the year disclosed in note 40 to the consolidated financial statements,

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

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

In accordance with the conditions agreed with the Stock Exchange with respect to the connected transactions, the independent non-executive directors have reviewed the connected transactions set out in note 40 to the consolidated financial statements and, in their opinion, these transactions were entered into by the Group:

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

(ii) on normal commercial terms; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 40 of the Annual Report in accordance with Main Board Listing Rule 14A.38.

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to eligible directors and employees, details of the scheme is set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2011.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$38,000.

AUDITOR

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

On behalf of the Board

YIM YUK LUN, STANLEY *JP*
CHAIRMAN AND MANAGING DIRECTOR
Hong Kong, 26 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of S.A.S. Dragon Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 100, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	*7*	**5,553,312**	4,367,400
Cost of sales		**(5,290,344)**	(4,104,174)
Gross profit		**262,968**	263,226
Other income		**4,512**	5,153
Other gains and losses	*13*	**(932)**	(2,826)
Distribution and selling expenses		**(49,187)**	(55,542)
Administrative expenses		**(135,333)**	(104,483)
Increase in fair value of investment properties		**9,100**	16,308
Share of results of associates		**(185)**	(152)
Gain on disposal of distribution rights	*35*	**46,800**	–
Finance costs	*8*	**(12,823)**	(7,523)
Profit before tax		**124,920**	114,161
Income tax expense	*11*	**(13,267)**	(16,825)
Profit for the year from continuing operations		**111,653**	97,336
Discontinued operation			
Loss for the year from discontinued operation	*12*	**(3,760)**	(4,501)
Profit for the year	*13*	**107,893**	92,835
Other comprehensive (expense) income			
Fair value (loss) gain on available-for-sale investment		**(3,463)**	1,789
Exchange differences arising on translation of foreign operations		**2,193**	124
Share of other comprehensive income of an associate		**16**	–
Other comprehensive (expense) income for the year		**(1,254)**	1,913
Total comprehensive income for the year		**106,639**	94,748

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000
Profit (loss) for the year attributable to owners of the Company			
– from continued operations		104,341	84,944
– from discontinued operation		(3,760)	(4,501)
		100,581	80,443
Profit for the year attributable to non-controlling interests from continuing operations		7,312	12,392
		107,893	92,835
Total comprehensive income attributable to:			
Owners of the Company		99,085	82,356
Non-controlling interests		7,554	12,392
		106,639	94,748
Earnings per share (HK cents)	*15*		
From continuing and discontinued operations			
– basic and diluted		HK38.37 cents	HK30.82 cents
From continuing operations			
– basic and diluted		HK39.80 cents	HK32.54 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Investment properties	*16*	**136,300**	127,200
Property, plant and equipment	*17*	**154,149**	159,580
Prepaid lease payments	*18*	**9,080**	8,650
Goodwill	*19*	**20,392**	17,829
Interests in associates	*20*	**506**	675
Available-for-sale investments	*22*	**13,912**	17,036
Club memberships	*23*	**3,278**	3,278
Deposit paid for acquisition of property, plant and equipment		**14,508**	–
		352,125	334,248
Current Assets			
Inventories	*25*	**397,045**	379,242
Trade and other receivables	*26*	**479,520**	435,639
Bills receivable	*26*	**7,448**	22,556
Prepaid lease payments	*18*	**189**	177
Financial assets at fair value through profit or loss	*27*	**113,744**	65,213
Taxation recoverable		**4,720**	76
Pledged bank deposits	*24*	**3,149**	19,634
Bank balances and cash	*24*	**648,860**	421,820
		1,654,675	1,344,357
Current Liabilities			
Trade and other payables	*28*	**460,708**	392,369
Bills payable	*28*	**59,125**	122,202
Derivative financial instruments	*29*	**8,776**	6,321
Tax liabilities		**5,899**	11,502
Bank borrowings – due within one year	*30*	**836,595**	576,382
		1,371,103	1,108,776
Net Current Assets		**283,572**	235,581
Total Assets less Current Liabilities		**635,697**	569,829

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and Reserves			
Share capital	*31*	**26,214**	26,214
Share premium and reserves		**524,671**	464,907
Equity attributable to owners of the Company		**550,885**	491,121
Non-controlling interests		**61,771**	51,389
Total Equity		**612,656**	542,510
Non-current Liabilities			
Bank borrowings – due after one year	*30*	**11,250**	17,500
Deferred tax liabilities	*33*	**11,791**	9,819
		23,041	27,319
		635,697	569,829

The consolidated financial statements on pages 23 to 100 were approved and authorised for issue by the Board of Directors on 26 March 2012 and are signed on its behalf by:

Yim Yuk Lun, Stanley *JP*
DIRECTOR

Wong Sui Chuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	25,949	29,298	1,109	11,145	38,422	32,225	–	1,477	1,147	288,921	429,693	35,819	465,512
Profit for the year	–	–	–	–	–	–	–	–	–	80,443	80,443	12,392	92,835
Fair value gain on available-for-sale investment	–	–	–	–	–	–	1,789	–	–	–	1,789	–	1,789
Exchange differences arising on translation of foreign operation	–	–	–	–	–	–	–	124	–	–	124	–	124
Total comprehensive income for the year	–	–	–	–	–	–	1,789	124	–	80,443	82,356	12,392	94,748
Issue of shares upon exercise of share options	265	3,710	–	–	–	–	–	–	–	–	3,975	–	3,975
Release of share option reserve on exercise of share options	–	502	–	–	–	–	–	–	(502)	–	–	–	–
Share options lapsed	–	–	–	–	–	–	–	–	(645)	645	–	–	–
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	–	–	–	–	4,378	4,378
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,200)	(1,200)
Dividends paid (note 14)	–	–	–	–	(24,903)	–	–	–	–	–	(24,903)	–	(24,903)
At 31 December 2010	26,214	33,510	1,109	11,145	13,519	32,225	1,789	1,601	–	370,009	491,121	51,389	542,510
Profit for the year	–	–	–	–	–	–	–	–	–	100,581	100,581	7,312	107,893
Fair value loss on available-for-sale investment	–	–	–	–	–	–	(3,463)	–	–	–	(3,463)	–	(3,463)
Exchange differences arising on translation of foreign operation													
– subsidiaries	–	–	–	–	–	–	–	1,951	–	–	1,951	242	2,193
– an associate	–	–	–	–	–	–	–	16	–	–	16	–	16
Total comprehensive income for the year	–	–	–	–	–	–	(3,463)	1,967	–	100,581	99,085	7,554	106,639
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	–	–	–	–	12,138	12,138
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(9,310)	(9,310)
Dividends paid (note 14)	–	–	–	–	–	–	–	–	–	(39,321)	(39,321)	–	(39,321)
At 31 December 2011	26,214	33,510	1,109	11,145	13,519	32,225	(1,674)	3,568	–	431,269	550,885	61,771	612,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

The capital reserve of the Group represents the aggregate of:

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

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

At 31 December 2011, the property revaluation reserve includes an amount of HK$18,658,000 (2010: HK$18,658,000) relating to properties previously held as property, plant and equipment and reclassified as investment properties. The remaining balance of HK$13,567,000 (2010: HK$13,567,000) represents revaluation surplus arising from certain of the Group's land and building carried at revalued amount prior to 30 September 1995. On the disposal or retirement of the asset, the revaluation reserve will be transferred directly to retained profits.

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

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

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

(iii) the distribution to shareholders from 2003 to 2010 of HK$114,869,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before tax from continuing operations	124,920	114,161
Loss for the year from discontinued operation	(3,760)	(4,501)
	121,160	109,660
Adjustments for:		
Interest income	(1,469)	(806)
Finance costs	12,833	7,566
Share of results of associates	185	152
Net foreign exchange gain	–	(2,262)
Dividend income from equity investments	(1,363)	(679)
Increase in fair value of investment properties	(9,100)	(16,308)
Change in fair value of derivative financial instruments	(2,458)	1,965
Change in fair value of financial assets at fair value through profit or loss	3,872	(1,291)
Depreciation of property, plant and equipment	14,602	14,062
Allowance for trade and other receivables	4,420	605
Allowance for inventories	5,529	762
Loss (gain) on disposal of property, plant and equipment	1,781	(65)
Gain on disposal of distribution rights	(46,800)	–
Impairment loss in respect of goodwill	1,410	–
Amortisation of prepaid lease payment	189	–
Operating cash flows before movements in working capital	104,791	113,361
(Increase) decrease in inventories	(14,081)	14,784
Decrease in trade and other receivables	5,168	39,893
Decrease (increase) in bills receivable	15,108	(7,277)
Increase in investments held for trading	(60,203)	(6,789)
(Decrease) increase in bills payable	(63,077)	42,253
Increase in derivative financial instruments	4,913	1,973
Increase in trade and other payables	60,165	70,975
Cash generated from operations	52,784	269,173
Hong Kong Profits Tax paid	(22,691)	(10,054)
NET CASH FROM OPERATING ACTIVITIES	30,093	259,119

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Proceeds on disposal of distribution rights	*35*	**46,800**	–
Withdrawal (placement) of pledged bank deposits		**20,449**	(8,883)
Proceeds on disposal of property, plant and equipment		**9,013**	65
Proceeds from redemption of structured deposits		**7,800**	–
Interest received		**1,469**	806
Dividend received from equity investments		**1,363**	679
Payment for acquisition of property, plant and equipment		**(18,633)**	(24,686)
Deposit paid for acquisition of property, plant and equipment		**(14,508)**	–
Acquisition of a subsidiary	*34*	**(14,473)**	2,364
Payment for acquisition of an investment property		**–**	(9,860)
Payment for acquisition of prepaid lease payments		**–**	(8,827)
Payment for acquisition of available-for-sale investments		**–**	(7,800)
Payment for acquisition of an associate		**–**	(511)
Proceeds on disposal of investment property		**–**	7,068
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**39,280**	(49,585)
FINANCING ACTIVITIES			
Bank borrowings raised		**4,701,495**	3,846,985
Repayment of bank borrowings		**(4,482,455)**	(3,857,991)
Dividends paid		**(39,321)**	(24,903)
Interest paid		**(12,833)**	(7,566)
Dividend paid to non-controlling interests		**(9,310)**	(1,200)
Proceeds from issue of shares		**–**	3,975
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**157,576**	(40,700)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**226,949**	168,834
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**421,820**	250,724
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**91**	2,262
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**648,860**	421,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

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

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

The Company acts as an investment holding company and the activities of its principal subsidiaries are set out in note 42.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 Financial Instruments *(Continued)*

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operations or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may decrease deferred tax liabilities recognised for investment properties that are measured using the fair value model.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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

Investments in associates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

Jointly controlled entities

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

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

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

Revenue recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Impairment losses on tangible assets other than club memberships (see the accounting policy in respect of club memberships below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a 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 under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

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

Borrowing costs

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Club memberships

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method for electronic products and the weighted average cost method for other inventories. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets. Fair value is determined in the manner described in note 6.

Loans and receivables

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

Available-for-sale financial assets

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

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Derivative financial instruments and hedging

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying value of trade receivables is HK$443,985,000 (2010: HK$401,501,000) (net of allowance of HK$8,642,000 (2010: HK$8,334,000)).

Estimated impairment of inventories

Management of the Group reviews inventories on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. As at 31 December 2011, the carrying value of inventories is HK$397,045,000 (2010: HK$379,242,000) (net of allowance for inventories of HK$44,018,000 (2010: HK$38,489,000)).

Income tax

As at 31 December 2011, unused tax losses of the Group amounted to approximately HK$94,803,000 (2010: HK$88,286,000), of which approximately HK$12,718,000 (2010: HK$16,434,000) has been recognised as a deferred tax asset. No deferred tax asset has been recognised in respect of the remaining approximately HK$82,085,000 (2010: HK$71,852,000) due to unpredictability of future profit streams. In addition, for the deductible temporary differences in relation to allowance for doubtful debts of the Group which amounted to approximately HK$8,428,000 (2010: HK$9,833,000), a deferred tax asset has been recognised in respect of approximately HK$850,000 (2010: HK$1,006,000). No deferred tax asset has been recognised in respect of the remaining approximately HK$7,578,000 (2010: HK$8,827,000). In cases where the actual future profits generated are more than or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Fair value through profit or loss		
Held for trading	**98,186**	42,110
Designated at FVTPL	**15,558**	23,103
Loans and receivables (including cash and cash equivalents)	**1,127,312**	883,554
Available-for-sale investments	**13,912**	17,036
Financial liabilities		
Amortised cost	**1,341,005**	1,078,159
Derivative financial instruments	**8,776**	6,321

(b) Financial risk management objectives and policies

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(i) Currency risk

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

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

	Liabilities		Assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars ("USD")	**454,948**	392,376	**444,676**	486,695
Renminbi ("RMB")	**4**	6	**61,201**	17,425
Hong Kong dollars ("HK$")	**57,367**	53,492	**–**	–

Includes in above are the Group's foreign currency denominated monetary assets designated at FVTPL at the reporting date which are as follows:

	Assets	
	2011	2010
	HK$'000	HK$'000
USD	**15,558**	23,103

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

The carrying amount of foreign exchange forward contract as at year end amounted to approximately HK$2,515,000 classified as current liabilities (2010: HK$213,000), in which the Group was in the position of buying USD with notional amount of USD58,330,000 (2010: buying USD with notional amount of USD52,500,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(i) Currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in relevant foreign currencies against HK dollars (excluding structured deposits designated at FVTPL and foreign currency forward contracts). 5% (2010: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2010: 5%) change in foreign currency rates. The sensitivity analysis includes mainly foreign currency trade and other receivables and bank balances. The sensitivity analysis also includes external loan, as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender in the borrower. A 5% (2010: 5%) strengthening of USD and RMB against HK dollars will decrease/ increase the Group's profit for the year by the following amount. For 5% (2010: 5%) weakening of USD and RMB against HK dollars, there would be an equal and opposite impact on the profit or loss.

	USD		RMB	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in profit	**(1,288)**	3,683	**2,539**	2,961

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 24 and 30 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the amount of variable-rate bank balances and bank borrowings at the end of reporting period were outstanding for the whole year. For variable-rate bank balances, 20 basis point increase and 5 basis point decrease (2010: 20 basis point increase and 5 basis point decrease) are used. For variable-rate bank borrowings, 20 basis point (2010: 20 basis point) increase or decrease is used.

If interest rates had been 20 basis point higher for variable-rate bank balances and variable-rate bank borrowings/5 basis point lower for variable-rate bank balances and 20 basis point lower for variable-rate bank borrowings and all other variables were held constant (2010: 20 basis point higher for variable-rate bank balances and variable-rate bank borrowings/5 basis point lower for variable-rate bank balances and 20 basis point lower for variable-rate bank borrowings and all other variables were held constant), the Group's profit for the year ended 31 December 2011 would decrease by approximately HK$765,000 if interest rate is higher/increase by approximately HK$1,463,000 if interest rate is lower (2010: decrease by approximately HK$669,000/increase by approximately HK$1,058,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

For interest rate swap, 20 basis point (2010: 20 basis point) increase or decrease is used. If interest rates had been 20 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would increase/decrease by approximately HK$200,000 (2010: increase/decrease by HK$200,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk (Continued)

(iii) Other price risk

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

Sensitivity analysis

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

If the market prices of the respective listed equity instruments and the quoted price of the equity funds, and the mark to market valuation amount of the structured deposits provided by financial institutions (which are the counterparties of the structured deposits) had been 5% (2010: 5%) higher/lower and all other variables were held constant:

- profit for the year would increase/decrease by approximately HK$5,687,000 (2010: increase/decrease by approximately HK$3,261,000) as a result of the changes in fair value of financial assets through profit or loss; and

- the investment revaluation reserve would increase/decrease by approximately HK$379,000 (2010: increase/decrease by approximately HK$552,000) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk (Continued)

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

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

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2011, the Group has available unutilised overdraft and bank loan facilities of approximately HK$29,000,000 (2010: HK$29,000,000) and HK$1,403,449,000 (2010: HK$729,338,000) respectively.

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

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	343,959	72,758	17,318	–	434,035	434,035
Bills payable	–	51,776	7,349	–	–	59,125	59,125
Bank borrowings – variable rate	*1.85	830,658	1,273	4,774	12,570	849,275	847,845
		1,226,393	81,380	22,092	12,570	1,342,435	1,341,005
Derivatives – net settlement							
Foreign exchange forward contracts	–	–	–	–	2,515	2,515	2,515
Interest rate swap	–	695	–	2,085	4,864	7,644	6,261
		695	–	2,085	7,379	10,159	8,776

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

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	332,912	26,980	2,183	–	362,075	362,075
Bills payable	–	85,891	24,611	11,700	–	122,202	122,202
Bank borrowings – variable rate	*1.40	570,444	1,268	4,753	20,017	596,482	593,882
		989,247	52,859	18,636	20,017	1,080,759	1,078,159
Derivatives – net settlement							
Foreign exchange forward contracts	–	–	–	–	213	213	213
Interest rate swap	–	662	–	1,988	7,287	9,937	6,108
		662	–	1,988	7,500	10,150	6,321

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$830,345,000 and HK$570,132,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. However, in accordance with *Hong Kong Interpretation 5 Presentation of Financial Statements Classification by the Borrower of a Term Loan the Contains a Repayment on Demand Clause*, all such bank loans have been classified as current liabilities.

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2011							
Bank borrowings – variable rate	**1.85**	**228,402**	**320,384**	**258,791**	**36,493**	**844,070**	**830,345**
As at 31 December 2010							
Bank borrowings – variable rate	1.40	363,888	118,107	47,757	49,475	579,227	570,132

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

(c) Fair value

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

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

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the statement of financial position

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

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

	2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Investments held-for-trading (note)	98,186	–	–	98,186
Structured deposits	–	–	15,558	15,558
Available-for-sale investments	–	7,573	–	7,573
	98,186	7,573	15,558	121,317
Financial liabilities at FVTPL				
Derivative financial liabilities	–	8,776	–	8,776

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Investments held-for-trading (note)	42,110	–	–	42,110
Structured deposits	–	–	23,103	23,103
Available-for-sale investments	–	11,036	–	11,036
	42,110	11,036	23,103	76,249
Financial liabilities at FVTPL				
Derivative financial liabilities	–	6,321	–	6,321

Note: Included in the balance with an amount of HK$65,796,000 (2010: HK$19,337,000) represented investment in equity funds/debentures which are quoted in an active market.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Reconciliation of Level 3 fair value measurement of financial assets

	Structured deposits HK$'000
At 1 January 2010	22,295
Gain recognised in profit or loss (included in change in fair value of financial assets at fair value through profit and loss)	
– unrealised	808
At 31 December 2010	23,103
Gain recognised in profit or loss (included in change in fair value of financial assets at fair value through profit and loss)	
– realised	335
– unrealised	(80)
Settlements	(7,800)
At 31 December 2011	15,558

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

Structured deposits are measured at fair value. Fair value is estimated using net present value of estimated future cash flow, adjusted as appropriate for market risk (currency risk and other price risk), which included some assumptions that are not supportable by observable market price or risks and was estimated by a high credit rating financial institution. Whilst such valuations are sensitive to estimates, it is believed that changing of one or more of the assumptions to reasonably possible alternative assumptions would not have a big impact on the Group's financial position (see other price risk above). The total amount of the gain in fair value estimated using this valuation technique that was recognised in the consolidated statement of comprehensive income during the year is HK$255,000 including realised gain of HK$335,000 (2010: HK$808,000).

7. REVENUE AND SEGMENT INFORMATION

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

The Group are engaged in the distribution of electronic components and semiconductors products that can be used in consumer electronic products, mobile phone products, computer products, telecommunication products and lighting products, properties investments and distribution of sports products.

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

The Group was involved in the manufacturing of liquid crystal display modules (operated through a jointly controlled entity accounted for using proportionate consolidation), which was reporting as a major business product and services of the Group. That operation was discontinued with effect during current year. Details of the discontinued operation are set out in note 12.

Continuing operations

Entity-wide disclosures

Revenue from major business product and services

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

	2011 HK$'000	2010 HK$'000
Distribution of electronic components and semiconductors products	5,519,349	4,331,837
Distribution of sports products	30,230	31,506
Office building rental	3,733	4,057
	5,553,312	4,367,400

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

	Sales revenue by geographical market	
	2011	2010
	HK$'000	HK$'000
Mainland PRC	**3,008,246**	2,433,663
Hong Kong	**1,928,658**	1,385,431
Taiwan	**401,253**	466,916
Mexico	**125,565**	–
Singapore	**27,733**	–
India	**18,561**	13,733
Japan	**4,687**	18,044
Others	**38,609**	49,613
	5,553,312	4,367,400

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

	Carrying amount of non-current assets	
	2011	2010
	HK$'000	HK$'000
Hong Kong	**246,297**	219,552
Mainland PRC	**87,014**	96,509
Taiwan	**3,973**	–
Others	**929**	1,151
	338,213	317,212

Information about major customers

During the years ended 31 December 2011 and 2010, no customer contributed over 10% of the total sales of the Group.

8. FINANCE COSTS

Continuing operations

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings wholly repayable within five years	12,823	7,523

9. DIRECTORS' REMUNERATION

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

2011

	Yim Yuk Lun, Stanley *JP* HK$'000	Wong Sui Chuen HK$'000	Lock Shui Cheung HK$'000	Lau Ping Cheung HK$'000 (note i)	Dr. Chang Chu Cheng HK$'000	Cheung Chi Kwan HK$'000	Liu Chun Ning, Wilfred HK$'000	Dr. Lui Ming Wah, *SBS JP* HK$'000	Wong Tak Yuen, Adrian HK$'000	Total HK$'000
Fees	–	–	–	–	–	100	–	50	50	200
Other emoluments										
Salaries and other benefits	4,320	689	690	600	–	–	–	–	–	6,299
Retirement benefits scheme contributions	216	16	24	8	–	–	–	–	–	264
Performance related incentive payments (note iii)	4,000	131	868	288	–	–	–	–	–	5,287
Total emoluments	8,536	836	1,582	896	–	100	–	50	50	12,050

2010

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

9. DIRECTORS' REMUNERATION *(Continued)*

Notes:

(i) Mr. Lau Ping Cheung was appointed as director of the Company on 1 May 2011.

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

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

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the years ended 31 December 2011 and 2010, no directors waived any emoluments.

10. EMPLOYEES' REMUNERATIONS

Of the five highest paid individuals in the Group, three (2010: two) were directors of the Company whose remunerations are set out in note 9 above. The remuneration of the remaining two (2010: three) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	1,779	2,815
Performance related incentive payments	276	1,156
Retirement benefits scheme contributions	24	72
	2,079	4,043

Their remunerations were within the following bands:

	2011 No. of employees	2010 No. of employees
Not exceeding HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	–	1

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group.

11. TAXATION

Continuing operations

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	11,082	14,771
Overprovision in prior years	(28)	(440)
Taiwan Corporate Income Tax		
Current year	347	–
	11,401	14,331
Deferred tax (note 33)		
Current year	1,866	2,494
	13,267	16,825

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

Corporate Income Tax in Taiwan is charged at 17%. The reduction of the Corporate Income Tax in Taiwan to 17% was approved on 15 June 2010. The new rate is effective retrospectively from 1 January 2010 onwards.

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

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

11. TAXATION *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Profit before tax (from continuing operations)	**124,920**	114,161
Tax at Hong Kong Profits Tax rate of 16.5%	**20,612**	18,837
Tax effect of expenses not deductible for tax purpose	**400**	645
Tax effect of income not taxable for tax purpose	**(9,036)**	(1,060)
Overprovision in respect of prior years	**(28)**	(440)
Tax effect of share of loss of associates	**31**	25
Tax effect of tax losses/deductible temporary differences not recognised	**2,200**	243
Utilisation of tax losses/deductible temporary differences previously not recognised	**(920)**	(1,425)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**8**	–
Tax charge for the year (relating to continuing operations)	**13,267**	16,825

12. DISCONTINUED OPERATION

During the year ended 31 December 2011, the Group's jointly controlled entity accounted for using proportionate consolidation which was engaged in the manufacturing of liquid crystal display modules disposed of certain property, plant and equipment. After these disposals, the Group discontinued the business of manufacturing of liquid crystal display modules (operated through the jointly controlled entity) (the "Discontinued Business").

12. DISCONTINUED OPERATION *(Continued)*

The results of the discontinued operation in current year, which had been included in the consolidated statement of comprehensive income, were as follows:

	2011 HK$'000	2010 HK$'000
Revenue	–	10,334
Cost of sales	–	(13,372)
Other income	19	212
Other gains and losses	(2,543)	58
Distribution and selling expenses	(19)	(158)
Administrative expenses	(1,207)	(1,532)
Finance cost	(10)	(43)
Loss for the year	(3,760)	(4,501)

	2011 HK$'000	2010 HK$'000
Loss for the year from discontinued operation has been arrived at after charging and (crediting):		
Staff costs		
– salaries and other benefits	41	1,054
– retirement benefits scheme contribution	4	7
	45	1,061
Depreciation of property, plant and equipment	734	898
Cost of inventories recognised as an expense	–	13,272
Net foreign exchange loss (gain)	10	(58)
Interest income	(11)	(5)
Loss on disposal of property, plant and equipment	2,533	–

During the year, the Discontinued Business contributed net operating outflow of HK$353,000 (2010: inflow of HK$209,000), cash inflow of HK$1,720,000 (2010: outflow of HK$8,000) in respect of investing activities and cash outflow of HK$1,680,000 (2010: HK$420,000) in respect of the financing activities to the Group's cash flow.

13. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging and (crediting):		
Continuing operations		
Staff costs, including directors' remunerations		
– salaries and other benefits	62,920	56,067
– performance related incentive payments	10,424	9,771
– retirement benefits scheme contributions	4,772	4,189
	78,116	70,027
Auditor's remuneration	1,387	1,384
Depreciation of property, plant and equipment	13,868	13,164
Amortisation of prepaid lease payment	189	–
Allowance for trade and other receivables	4,420	605
Cost of inventories recognised as an expense (including allowance for inventories of HK$5,529,000 (2010: HK$762,000))	5,290,344	4,104,174
Interest income	(1,458)	(801)
Dividend income from equity investments	(1,363)	(679)
Rental income from investment properties, net of outgoings of HK$25,000 (2010: HK$25,000)	(3,708)	(4,032)

The following items are included in other gains and losses:

	2011 HK$'000	2010 HK$'000
Change in fair value of derivative financial instruments	(2,458)	1,965
Impairment loss recognised in respect of goodwill	1,410	–
Change in fair value of financial assets at fair value through profit or loss	3,872	(1,291)
Net foreign exchange (gain) loss	(1,140)	2,217
Gain on disposal of property, plant and equipment	(752)	(65)

14. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2011 Interim dividend of HK3.0 cents (2010: 2010 interim dividend of HK3.0 cents) per share	7,864	7,864
2010 Final dividend of HK10.0 cents and a special dividend of HK2.0 cents (2010: 2009 final dividend of HK6.5 cents) per share	31,457	17,039
	39,321	24,903

The final dividend of HK10.0 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK10.0 cents and special dividend of HK2.0 cents in respect of the year ended 31 December 2010) per share have been proposed by the directors and is subject to approval by the shareholders in general meeting.

15. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share for continuing and discontinued operations for the year is based on the profit for the year attributable to owners of the Company from continuing and discontinued operations of approximately HK$100,581,000 (2010: HK$80,443,000) and on the 262,140,720 (2010: weighted average number of 261,036,553) ordinary shares in issued during the year.

The computation of diluted earnings per share for the year ended 31 December 2011 and 2010 does not assume the exercise of the Company's outstanding warrants (2010: options) because the exercise prices of those warrants (2010: options) were higher than the average market price for the corresponding period.

From continuing operations

The calculation of the basic and diluted earnings per share for continuing operations for the year is based on the profit for the year attributable to owners of the Company from continuing operations of approximately HK$104,341,000 (2010: HK$84,944,000) and on the 262,140,720 (2010: weighted average number of 261,036,553) ordinary shares in issued during the year. The computation of diluted earnings per share for both years are the same as those detailed above.

15. EARNINGS PER SHARE *(Continued)*

From discontinued operation

Basic and diluted loss per share for discontinued operation is HK1.43 cents per share (2010: HK1.72 cents per share) based on the loss for the year attributable to owners of the Company from discontinued operation of approximately HK$3,760,000 (2010: HK$4,501,000) and on the 262,140,720 (2010: weighted average number of 261,036,553) ordinary shares in issued during the year. The computation of diluted loss per share for both years are the same as those detailed above.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2010	112,800
Additions	9,860
Transferred to property, plant and equipment	(4,700)
Net increase in fair value recognised in profit or loss	16,308
Disposals	(7,068)
At 31 December 2010	127,200
Net increase in fair value recognised in profit or loss	9,100
At 31 December 2011	136,300

The fair values of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by B.I. Appraisals Limited ("B.I."), independent qualified professional valuers not connected with the Group. B.I. are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations.

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

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

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and vessel HK$'000	Total HK$'000
COST OR VALUATION							
At 1 January 2010	151,124	14,545	5,152	20,347	22,766	14,810	228,744
Exchange realignment	1,093	213	–	24	10	25	1,365
Additions	11,238	380	22	7,721	3,106	2,219	24,686
Acquired on acquisition of a subsidiary (note 34)	–	–	403	–	65	–	468
Transferred from investment properties	4,700	–	–	–	–	–	4,700
Disposals	–	–	–	–	–	(479)	(479)
At 31 December 2010	168,155	15,138	5,577	28,092	25,947	16,575	259,484
Exchange realignment	873	314	330	67	121	38	1,743
Additions	–	2,402	1,390	2,908	5,635	6,298	18,633
Disposals	(6,610)	(1,669)	(5,377)	(336)	(1,010)	(2,081)	(17,083)
At 31 December 2011	162,418	16,185	1,920	30,731	30,693	20,830	262,777
Comprising:							
At cost	117,068	16,185	1,920	30,731	30,693	20,830	217,427
At valuation – 1994	45,350	–	–	–	–	–	45,350
	162,418	16,185	1,920	30,731	30,693	20,830	262,777
DEPRECIATION							
At 1 January 2010	35,635	9,297	1,084	12,779	14,369	13,043	86,207
Exchange realignment	26	61	–	11	4	12	114
Provided for the year	3,889	1,430	493	3,872	3,324	1,054	14,062
Eliminated on disposals	–	–	–	–	–	(479)	(479)
At 31 December 2010	39,550	10,788	1,577	16,662	17,697	13,630	99,904
Exchange realignment	75	159	70	35	52	20	411
Provided for the year	4,134	1,383	597	3,532	3,541	1,415	14,602
Eliminated on disposals	(1,945)	(3)	(1,942)	(147)	(366)	(1,886)	(6,289)
At 31 December 2011	41,814	12,327	302	20,082	20,924	13,179	108,628
CARRYING VALUES							
At 31 December 2011	120,604	3,858	1,618	10,649	9,769	7,651	154,149
At 31 December 2010	128,605	4,350	4,000	11,430	8,250	2,945	159,580

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

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

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

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

	2011 **HK$'000**	2010 HK$'000
Land and buildings in Hong Kong:		
Medium-term lease	**62,244**	64,928
Land and buildings outside Hong Kong:		
Long lease	**58,360**	63,677
	120,604	128,605

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

18. PREPAID LEASE PAYMENTS

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

	2011 **HK$'000**	2010 HK$'000
Analysed for reporting purposes as:		
Non-current asset	**9,080**	8,650
Current asset	**189**	177
	9,269	8,827

19. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2010	16,419
Arising on acquisition of a subsidiary	1,410
At 31 December 2010	17,829
Arising on acquisition of a subsidiary	3,973
Impairment loss in respect of goodwill	(1,410)
At 31 December 2011	20,392

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

	2011 HK$'000	2010 HK$'000
Distribution of sports products	1,369	1,369
Distribution of electronic components and semiconductors products	19,023	15,050
Development and production of light-emitting diode ("LED") optoelectronics products	–	1,410
	20,392	17,829

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

Distribution of sports products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using zero (2010: zero) growth rate, and discount rate of 8% (2010: 8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

19. GOODWILL *(Continued)*

Distribution of electronic components and semiconductors products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with zero (2010: zero) growth rate applied in the first year of projection period and 7.5% (2010: 7.5%) growth rate to apply from the second year of projection period thereafter, and discount rate of 8% (2010: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this unit to exceed the aggregate recoverable amount of this unit.

Development and production of LED Optoelectronics products

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period using zero (2010: 5%) growth rate, and discount rate of 7% (2010: 7%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

During the year ended 31 December 2011, the Group recognised an impairment loss of HK$1,410,000 (2010: nil) in relation to goodwill to CGU in the development and production of LED Optoelectronics products.

20. INTERESTS IN ASSOCIATES

	2011 **HK$'000**	2010 HK$'000
Cost of unlisted investments in associates	**1,450**	1,450
Share of post-acquisition losses and other comprehensive expense	**(944)**	(775)
	506	675

20. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2011 and 2010, the Group had interests in the following associates:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group 2011 %	2010 %	Principal activities
Bestime Technology Development Limited	Incorporated	Hong Kong	Ordinary	**30**	30	Trading of electronic products
Now Electron Inc. ("Now Electron")	Incorporated	Republic of Korea	Ordinary	**29**	29	Trading of electronic products
成都凌點科技有限公司	Incorporated	Mainland PRC	Ordinary	**30**	30	Provision of research and development services

Included in cost of investments in associates is goodwill of HK$117,000 (2010: HK$117,000) arising on acquisition of an associate. The movement of goodwill is set out below.

	HK$'000
COST	
At 1 January 2010	–
Arising on acquisition of an associate	117
At 31 December 2010 and 31 December 2011	117

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

	2011 HK$'000	2010 HK$'000
Total assets	**1,700**	2,464
Total liabilities	**(1,297)**	(1,444)
Net assets	**403**	1,020
Group's share of net assets of associates	**389**	558
Revenue	**3,133**	4,532
Loss for the year	**(655)**	(520)
Group's share of loss of associates for the year	**(185)**	(152)

20. INTERESTS IN ASSOCIATES *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Unrecognised share of losses of an associate for the year	**3**	–
Accumulated unrecognised share of losses of an associate	**383**	380

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2011 and 2010, the Group had interests in the following jointly controlled entities:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ operations	Class of shares held	Proportion of issued share capital held by the Group 2011 %	Proportion of issued share capital held by the Group 2010 %	Principal activity
Kitronix Limited	Incorporated	Hong Kong	Ordinary	**35**	35	Manufacturing of liquid crystal display modules
SPT Technology Limited ("SPT Technology") (note)	Incorporated	Hong Kong	Ordinary	**55**	–	Distribution of electronic products

Note: SPT Technology is a jointly controlled entity of the Group as the financial and operating policies requires over 50% approval form the board representatives, while the Group only has 50% of the board representatives in SPT Technology.

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

	2011 HK$'000	2010 HK$'000
Current assets	**96,692**	3,140
Non-current assets	**5,386**	8,359
Current liabilities	**88,903**	2,311
Income recognised in profit or loss	**331,686**	10,604
Expenses recognised in profit or loss	**333,741**	15,105
Other comprehensive income	**–**	–

22. AVAILABLE-FOR-SALE INVESTMENTS

	2011 HK$'000	2010 HK$'000
Available-for-sale investments comprise:		
At fair value		
Investments in unlisted equity funds/club debenture (note)	7,573	11,036
At cost		
Investments in unlisted equity securities in Hong Kong	6,000	6,000
Investments in unlisted equity securities elsewhere	339	–
Total	13,912	17,036
Analysed for reporting purposes as:		
Non-current assets	13,912	17,036

Note: Included in the balance with an amount of HK$5,027,000 (2010: HK$8,739,000) represented an investment in unlisted equity fund which can be redeemed or purchased at the fund market value provided by the trustee of the fund. The fair value of the investment is determined by reference to the fund market value as at 31 December 2011 and 2010 provided by the trustee.

Included in Group's available-for-sale investments with aggregate amount of HK$5,027,000 (2010: HK$8,739,000) denominated in USD which is other than the functional currency of the relevant group entities.

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

23. CLUB MEMBERSHIPS

	2011 & 2010 HK$'000
Club memberships outside Hong Kong, at cost	3,278

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

24. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

At 31 December 2011 and 2010, the pledged bank deposits represent amount pledged to banks to secure short-term banking facilities granted to the Group.

The bank balances and pledged bank deposits carry fixed interest at rates which range from 0.5% to 3% (2010: from 0.001% to 2.5%) per annum and variable interest at rates which range from 0.01% to 3% (2010: from 0.02% to 0.35%) per annum, respectively. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

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

	2011 HK$'000	2010 HK$'000
USD	297,732	223,456
RMB	3,394	1,153
	301,126	224,609

25. INVENTORIES

	2011 HK$'000	2010 HK$'000
Finished goods	397,045	379,242

26. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

	2011 HK$'000	2010 HK$'000
Trade receivables	452,627	409,835
Less: allowance for doubtful debts	(8,642)	(8,334)
	443,985	401,501
Other receivables	23,870	20,955
Prepayment and deposits paid	11,665	13,183
Total trade and other receivables	479,520	435,639
Bills receivable	7,448	22,556

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

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

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

	2011 HK$'000	2010 HK$'000
Current	355,921	301,403
Within 30 days	77,549	86,009
More than 30 days and within 60 days	7,820	9,365
More than 60 days and within 90 days	2,547	2,182
More than 90 days	7,596	25,098
	451,433	424,057

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

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$95,512,000 (2010: HK$122,654,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as these debtors have good repayment history and there has not been a significant change in credit quality. The Group does not hold any collateral over these balances. The average age of these receivables is 58 days (2010: 66 days).

Ageing of trade receivables which are past due but not impaired

	2011 HK$'000	2010 HK$'000
Within 30 days	77,549	86,009
More than 30 days and within 60 days	7,820	9,365
More than 60 days and within 90 days	2,547	2,182
More than 90 days	7,596	25,098
Total	95,512	122,654

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

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

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
1 January	8,334	7,999
Impairment losses recognised on receivables	4,504	3,084
Reversal of bad debt provision	(84)	(2,479)
Amounts written off as uncollectible	(4,112)	(270)
31 December	8,642	8,334

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$8,642,000 (2010: HK$8,334,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

	2011 HK$'000	2010 HK$'000
USD	126,359	231,398
RMB	80	5,016
	126,439	236,414

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
Investments held-for-trading:		
Equity securities listed in Hong Kong	32,390	22,773
Unlisted equity funds/debentures (note)	65,796	19,337
	98,186	42,110
Financial assets designated at fair value through profit or loss:		
Structured deposits	15,558	23,103
	113,744	65,213

Note: The amount represented unlisted equity funds/debentures which are quoted in an active market. The fair value of the investments is determined by reference to the quoted prices as at 31 December 2011 and 2010.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Included in financial assets designated at fair value through profit or loss are principal protected structured deposits of HK$15,558,000 (2010: HK$23,103,000) placed with one bank (2010: two banks). Under the relevant agreements, such structured deposits contains an embedded derivative in which its return is determined by reference to the changes in exchange rate of foreign currencies including Australia dollars, Canadian Dollar, Swiss France, Euro, British Pound, Japanese Yen, New Zealand Dollar, Norwegian Krone, Swedish Krona and USD. At 31 December 2010, the return for the other deposit of approximately HK$7,465,000 was determined by reference to the changes in quoted price of certain equity securities listed overseas, and was matured during the current year. The fair value is based on the mark to market valuation amount provided by the counterparty financial institution, which is based on discounted cash flow analysis taking into account of observable market data and unobservable inputs (see note 6(c) for details).

Included in Group's financial assets at fair value through profit or loss are balances with aggregate amount of approximately HK$15,558,000 (2010: HK$23,103,000) denominated in USD, and HK$57,727,000 (2010: HK$11,256,000) denominated in RMB, which are other than the functional currency of the relevant group entities.

28. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

	2011 HK$'000	2010 HK$'000
Trade payables	404,212	328,072
Other payables	29,823	34,003
Accruals and deposits received	26,673	30,294
Total trade and other payables	460,708	392,369
Bills payable	59,125	122,202

The average credit period on purchase of goods ranged from 30 days to 120 days.

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

Included in Group's trade and other payables and bills payable with aggregate amount of approximately HK$217,061,000 (2010: HK$176,772,000) denominated in USD which is other than the functional currency of the relevant group entities.

28. TRADE AND OTHER PAYABLES AND BILLS PAYABLE *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Current	392,992	324,536
Within 30 days	53,504	100,906
More than 30 days and within 60 days	14,521	12,410
More than 60 days and within 90 days	251	85
More than 90 days	2,069	12,337
	463,337	450,274

29. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2011 HK$'000	2010 HK$'000
Fair value of derivatives not under hedge accounting:		
Foreign currency forward contracts – net settled	2,515	213
Interest rate swap	6,261	6,108
	8,776	6,321

As at 31 December 2011, the Group has certain outstanding foreign exchange forward contracts with monthly net-settlement to which the Group is committed are as follows:

Notional amount	Maturity	Forward exchange rates
Twenty contracts to buy USD in total notional amount of USD58,330,000	Ranging from 13 January 2012 to 4 September 2013	HK$/USD ranging from 7.711 to 7.749

29. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2010, the Group had certain outstanding foreign exchange forward contracts with monthly net-settlement to which the Group was committed were as follows:

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

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

31 December 2011 and 2010

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

30. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Bank borrowings comprise:		
Bank import loans	588,777	330,442
Other bank loans	259,068	263,440
	847,845	593,882
Analysed as:		
Secured	789,689	535,648
Unsecured	58,156	58,234
	847,845	593,882

30. BANK BORROWINGS *(Continued)*

	2011 HK$'000	2010 HK$'000
Carrying amount repayable*:		
– within one year	6,250	6,250
– more than one year, but not exceeding two years	6,250	6,250
– more than two years, but not exceeding five years	5,000	11,250
	17,500	23,750
Carrying amount of bank loans contain a repayment on demand clause are repayable as follows:		
– within one year	795,056	522,438
– in the second year	13,569	12,816
– in the third to fifth year inclusive	19,917	32,274
– over five year	1,803	2,604
	830,345	570,132
	847,845	593,882
Less: Amounts due within one year under current liabilities	(836,595)	(576,382)
Amounts shown under non-current liabilities	11,250	17,500

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

At 31 December 2011, all of the bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum with the average effective interest rate of 1.85% (2010: 1.40%).

Included in Group's borrowings with aggregate amount of approximately HK$237,887,000 (2010: HK$215,604,000) denominated in USD which is other than the functional currency of the relevant group entities.

31. SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	1,454,000,000	145,400
Issued and fully paid:		
At 1 January 2010	259,490,720	25,949
Exercise of share options	2,650,000	265
At 31 December 2010 and 31 December 2011	262,140,720	26,214

	Number of non-redeemable convertible preference shares	Amount
		HK$'000
Non-redeemable convertible preference shares of HK$0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	46,000,000	4,600
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011	–	–

Warrants

At 31 December 2011, the Company had outstanding 10,000,000 (2010: nil) warrants to be exercised at any time on or before 22 March 2012. Exercise in full of such warrants would result in the issue of approximately 10,000,000 (2010: nil) additional ordinary shares of HK$2.28 each. No warrants are exercised until the maturity date and all warrants are lapsed accordingly.

32. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

The following table discloses movements of the Company's share options held by a director and employees during the years ended 31 December 2010 and 2011:

	Date of grant	Exercise price per share	Exercisable period	Options outstanding and exercisable as at 1 January 2010	Options transferred during the year (note)	Options exercised during the year	Options lapsed during the year	Options outstanding and exercisable as at 31 December 2010 and 31 December 2011
Director:								
Lock Shui Cheung	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	–	500,000	(500,000)	–	–
Lock Shui Cheung	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	–	500,000	(500,000)	–	–
Employees	3 July 2007	HK$1.50	3 July 2008 to 2 July 2010	2,750,000	(500,000)	(825,000)	(1,425,000)	–
Employees	3 July 2007	HK$1.50	3 July 2009 to 2 July 2010	2,750,000	(500,000)	(825,000)	(1,425,000)	–
				5,500,000	–	(2,650,000)	(2,850,000)	–

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

The weighted market exercise price was HK$1.73 per share at dates of exercise.

33. DEFERRED TAXATION

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

	Decelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Other deductible temporary differences HK$'000	Total HK$'000
At 1 January 2010	(417)	10,515	(2,607)	(166)	7,325
(Credit) charge to profit or loss	(94)	2,692	(104)	–	2,494
At 31 December 2010	(511)	13,207	(2,711)	(166)	9,819
Acquisition of a subsidiary (note 34)	–	–	–	106	106
(Credit) charge to profit or loss	(169)	1,502	613	(80)	1,866
At 31 December 2011	(680)	14,709	(2,098)	(140)	11,791

At 31 December 2011, the Group had unused tax losses of HK$94,803,000 (2010: HK$88,286,000) available for offset against future assessable profits. A deferred tax asset has been recognised in respect of HK$12,718,000 (2010: HK$16,434,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$82,085,000 (2010: HK$71,852,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At 31 December 2011, the Group had deductible temporary differences in relation to allowance for doubtful debts of HK$8,428,000 (2010: HK$9,833,000). A deferred tax asset has been recognised in respect of HK$850,000 (2010: HK$1,006,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$7,578,000 (2010: HK$8,827,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

34. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2011

In October 2011, the Group acquired 51% equity interest of Chenmtech Company Limited 全曄科技股份有限公司 ("Chenmtech"), a company engaged in distribution of electronic components products, for a cash consideration of HK$16,607,000, with the objective of business expansion. This acquisition has been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of this acquisition was HK$3,973,000. The acquisition-related costs are negligible.

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

	HK$'000
Available-for-sale investments	339
Inventories	9,251
Trade and other receivables	53,469
Pledged bank deposits	3,964
Bank balances and cash	2,134
Trade and other payables	(8,313)
Tax liabilities	(1,043)
Bank borrowings	(34,923)
Deferred tax liabilities	(106)
	24,772

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$53,469,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK$53,911,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately HK$442,000.

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	16,607
Plus: non-controlling interests (49% in Chenmtech)	12,138
Less: net assets acquired	(24,772)
Goodwill arising on acquisition	3,973

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

34. ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2011 *(Continued)*

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

	HK$'000
Net cash outflow on acquisition of Chenmtech:	
Cash consideration paid	(16,607)
Bank balances and cash acquired	2,134
	(14,473)

Included in the profit for the year is HK$1,299,000 attributable to the additional business generated by Chenmtech. Revenue for the year includes HK$46,156,000 generated from Chenmtech.

Had the acquisition been completed on 1 January 2011, total group revenue for the year would have been HK$5,700,202,000, and profit for the year would have been HK$119,000,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

The directors consider the goodwill arising on acquisition of Chenmtech was attributable to the anticipated profitability from the continue expansion of the Group's business in distributing electronic components.

For the year ended 31 December 2010

In October 2010, the Group acquired 51% equity interest of LongFang Fordwin Optical & Electric Co. Ltd. ("Fordwin"), a company engaged in the development and production of LED optoelectronics products, for a cash consideration of HK$5,968,000, with the objective of product diversification. This acquisition has been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of this acquisition was HK$1,410,000. The acquisition-related costs were negligible.

34. ACQUISITION OF A SUBSIDIARY *(Continued)*

For the year ended 31 December 2010 *(Continued)*

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

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

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

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

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

The subsidiary acquired did not have significant contribution to the Group's revenue and results for the year ended 31 December 2010.

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

35. DISPOSAL OF DISTRIBUTION RIGHTS

In October 2011, the Group disposed of distribution rights for products of National Semiconductor Manufacturing Hong Kong Limited ("NS") pursuant to the distribution and other agreements signed with NS, along with customer assignments and business backlogs relating to the products of NS and product solutions and customers' design registrations for products of NS (the "Disposed Rights") to an independent third party at a cash consideration of HK$46,800,000. At the date of disposal, there is no carrying value of the Disposed Rights in the consolidated financial statements of the Group, and a gain of HK$46,800,000 is recognised in the current year.

The consideration was fully settled in cash in the current year.

36. RETIREMENT BENEFITS SCHEME

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

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

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

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

37. PLEDGE OF ASSETS

At 31 December 2011, the following assets of the Group were pledged to banks in order to secure general banking facilities granted by these banks to the Group:

(a) investment properties and leasehold land and buildings with carrying values of HK$131,471,000 (2010: HK$122,848,000) and HK$71,031,000 (2010: HK$73,646,000), respectively;

(b) bank deposits of HK$3,149,000 (2010: HK$19,634,000);

(c) trade receivables of HK$69,336,000 (2010: HK$111,931,000);

(d) structured deposits of HK$15,558,000 (2010: HK$23,103,000);

(e) investments held-for-trading of HK$25,229,000 (2010: HK$19,337,000).

38. OPERATING LEASE

The Group as lessee

	2011 HK$'000	2010 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises	2,673	984

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

	2011 HK$'000	2010 HK$'000
Within one year	1,032	912
In the second to fifth year inclusive	–	480
	1,032	1,392

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

38. OPERATING LEASE *(Continued)*

The Group as lessor

Property rental income earned during the year was HK$3,733,000 (2010: HK$4,057,000). The properties held have committed tenants for the next three (2010: one) years.

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

	2011 HK$'000	2010 HK$'000
Within one year	4,376	1,031
In the second to fifth year inclusive	5,578	–
	9,954	1,031

39. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	9,672	–

40. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected parties

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

(a) Transactions

Name of party	Nature of transactions	2011 HK$'000	2010 HK$'000
Hon Hai Precision Industry Co., Ltd. ("Hon Hai") (note) and its subsidiaries	Purchases of electronic products by the Group	517,724	247,898
	Sales of electronic products by the Group	459,802	555,275

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

(I) Connected parties *(Continued)*

(b) Balances

Name of party	Nature of transactions	2011 HK$'000	2010 HK$'000
Hon Hai and its subsidiaries	Balance		
	– trade receivables	**76,078**	121,676
	– trade payables	**169,948**	131,250

Note: Hon Hai is a substantial shareholder of the Company, who held 17.55% (2010: 17.55%) of the issued share capital of the Company as at 31 December 2011.

(II) Related parties, other than connected parties

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

(a) Transactions

Name of party	Nature of transactions	2011 HK$'000	2010 HK$'000
Jointly controlled entity:			
SPT Technology	Purchases of electronic products	**82,922**	–
	Sales of electronic products	**16,631**	–
Associate:			
Now Electron	Sales of electronic products	**225**	3,444

(b) Balances

Name of party	Nature of transactions	2011 HK$'000	2010 HK$'000
Jointly controlled entity:			
SPT Technology	Balance		
	– trade receivables	**764**	–
	– trade payables	**5,351**	–
Associate:			
Now Electron	Balance		
	– trade receivables	**–**	284

(c) Compensation of key management personnel

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

A summary of the statement of financial position of the Company at 31 December 2011 and 31 December 2010 are as follows:

	2011 HK$'000	2010 HK$'000
Assets		
Investments in subsidiaries	92,577	92,577
Amounts due from subsidiaries	242,451	257,114
Other assets	926	924
	335,954	350,615
Liabilities		
Amounts due to subsidiaries	121,758	146,995
Other payables	657	673
	122,415	147,668
Net assets	213,539	202,947
Capital and reserves		
Share capital	26,214	26,214
Share premium and reserves (note)	187,325	176,733
Total equity	213,539	202,947

Note:

	Share premium HK$'000	Capital redemption reserve HK$'000	Contri-buted surplus HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	29,298	1,109	130,699	1,147	35,716	197,969
Loss and total comprehensive expense for the year	–	–	–	–	(43)	(43)
Issue of shares upon the exercise of share options	3,710	–	–	–	–	3,710
Release of share option reserve on exercise of share options	502	–	–	(502)	–	–
Share options lapsed	–	–	–	(645)	645	–
Dividends recognised as distribution	–	–	(24,903)	–	–	(24,903)
At 31 December 2010	33,510	1,109	105,796	–	36,318	176,733
Profit and total comprehensive income for the year	–	–	–	–	49,913	49,913
Dividends recognised as distribution	–	–	–	–	(39,321)	(39,321)
At 31 December 2011	33,510	1,109	105,796	–	46,910	187,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2011 and 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital held by the Company 2011 %	2010 %	Principal activities
Dragon Trading Limited	British Virgin Islands	Ordinary US$40,000	100	100	Investment holding
HAS Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
Hi-Level Technology Limited	Hong Kong	Ordinary HK$25,000,000	51	51	Distribution of electronic products
RSL Microelectronics Company Limited	Hong Kong	Ordinary HK$500,000	100	100	Distribution of electronic products
S.A.S. Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	100	100	Distribution of electronic products
S.A.S. Enterprises Company Limited	Hong Kong	Ordinary HK$100	100	100	Distribution of electronic products
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Investment Company Limited	Hong Kong	Ordinary HK$100	100	100	Property and investment holding
		Non-voting deferred* HK$1,000,000	100	100	
S.A.S. Lighting Company Limited	Hong Kong	Ordinary HK$2	100	100	Distribution of LED lighting products

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and paid up share capital/ registered capital	Proportion of issued share capital held by the Company 2011 %	2010 %	Principal activities
S.A.S. Systems Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Distribution of system solutions
SMartech Electronic Company Limited	Hong Kong	Ordinary HK$1,000,000	**70**	70	Distribution of electronic products
Sportline Limited	Hong Kong	Ordinary HK$200,000	**100**	100	Distribution of sports products
時捷電子科技(深圳)有限公司**	Mainland PRC	Registered capital HK$20,000,000	**100**	100	Distribution of electronic products
LangFang Fordwin Optical & Electric Company Limited**	Mainland PRC	Registered capital RMB10,000,000	**51**	51	Development and production of LED optoelectronics products
Chenmtech Company Limited 全曄科技股份有限公司	Taiwan	Registered capital TWD70,000,000	**51**	–	Distribution of electronic products

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

** Foreign wholly-owned enterprise

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

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

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

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Revenue	3,441,656	2,957,157	3,477,978	4,367,400	**5,553,312**
Profit (loss) before tax	61,403	(19,160)	69,529	114,161	**124,920**
Income tax (expense) credit	(9,673)	2,272	(8,180)	(16,825)	**(13,267)**
Profit (loss) for the year from continuing operations	51,730	(16,888)	61,349	97,336	**111,653**
Profit (loss) for the year from discontinued operation	1,359	139	(1,533)	(4,501)	**(3,760)**
Profit (loss) for the year	53,089	(16,749)	59,816	92,835	**107,893**
Profit (loss) for the year attributable to:					
Owners of the Company	45,282	(18,159)	51,929	80,443	**100,581**
Non-controlling interests	7,807	1,410	7,887	12,392	**7,312**
	53,089	(16,749)	59,816	92,835	**107,893**

ASSETS AND LIABILITIES

	At 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total Assets	1,558,273	1,158,774	1,486,673	1,678,605	**2,006,800**
Total Liabilities	(1,114,087)	(744,980)	(1,021,161)	(1,136,095)	**(1,394,144)**
Net Assets	444,186	413,794	465,512	542,510	**612,656**
Equity attributable to owners of the Company	413,203	385,804	429,693	491,121	**550,885**
Non-controlling interests	30,983	27,990	35,819	51,389	**61,771**
Total Equity	444,186	413,794	465,512	542,510	**612,656**

PARTICULARS OF INVESTMENT PROPERTIES

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

The Group has 100% interest in the above properties.