Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 833

2011
Annual Report

Contents

DIRECTORS

Executive Directors
Mr. LAM Yin Kee *(Chairman)*
Ms. YEUNG Po Wah
Mr. SO Kin Hung

Non-executive Director
Mr. FAN, William Chung Yue

Independent Non-executive Directors
Ms. YEUNG Chi Ying
Mr. YAU Ming Kim, Robert
Mr. LEUNG Kam Wah

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1108, 11/F
Eastwood Centre
No. 5 A Kung Ngam Village Road
Shau Kei Wan
Hong Kong

COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

STOCK CODE

833

INDEPENDENT AUDITOR

PricewaterhouseCoopers

AUDIT COMMITTEE

Ms. YEUNG Chi Ying *(Chairman)*
Mr. YAU Ming Kim, Robert
Mr. LEUNG Kam Wah

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICE

In Hong Kong
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

In Cayman Islands
Butterfield Fulcrum Group (Cayman) Limited
P. O. Box 705
Butterfield House
68 Fort Street, George Town
Grand Cayman, Cayman Islands

WEBSITE

http://www.irasia.com/listco/hk/alltronics/index.htm

On behalf of the board (the "Board") of directors (the "Directors") of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present to you the annual report for the year ended 31 December 2011.

BUSINESS REVIEW

Although the global economic environment during the year 2011 was unstable, the Group managed to achieve a 33.9% growth in turnover. The overall turnover for the year was HK$801.7million, as compared to HK$598.5 million for the year 2010. During the year, the demand for electronic products from the Group's customers in the United States market remained to be strong, especially for the demand on irrigation controller products. The performance of the Group's biodiesel products segment had improved continuously, with sales revenue jumped from HK$10.2 million in 2010 to HK$16.6 million in 2011. The Air Pollution Control (Motor Vehicle Fuel) (Amendment) Regulation 2010, which regulates the use of biodiesel in Hong Kong as alternative green energy, had become effective since 1 July 2010 and this has helped to promote the use of biodiesel in Hong Kong. On the other hand, the sales revenue from components for electronic products, and plastic moulds and plastic components had reduced as the market for these products remained to be competitive and the Group intends to focus more of its resources on other higher profit margin products.

The net profit attributable to owners of the Company for the year is HK$33.4 million, compared to HK$37.2 million for the year 2010. The overall gross profit margin for the year had reduced from 18.4% in 2010 to 17.5% in 2011. The drop in gross profit margin was mainly due to the increase in direct labour costs and other production overheads, as a result of the increase in minimum wage level, consistent appreciation of Renminbi and general inflation in the People's Republic of China (the "PRC") during the year. In addition, there was a fair value loss on derivative financial instruments of HK$9.5 million and share-based payment expenses of HK$8.3 million had been recognised for share options granted during the year.

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for approximately 53.7% of the total turnover for the year. Sales to customers in other markets such as Hong Kong and Europe had also increased. The Group will continue its efforts to secure new customers in different markets so that the turnover by geographical location can be spread more evenly.

In view of the strong support from the government of the PRC on energy saving industry, the Group had diversified its operations into energy saving business segment. In January 2011, the Group has set up a wholly-owned foreign enterprise in the PRC to explore the business opportunities for energy saving business in the PRC. On 19 April 2011, the Group has established a cooperation platform with a PRC state-owned enterprise, China Potevio Company Limited ("China Potevio"), for the development of energy saving business in the PRC through the use of LED lighting equipment. However, this business segment was still in its development stage and no revenue had been generated from this business segment during 2011.

PROSPECTS

Regarding the electronic products segment, the global economy in 2012 will still be uncertain with a number of challenges ahead including the recent financial and credit crisis in Europe; the fluctuation in crude oil and commodity prices which may result in rises in unit cost for raw materials such as plastic resins, copper and other metal parts; the stability of Renminbi and United States dollars against Hong Kong dollars; the constant supply of skillful labour in the PRC at reasonable wage levels and the risk of inflation. The Group will continue its effort to tighten controls over production costs and overheads, and will improve production efficiency so as to maintain gross profit margin.

In terms of geographical market, although the sales to United States customers had increased during the year 2011, it is still uncertain whether the United States economy will continue to improve in 2012. The Group will continue to devote efforts to explore new markets and new customers, especially in the Greater China market. It is expected that the economy of the PRC will continue to maintain a steady growth in 2012.

During the year, the Group has been granted a government contract for the supply of approximately 3.5 million litres of B5 biodiesel to various government departments over a period of 16 months from January 2012. This contract will provide a constant source of income for the biodiesel products segment in 2012 and will provide additional momentum to the Group to develop its biodiesel business in Hong Kong. The Group believes that the demand for biodiesel products will increase in a fast pace in the future, resulting in operating profit for its biodiesel business.

In February 2012, the Group has entered into an energy management contract with a leading electrical appliances retailer in the PRC. Such energy management contract business can provide an additional stable source of income to the Group. The Group will continue its negotiations with potential customers on other energy saving projects using LED lighting equipment, and will enter into more energy management contracts in the future. The Group expects there will be significant potential for energy saving business in the PRC.

DIVIDENDS

The Board recommends a final dividend of HK5.0 cents per ordinary share, together with the interim dividend of HK4.0 cents per ordinary share paid in October 2011, the total dividend for the year will be HK9.0 cents per ordinary share. The Board believes that after the payment of the proposed final dividend, the financial position of the Group remains to be strong and the Group still has sufficient liquid funds to finance its operations and to prepare for future growth.

APPRECIATION

On behalf of the Board, I would like to thank the management team and all of our staff for their hard work and contribution in the past year. Lastly, I wish to take this opportunity to extend my sincere gratitude to all our shareholders, customers and business partners for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 27 March 2012

FINANCIAL REVIEW

Turnover

Total turnover for the year has increased by 33.9% to HK$801.7 million, as compared to HK$598.5 million for the year 2010. The turnover analysis by category of products for the two years ended 31 December 2011 and 2010 respectively are as follows:

	2011	2010
	HK$'000	HK$'000
Sales of electronic products	**785,081**	588,341
Sales of biodiesel products	**16,613**	10,188
	801,694	598,529

Sales of electronic products included the sales of finished electronic products; plastic moulds; plastic and other components for electronic products. The overall sales of electronic products had increased by 33.4% as compared to last year due to the increased demand from customers, especially from customers in the United States. Total sales revenue from customers in the United States had improved from HK$300.0 million for the year 2010 to HK$430.8 million this year. In particular, the sales of the Group's major product, irrigation controllers, have increased by 66.8% to HK$310.9 million. On the other hand, total sales of components for electronic products, including transformers and adapters, had decreased by 21.0% due to drop in demand from customers. Total sales of plastic moulds and plastic components also dropped slightly by 5.6%, as the market for these component products remained to be competitive and the Group intends to focus more of its resources on other higher profit margin products.

The performance of the biodiesel products segment had improved continuously, with total turnover increased from HK$10.2 million in 2010 to HK$16.6 million in 2011. The Air Pollution Control (Motor Vehicle Fuel) (Amendment) Regulation 2010, which regulates the use of biodiesel as alternative green energy in Hong Kong, had become effective since 1 July 2010. This has helped to promote the use of biodiesel in Hong Kong. On 25 November 2011, the Group has been granted a government contract for the supply of 3,533,000 litres of B5 biodiesel for delivery to various government departments over a period of 16 months, commencing from January 2012. This represents an official recognition of the quality of the Group's biodiesel products and further confirms the leading position of the Group in the biodiesel market in Hong Kong. Management expects that the demand for biodiesel products in Hong Kong will increase continuously in the future.

In terms of geographical market, the United States continued to be the major market for the Group's products and accounted for approximately 53.7% of the total turnover for the year (2010: 50.1%). Sales to customers in other markets such as Hong Kong and Europe had also increased by 35.8% and 27.2% respectively. The sales to the PRC market had remained stable and amounted to HK$59.2 million for the year (2010: HK$60.8 million). The Group will continue its efforts to secure new customers in different markets so that the turnover by geographical location can be spread more evenly.

In view of the strong support from the PRC Government on energy saving industry, the Group expects that there will be significant opportunity for energy saving business in the PRC. In January 2011, the Group has set up a wholly-owned foreign enterprise in the PRC to diversify its operations into energy saving business. Further on 19 April 2011, the Group has established a cooperation platform with a PRC state-owned enterprise, China Potevio Company Limited ("China Potevio"), for the development of energy saving business in the PRC through the use of LED lighting equipment. However, this business segment was still in its development stage and no revenue had been generated from this business segment during 2011.

Gross profit

The overall gross profit margin had reduced from 18.4% for the year 2010 to 17.5% for 2011. The drop in gross profit margin was mainly due to the increase in direct labour costs and other production overheads, as a result of the increase in minimum wage level, consistent appreciation of Renminbi and general inflation in the PRC during the year.

Operating expenses and other losses

During the year ended 31 December 2011, total administrative expenses had increased from HK$56.7 million in 2010 to HK$76.9 million, mainly due to the increase in staff costs. Share-based payment expenses of HK$8.3 million had been recognised in the consolidated income statement for share options granted during the year. The net finance costs for the year had increased slightly by HK$375,000 due to increase in interest rates. The fluctuation on the exchange rate of Renminbi against United States dollars had resulted in a fair value loss on derivative financial instruments as at 31 December 2011, amounting to HK$9.5 million.

Net profit attributable to owners of the Company

Although the turnover and gross profit for the year have increased by HK$203.2 million and HK$29.9 million respectively, the net profit attributable to owners of the Company has decreased by HK$3.8 million. This is due to the fair value loss on derivative financial instruments of HK$9.5 million and the recognition of share-based payment expenses of HK$8.3 million for share options granted during the year.

PRODUCTION FACILITIES

The Group currently has three production plants in the PRC for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yangxi. During the year 2011, the Group spent approximately HK$1.7 million to acquire new plant and machinery, approximately HK$5.3 million to acquire motor vehicles and spent approximately HK$4.2 million on leasehold improvements to enhance its production capacity.

The Group's biodiesel production facilities are located in Tuen Mun, Hong Kong with a current production capacity of approximately 18,000 tons of biodiesel on an annual basis.

The Group believes that the current production facilities for the electronic products segment and the biodiesel products segment are sufficient for their production requirements in the near future.

In January 2011, the Group has set up an office with LED testing facilities in Shenzhen to carry out its energy saving business.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2011, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK$53.5 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2011, total borrowings of the Group amounted to HK$89.1 million, comprising bank overdrafts of HK$19.3 million, bank loans of HK$37.4 million, bills payable and trust receipt loans of HK$25.0 million, obligations under finance leases of HK$5.0 million and a loan from a customer of HK$2.4 million, all of which are denominated in Hong Kong dollars. The average effective interest rates for each of these borrowings at 31 December 2011 ranged from 3.7% to 6.5% per annum.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 57 days, 68 days and 59 days respectively for the year 2011. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 31 December 2011, the Group's current assets had increased by 6.5% to HK$344.9 million compared to HK$323.9 million as at 31 December 2010 and the Group's total current liabilities had decreased by 1.2% to HK$204.7 million compared to HK$207.1 million as at 31 December 2010. The current ratio (current assets/current liabilities) as at 31 December 2011 was 1.68 times, which is at approximately the same level of 1.56 times as at 31 December 2010.

During the year, the Company had not repurchased any of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 13 January 2011, the Company had granted a total of 15,900,000 share options to certain directors and employees at an exercise price of HK$2.31 per share. These share options are exercisable within a period of two years from 13 January 2011 to 12 January 2013. On 8 March 2011, a total of 100,000 share options had been exercised and resulted in the issue of 100,000 ordinary shares of HK$0.01 each.

At 31 December 2011, the Company had in issue a total of 314,420,000 ordinary shares of HK$0.01 each.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2011 was HK$53.5 million, which had increased by HK$20.8 million compared to the balance at 31 December 2010.

The net cash generated from operating activities for the year was HK$73.8 million. The net cash used in investing activities amounted to HK$9.4 million, which was mainly due to HK$8.0 million paid for the acquisition of property, plant and equipment; HK$9.2 million spent for purchase of financial assets at fair value through profit or loss and HK$7.2 million received from sale of financial assets at fair value through profit or loss.

On the other hand, there was a net cash outflow of HK$44.4 million from financing activities in 2011. During the year, new borrowings of HK$17.6 million were obtained and HK$32.3 million was used to repay bank borrowings and finance leases and HK$28.3 million was paid to shareholders as dividend.

PLEDGE OF ASSETS

At 31 December 2011, the Group had total bank borrowings (excluding obligations under finance leases) of HK$81.7 million, out of which HK$35.8 million were secured by short-term bank deposits of HK$4.5 million, available-for-sale financial assets of HK$2.8 million and trade receivables of HK$2.5 million. In addition, a bank deposit of HK$0.5 million was pledged to a bank as security for bank guarantee given to a third party.

GEARING RATIO

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

At 31 December 2011, the Group did not have a net debt position. The gearing ratio as at 31 December 2010 was 11.2%.

CONTINGENT LIABILITIES

At both 31 December 2011 and 31 December 2010, the Group did not have any material contingent liabilities.

EMPLOYEES

At 31 December 2011, the Group had 2,734 employees, of which 83 were employed in Hong Kong and 2,651 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total staff costs, excluding directors' emoluments, incurred by the Group for 2011 amounted to HK$137.0 million.

The Company has also adopted a share option scheme on 22 June 2005. During the year, a total of 15,900,000 share options were granted at an exercise price of HK$2.31 per shares, with an exercisable period of two years from 13 January 2011 to 12 January 2013. On 8 March 2011, a total of 100,000 share options had been exercised. Saved as aforesaid, no other share options were granted, lapsed, cancelled or exercised. As at 31 December 2011, 15,800,000 share options had been granted and remained outstanding under the share option scheme.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and they have contributed to the success of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and most of the purchases of raw materials are denominated in Renminbi and Hong Kong dollars. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars or Hong Kong dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Although the foreign currency risk is not considered to be significant, management has taken action to minimise the risk. In particular, a substantial portion of the Group's borrowings were denominated in Hong Kong dollars. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

OUTLOOK

Regarding the electronic products segment, the Group expects that the global economic environment in 2012 will continue to be challenging. In particular, the fluctuation in crude oil and commodity prices; the risk of continuing appreciation of Renminbi against United States dollars and Hong Kong dollars; the upward adjustment on the minimum wage levels in China and the risk of global inflation will result in higher material costs, production costs, finance costs and overhead. In order to remain competitive in the market, the Group needs to tighten its controls over production costs and overheads, and to improve production efficiency so as to maximize the gross profit margin. The Group will consider shifting a portion of these increased costs to customers through adjustment in selling price of its electronic products.

In terms of geographical market, although the sales to United States customers had increased during the year 2011, it is still uncertain whether the United States economy will continue to improve in 2012. The Group will continue to devote efforts to explore new markets and new customers, especially in the Greater China market. It is expected that the economy of the PRC will continue to maintain a steady growth in 2012.

The Group has diversified it business to biodiesel products since 2008. Biodiesel is a green alternative energy substitute for petroleum-based diesel. The government contract secured during the year for the supply of B5 biodiesel will provide additional momentum to the Group to develop its biodiesel business in Hong Kong. The Group expects that the demand for biodiesel products will increase at a fast pace in the future, resulting in operating profit for its biodiesel business.

In view of the strong support from the PRC Government on energy saving industry, the Group will focus more of its resources on the development of energy saving business in the PRC. On 13 February 2012, the Group has entered into an energy management contract with Suning Appliance Co., Ltd., China Potevio and 北京巨龍東方國際信息技術有限責任公司 (which is a subsidiary of China Potevio) for the provision of energy saving solutions to at least 1,000 retail stores operated by Suning Appliance Co., Ltd. in the PRC, through the use of LED lighting equipment. Details of the energy management contract are set out in the announcement issued by the Company dated 13 February 2012.

Energy management contract business can provide an additional stable source of income to the Group. As set out in the announcement issued by the Company dated 4 August 2011, the Group is in negotiation with HNA Hotel Group Limited for the provision of energy saving solutions to hotels managed by HNA Hotel Group Limited. The Group will continue its negotiations with HNA Hotel Group Limited and other potential customers on other energy saving projects using LED lighting equipment, and will enter into more energy management contracts in the future.

DIVIDENDS

In appreciation of the continuing support from our shareholders, the Board proposes the payment of a final dividend of HK5.0 cents per share. Together with the interim dividend of HK4.0 cents per share paid in October 2011, the total dividends paid or payable for the year 2011 will be HK9.0 cents per share. All dividends are paid in cash from funds generated from the Group's operations. The Group will have sufficient funds for its future expansion after the payment of dividends.

The proposed final dividend of HK5.0 cents per share will be payable to shareholders whose names appear on the register of members of the Company on 11 June 2012. Subject to the passing of the relevant resolution at the forthcoming annual general meeting (the "AGM"), the final dividend will be payable on or around 29 June 2012.

The register of members of the Company will be closed from 7 June 2012 to 11 June 2012 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the AGM), all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 6 June 2012.

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 65, is an executive Director and the Chairman of the Company, and the husband of Ms. Yeung Po Wah. Being the founder of the Group, Mr. Lam has over 40 years of marketing experience in the electronic industry and he is responsible for the Groups' overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years.

Ms. Yeung Po Wah (楊寶華), aged 62, is an executive Director of the Company and the wife of Mr. Lam Yin Kee. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department.

Mr. So Kin Hung (蘇健鴻), aged 55, was appointed as an executive Director of the Company on 1 August 2008. Mr. So graduated from the University of East London (previously known as "North East London Polytechnic") in the United Kingdom in 1982, with a degree of Bachelor of Science (Electrical and Electronic Engineering). Mr. So joined the Group since 1997 and is also the general manager of two of the Group's subsidiaries, namely Alltronics Tech. Mftg. Limited and Shenzhen Allcomm Electronic Co. Ltd. He has over 25 years of experience in the electronic industry and is responsible for the marketing and engineering operations of the Group. Prior to joining the Group in 1997, Mr. So worked for a Hong Kong listed company as the assistant general manager.

Non-Executive Director

Mr. Fan, William Chung Yue (范仲瑜), aged 71, is a non-executive Director appointed by the Group in June 2005. Mr Fan is a solicitor in Hong Kong and a consultant to Fan & Fan, Solicitors. He is also a non-executive director of Chinney Investments, Limited and an independent non-executive director of Artini China Co. Ltd. since 1987 and 2008 respectively, both of these companies are listed on the main board of the Stock Exchange.

Independent Non-Executive Directors

Ms. Yeung Chi Ying (楊芷櫻), aged 47, is an independent non-executive Director appointed by the Group in June 2005. Ms. Yeung is a fellow member of the Association of the Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She is a practicing certified public accountant in Hong Kong and has over 20 years of experience in auditing and accounting.

Mr. Leung Kam Wah (梁錦華), aged 65, is an independent non-executive Director appointed by the Group in June 2005. Mr. Leung has over 30 years of experience in the legal sector. He had worked as a judicial clerk in the Judiciary Department and a legal executive in Legal Aid Department of Hong Kong. Mr. Leung is now practicing as a law costs draftsman and operating a legal costing firm in Hong Kong.

Mr. Yau Ming Kim, Robert (丘銘劍), aged 73, is an independent non-executive Director appointed by the Group in September 2009. Mr. Yau graduated from Wah Yan College and has extensive experience in the textile and clothing industry and worldwide trade affairs. He served as a trade officer in the Hong Kong Government from 1964 to 1971. In 1970, he was seconded to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as "World Trade Organisation") in Geneva, Switzerland and was awarded GATT Fellowship. Mr Yau had held senior positions including chief executive and managing director of various major international and local apparel companies since 1971. In addition, from 1998 to 2004, he was appointed as the vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council.

Mr. Yau is currently an independent non-executive director of Parkson Retail Group Limited and Tungtex (Holdings) Company Limited since 1 January 2007 and 18 September 2006 respectively. The shares of these two companies are listed on the main board of the Stock Exchange.

PUBLIC SANCTION

On 15 April 2010, the Stock Exchange publicly censured the Company for its breach of Rule 13.09 of the Listing Rules for failing to publish an announcement to disclose the deterioration of the Group's business performance in the first six months ended 30 June 2008. Mr. Lam Yin Kee and Ms. Yeung Po Wah were also publicly censured for their breach of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules. Mr. So Kin Hung, Mr. Fan, William Chung Yue, Ms. Yeung Chi Ying, Mr. Leung Kam Wah and Mr. Barry John Buttifant (a former independent non-executive Director of the Company) were publicly criticised for their respective breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules.

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (楊建燊), aged 61, is a co-founder of Southchina and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 30 years of management experience in manufacturing field.

Mr. Lam On Bong (林安邦), aged 60, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 30 years of management experience in manufacturing field.

Mr. Leung Hon Kwong, Jackson (梁漢光), aged 59, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 30 years of management experience in manufacturing field.

Mr. Leung Fuk Cheung (梁福祥), aged 48, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and recognises the importance of good corporate governance to the Company's healthy development. During the year ended 31 December 2011, the Company has applied the principles and complied with all applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the limited deviation on the grounds and causes as explained below. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximize the interests of shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2011.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant senior management of the Company in respect of their dealings in the securities of the Company.

THE BOARD OF DIRECTORS AND BOARD MEETINGS

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy, to oversee the management of the Group and to evaluate the performance of the Group. The Board is also responsible for the approval of annual and interim results, risk management, major acquisitions, and other significant operational and financial matters. Matters not specifically reserved to the Board and necessarily relate to the daily operations of the Group are delegated to the management under the supervision of the respective Directors and the leadership of the Chairman.

During the year ended 31 December 2011, there was no change in the composition of the Board. The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:	Mr. Lam Yin Kee *(Chairman and Chief Executive)* Ms. Yeung Po Wah Mr. So Kin Hung
Non-executive Director:	Mr. Fan, William Chung Yue
Independent non-executive Directors:	Ms. Yeung Chi Ying Mr. Yau Ming Kim, Robert Mr. Leung Kam Wah

Mr. Lam Yin Kee is the Chairman and Chief Executive of the Group. Ms. Yeung Po Wah is an executive Director of the Group and the wife of Mr. Lam Yin Kee. Apart from this, there is no other direct family relationship amongst the members of the Board.

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 8 to 9. All Directors have sufficient experience to hold their positions so as to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group.

The non-executive Director and the three independent non-executive Directors are person of high caliber with academic and professional qualifications in the fields of accounting, law, worldwide trade affairs and business management. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group. Mr. Fan, William Chung Yue, Ms. Yeung Chi Ying and Mr. Leung Kam Wah are appointed for a term of one year commencing from 17 June 2005, and such appointments shall continue thereafter from year to year until terminated by either party with one month's written notice served to the other party. Mr. Yau Ming Kim, Robert is appointed as an independent non-executive Director of the Company from 1 September 2009 and was re-elected at the annual general meeting of the Company held on 28 May 2010. The appointment of Mr. Yau Ming Kim, Robert, shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he/she has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of Directors.

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2011, four full board meetings were held and the attendance of the Board of Directors is set out as follows:

Name of Director	Number of board meetings attended
Mr. Lam Yin Kee	4/4
Ms. Yeung Po Wah	4/4
Mr. So Kin Hung	4/4
Mr. Fan, William Chung Yue	2/4
Ms. Yeung Chi Ying	4/4
Mr. Yau Ming Kim, Robert	4/4
Mr. Leung Kam Wah	4/4

Every Board member has a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Apart from the above regular meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2011. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

The Company has arranged for appropriate liability insurance to indemnify its directors and officers for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually.

CHAIRMAN AND CHIEF EXECUTIVE

Under Code Provision A.2.1 of the Code, the role of Chairman and Chief Executive should be separated and ought not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Lam Yin Kee currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. However, the Board will review the roles of Mr. Lam Yin Kee acting as the Chairman and Chief Executive regularly, and may segregate the roles to two Directors, if the Board believes that it is for the best interest of the Company and the shareholders.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Mr. Lam Yin Kee, Mr. So Kin Hung and Mr. Fan, William Chung Yue had been re-appointed at the last Annual General Meeting held on 18 May 2011. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Ms. Yeung Chi Ying and Mr. Leung Kam Wah shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

All directors (including executive, non-executive and independent non-executive directors) are subject to election for appointment by shareholders at the annual general meeting once every three years. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for the termination of the service contracts with executive Directors by either party is not less than three months. The notice period for the termination of appointment of non-executive Directors and independent non-executive Directors by either party is not less than one month.

NOMINATION OF DIRECTORS

During the year, the Company did not have a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. The Chairman is responsible for identifying suitable candidates for members of the Board when there is vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of their qualifications, experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation to the shareholders' meeting for approval.

In order to comply with the recent amendments to Listing Rules which will become effective from 1 April 2012, a nomination committee (the "Nomination Committee") will be established with written terms of reference effective on 1 April 2012. The Nomination Committee will be chaired by Mr. Lam Yin Kee (the Chairman of the Board) and other members will include Ms. Yeung Po Wah, Ms. Yeung Chi Ying, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah.

REMUNERATION COMMITTEE

According to the Code, the Company has set up a Remuneration Committee on 22 June 2005. The Remuneration Committee has a minimum of five members, comprising a majority of independent non-executive Directors. During the year, the Chairman of the Remuneration Committee was Mr. Lam Yin Kee and other members include Ms. Yeung Po Wah, Ms. Yeung Chi Ying, Mr. Yau Ming Kim, Robert and Mr. Leung Kam Wah. The Remuneration Committee schedules to meet at least once every year and the quorum necessary for meeting is two. Effective from 1 April 2012, Ms. Yeung Chi Ying will become the Chairman of the Remuneration Committee and Mr. Lam Yin Kee will remain as a member of the Remuneration Committee.

The duties of the Remuneration Committee mainly include:

a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

f) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

g) to advise shareholders on how to vote with respect to any service contracts of Directors that required shareholders' approval under Rule 13.68 of the Listing Rules; and

h) to consider other topics, as defined by the Board.

The Remuneration Committee had two meetings in 2011 which was attended by all members of the Remuneration Committee to discuss and review the bonus payment policy and the pay trend.

The Company has adopted a share option scheme on 22 June 2005, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 18 to 19. The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the Directors' emoluments are set out in note 10 to the financial statements.

AUDIT COMMITTEE

The Company established an Audit Committee on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises members of independent non-executive Directors only.

The Audit Committee meets at least twice every year and the quorum necessary for meeting is two. Two meetings were held during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Name of Member	Number of meetings attended
Ms. Yeung Chi Ying	2/2
Mr. Yau Ming Kim, Robert	2/2
Mr. Leung Kam Wah	2/2

The primary duties of the Audit Committee are as follows:

Relationship with the Company's independent auditor

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor, and to approve the remuneration and terms of engagement of the independent auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the independent auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the independent auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on the engagement of the independent auditor to supply non-audit services. The Audit Committee shall ensure that the provision by the independent auditor of non-audit services does not impair the independent auditor's independence or objectivity;

Review of financial information of the Company

(d) to monitor integrity of financial statements of the Company and the Company's annual reports and accounts, interim results and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein, before submission to the Board;

(e) In regard to (d) above:–

(i) members of the Audit Committee must liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant. The Audit Committee must meet, at least once a year, with the Company's independent auditor;

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or independent auditor; and

(iii) the Audit Committee should discuss problems and reservation arising from the financial statements, annual reports and accounts, interim reports and quarterly reports (if applicable) and any other matters the independent auditor may wish to discuss (in the absence of management of the Company where necessary);

Oversight of the Company's financial reporting system and internal control procedures

(f) to review the Company's financial controls, internal control and risk management systems, and its statement in relation thereto prior to endorsement by the Board;

(g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(i) to review the Company and its subsidiaries' financial and accounting policies and practices;

(j) to review the independent auditor's management letter, any material queries raised by the independent auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(k) to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;

(l) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

(m) to act as the key representative body for overseeing the Company's relation with the independent auditor;

(n) to report to the Board on the matters set out in this term of reference; and

(o) to consider other topics, as defined by the Board.

The Audit Committee also ensures that the directors of the Company have conducted an annual review of the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, and training programmes and budget.

The Group's interim results and annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

During the year ended 31 December 2011, the Audit Committee has met with the independent auditor with no executive Directors present.

INDEPENDENT AUDITOR

The Group's independent auditor is PricewaterhouseCoopers ("PwC Hong Kong"). PwC Hong Kong is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements. Apart from the statutory audit of the annual consolidated financial statements, PwC Hong Kong was also engaged to advise the Group on tax compliance and related matters.

The fees paid and payable by the Group to PwC Hong Kong in respect of audit and non-audit services for the year ended 31 December 2011 are HK$1,665,000 and HK$73,000 respectively.

PUBLIC SANCTION

On 15 April 2010, the Stock Exchange publicly censured the Company for its breach of Rule 13.09 of the Listing Rules for failing to publish an announcement to disclose the deterioration of the Group's business performance in the first six months ended 30 June 2008. Mr. Lam Yin Kee and Ms. Yeung Po Wah were also publicly censured for their breach of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules. Mr. So Kin Hung, Mr. Fan, William Chung Yue, Ms. Yeung Chi Ying, Mr. Leung Kam Wah and Mr. Barry John Buttifant (a former independent non-executive Director of the Company) were publicly criticised for their respective breaches of director's undertakings in failing to use their best endeavours to procure the Company's compliance with Rule 13.09 of the Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders are set out on in the Independent Auditor's Report on page 25.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INTERNAL CONTROLS

Internal control systems have been designed to allow Directors to monitor the Group's overall financial position, safeguard its assets, provide reasonable assurance against fraud and errors, and to manage the risks in failing to achieve the Group's objectives. Executive Directors monitor the business activities closely. The Group from time to time updates and improves the internal controls.

The Group conducts a review of its system of internal control periodically to ensure there is an effective and adequate internal control system. The Company convenes management meeting periodically to discuss financial, operational and risk management control. The Audit Committee also reviews the internal control system and evaluates its adequacy, effectiveness and compliance on a regular basis. During 2011, the Board has reviewed the effectiveness of the Group's internal control system and considered that the system was effective.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and uses a number of formal communication channels to account to shareholders and investors for the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) meetings are held with media and investors periodically; (iv) the Company replies to enquiries from shareholders timely; (v) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters; and (vi) the Company will publish voluntary announcement to keep the shareholders and potential investors of the Company informed of the latest business development of the Company and its subsidiaries as and when necessary.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the Stock Exchange's website and the Company's website. The Chairman and Directors will answer questions on the Group's business at the meeting.

LOOKING FORWARD

The Company's shareholders' rights are at all times highly regarded by the Group. The Group will make sure the Company's shareholders know how to exercise their rights.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board will take necessary actions to ensure compliance with the required practices and standards including the provisions of the Code introduced by the Stock Exchange.

The Board of Directors (the "Board") is pleased to present its annual report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS
The Company acts as an investment holding company and provides corporate management services to its group companies. The activities of the subsidiaries as set out in note 19 to the financial statements are primarily manufacturing and trading of electronic products and components for electronic products, the manufacturing and trading of biodiesel products, and the provision of energy saving business solutions.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS
The results of the Group for the year are set out in the consolidated income statement on page 26.

During the year, the Company has declared and paid an interim dividend of HK4.0 cents per ordinary share, totalling HK$12,576,800. The Directors recommend the payment of a final dividend for the year of HK5.0 cents per ordinary share, amounting to HK$15,721,000, subject to the approval by shareholders at the Annual General Meeting of the Company to be held on 29 May 2012. It is expected that the final dividend will be paid on or before 29 June 2012 to shareholders whose names appeared on the register of members on 11 June 2012.

RESERVES
Movements in the reserves of the Group and of the Company during the year are set out in note 31 to the financial statements.

DONATIONS
Charitable and other donations made by the Group during the year amounted to HK$1,027,000.

PROPERTY, PLANT AND EQUIPMENT
Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

LEASEHOLD LAND AND LAND USE RIGHTS
Details of the movements in leasehold land and land use rights of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL
Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES
Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company at 31 December 2011, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$62,398,000 (2010: HK$62,779,000).

PRE-EMPTIVE RIGHTS
There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY
A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 98.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES
Neither the Company nor its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2011 and the Company has not redeemed any of its shares during the year.

BORROWINGS
Details of the Group's borrowings, including bank loans, trust receipts loans and overdrafts as at 31 December 2011 are set out in note 32 to the financial statements.

SHARE OPTIONS
Pursuant to a written resolution of the shareholders of the Company passed on 22 June 2005, a share option scheme (the "Share Option Scheme") was approved and adopted.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

For the purpose of the Share Option Scheme, participants include (i) any executive, non-executive or independent non-executive Director of the Group; (ii) any employee (whether full time or part time) of the Group; and (iii) any supplier and/or sub-contractor of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 15 July 2005, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange.

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve-month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;
(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day;
(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 22 June 2005, being the date on which the Share Option Scheme is adopted.

Details of the share options granted and a summary of the movements of the outstanding share options during the year ended 31 December 2011 are as follows:

	Number of share options					
	Held at 1 January 2011	**Granted during the year** (Note 1)	**Exercised during the year** (Note 2)	**Cancelled or lapsed during the year**	**Held at 31 December 2011**	**Exercise price per share** (HK$)
Executive Directors						
Mr. Lam Yin Kee	–	1,000,000	–	–	1,000,000	2.31
Ms. Yeung Po Wah	–	1,000,000	–	–	1,000,000	2.31
Mr. So Kin Hung	–	500,000	–	–	500,000	2.31
	–	2,500,000	–	–	2,500,000	
Other employees	–	13,400,000	(100,000)	–	13,300,000	2.31
	–	15,900,000	(100,000)	–	15,800,000	

Notes:

(1) The share options were granted on 13 January 2011 with an exercisable period of two years from 13 January 2011 to 12 January 2013. There are no vesting periods for these share options. The closing market price per share at the date preceding the date on which the share options were granted was HK$2.31. Details of these share options granted are set out in the announcement dated 13 January 2011 issued by the Company.

(2) On 8 March 2011, 100,000 share options were exercised by an employee. The closing market price per share immediately before the date on which the share options were exercised was HK$3.04.

The fair value of the options granted during the year was HK$8,296,000, based on the Black-Scholes valuation model. The significant inputs into the model are set out in note 20 to the financial statements. The fair value calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

DIRECTORS

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

Executive Directors
Mr. Lam Yin Kee *(Chairman)*
Ms. Yeung Po Wah
Mr. So Kin Hung

Non-Executive Director
Mr. Fan, William Chung Yue

Independent Non-Executive Directors
Ms. Yeung Chi Ying
Mr. Leung Kam Wah
Mr. Yau Ming Kim, Robert

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Ms. Yeung Chi Ying and Mr. Leung Kam Wah shall retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Yin Kee and Ms. Yeung Po Wah has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarised as follows:

(i) each service contract is of an initial term of three years commencing on 15 July 2005 and shall continue thereafter until terminated in accordance with the terms of the contracts. Under the contract, either party may terminate the contract at any time by giving to the other not less than three months' prior notice in writing;
(ii) the current monthly salary for each of Mr. Lam Yin Kee and Ms. Yeung Po Wah are HK$232,510 and HK$75,669 respectively, subject to annual increment of not more than 10% and discretionary bonus of not more than 10% of the Group's profit in aggregate; and
(iii) the Group provides directors' accommodation to Mr. Lam Yin Kee at a current monthly rental of HK$150,000.

There is no service contract between the Company and Mr. So Kin Hung in relation to his role as an executive Director of the Company. The current monthly salary for Mr. So Kin Hung is HK$77,858.

The non-executive Director and independent non-executive Directors, other than Mr. Yau Ming Kim, Robert, were appointed for an initial term of one year commencing from 17 June 2005 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009 and had been re-elected at the annual general meeting of the Company held on 28 May 2010. The appointment of Mr. Yau Ming Kim, Robert shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
Brief biographical details of Directors and senior management are set out on pages 8 to 9.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION
At 31 December 2011, the interests and short positions of each Director and Chief Executive in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company at 31 December 2011

		Number of shares held				
		Personal interests	**Family interests**	**Corporate interests**	**Total**	**% of the issued share capital of the Company**
Mr. Lam Yin Kee	Long positions	6,949,000	–	210,000,000 *(Note 1)*	216,949,000	69.0
Ms. Yeung Po Wah	Long positions	–	216,949,000	–	216,949,000	69.0

Notes:

1. 210,000,000 shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee.

2. Mr. Lam Yin Kee and Ms. Yeung Po Wah are directors and beneficial owners of Profit International Holdings Limited.

(b) Share options of the Company at 31 December 2011

Name of Directors	Capacity	Number of share options held	Number of underlying shares
Mr. Lam Yin Kee	Beneficial owner	1,000,000	1,000,000
Ms. Yeung Po Wah	Beneficial owner	1,000,000	1,000,000
Mr. So Kin Hung	Beneficial owner	500,000	500,000

(c) Interests in an associated corporation, Profit International Holdings Limited (Ordinary shares of US$1 each) at 31 December 2011

		Number of shares held				
		Personal interest	**Family interests**	**Corporate interests**	**Total**	**% of the issued share capital of the associated corporation**
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.0
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.0

Saved as disclosed above, at no time during the year, the Directors and Chief Executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that at 31 December 2011, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

		Number of shares			
Name		**Personal interests**	**Nature of interest**	**Total**	**% of the issued share capital of the Company**
Profit International Holdings Limited	Long positions	210,000,000	Beneficially owned	210,000,000	66.8

Save as disclosed above and so far as the Directors and Chief Executives of the Company are aware of, at 31 December 2011, there were no other person, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	6.8%
– five largest suppliers combined	23.6%

Sales

– the largest customer	38.8%
– five largest customers combined	61.0%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

Continuing connected transaction

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$100,000 for a period of two years from 1 April 2009 to 31 March 2011. Ms. Yeung Po Wah holds 60% of shareholding and is a director of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Therefore, the lease for renting the quarter constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules. The Company had made an announcement in respect of this continuing connected transaction on 30 March 2009. The aforesaid rental agreement has been renewed on 31 March 2011 for a period of two years from 1 April 2011 to 31 March 2013, at a monthly rental of HK$150,000. The Company had made an announcement in respect of this continuing connected transaction due to the renewal of the tenancy agreement on 31 March 2011.

The aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the independent auditor of the Company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has reported the factual findings on the selected samples based on the agreed procedures to the Board of Directors.

CORPORATE GOVERNANCE
The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2011 except for the followings:

Code Provision A.2.1
Mr. Lam Yin Kee is the Chairman and the Chief Executive of the Company but the daily operation and management of the Company is monitored by the executive Directors as well as the senior management to ensure the balance of power and authority.

Further information is set out in the Corporate Governance Report contained in this annual report.

SUFFICIENCY OF PUBLIC FLOAT
Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

INDEPENDENT AUDITOR
The financial statements for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers, Certified Public Accountants who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Yin Kee
Chairman
Hong Kong, 27 March 2012

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

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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, 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.

OPINION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2012

Consolidated Income Statement

	Note	Year ended 31 December 2011 HK$'000	2010 HK$'000
Revenue	*5*	**801,694**	598,529
Cost of sales	*6*	**(661,665)**	(488,384)
Gross profit		**140,029**	110,145
Other income	*5*	**26**	35
Distribution costs	*6*	**(5,215)**	(5,568)
Administrative expenses	*6*	**(76,874)**	(56,725)
Other losses – net	*7*	**(8,562)**	(1,067)
Operating profit		**49,404**	46,820
Finance income	*8*	**330**	126
Finance costs	*8*	**(4,362)**	(3,783)
Profit before income tax		**45,372**	43,163
Income tax expense	*12*	**(13,355)**	(9,291)
Profit for the year		**32,017**	33,872
Attributable to:			
Owners of the Company		**33,423**	37,243
Non-controlling interests		**(1,406)**	(3,371)
		32,017	33,872
Earnings per share for profit attributable to owners of the Company (expressed in HK cents per share)			
– basic	*14*	**10.63**	11.85
– diluted	*14*	**10.63**	11.85
Dividends	*15*	**28,298**	20,431

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Profit for the year	**32,017**	33,872
Other comprehensive income		
Fair value gain on available-for-sale financial assets	**55**	161
Currency translation differences	**4,748**	137
Total other comprehensive income for the year	**4,803**	298
Total comprehensive income for the year	**36,820**	34,170
Total comprehensive income for the year attributable to:		
Owners of the Company	**38,091**	37,395
Non-controlling interests	**(1,271)**	(3,225)
	36,820	34,170

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**53,539**	57,105
Leasehold land and land use rights	*17*	**1,921**	1,971
Intangible assets	*18*	**20,452**	20,452
Available-for-sale financial assets	*21*	**2,826**	2,771
Prepayments for non-current assets		**560**	560
Deferred income tax assets	*33*	**875**	1,359
Total non-current assets		**80,173**	84,218
Current assets			
Inventories	*22*	**124,142**	128,492
Trade receivables	*23*	**126,270**	122,582
Prepayments, deposits and other receivables	*23*	**14,011**	14,710
Amount due from a related company	*24*	**16**	151
Amount due from the ultimate holding company	*25*	**34**	34
Amounts due from non-controlling shareholders of a subsidiary	*25*	**613**	999
Financial assets at fair value through profit or loss	*26*	**2,088**	2,021
Derivative financial instruments	*27*	**–**	202
Pledged bank deposits	*36*	**4,957**	3,435
Tax recoverable		**57**	88
Cash and cash equivalents (excluding bank overdrafts)	*28*	**72,736**	51,213
Total current assets		**344,924**	323,927
Total assets		**425,097**	408,145
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*30*	**3,144**	3,143
Reserves			
Proposed final dividend	*15*	**15,721**	15,716
Others	*31(a)*	**204,658**	186,344
		223,523	205,203
Non-controlling interests		**(8,434)**	(7,163)
Total equity		**215,089**	198,040

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*32*	**3,944**	1,625
Deferred income tax liabilities	*33*	**1,351**	1,343
Total non-current liabilities		**5,295**	2,968
Current liabilities			
Trade payables	*29*	**76,039**	85,556
Accruals and other payables		**28,841**	26,877
Current income tax liabilities		**5,352**	3,819
Borrowings	*32*	**85,192**	90,882
Derivative financial instruments	*27*	**9,289**	3
Total current liabilities		**204,713**	207,137
Total liabilities		**210,008**	210,105
Total equity and liabilities		**425,097**	408,145
Net current assets		**140,211**	116,790
Total assets less current liabilities		**220,384**	201,008

The consolidated financial statements on pages 26 to 97 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf by:

Director
Lam Yin Kee

Director
Yeung Po Wah

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

Statement of Financial Position

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*19*	**74,406**	66,417
Current assets			
Prepayments, deposits and other receivables		**62**	44
Tax recoverable		**57**	–
Cash and cash equivalents	*28*	**149**	45
Total current assets		**268**	89
Total assets		**74,674**	66,506
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*30*	**3,144**	3,143
Reserves			
Proposed final dividend	*15*	**15,721**	15,716
Others	*31(b)*	**54,964**	47,105
Total equity		**73,829**	65,964
LIABILITIES			
Current liabilities			
Accruals and other payables		**845**	542
Total equity and liabilities		**74,674**	66,506
Net current liabilities		**(577)**	(453)
Total assets less current liabilities		**73,829**	65,964

The financial statements on pages 26 to 97 were approved by the Board of Directors on 27 March 2012 and were signed on its behalf by:

Director
Lam Yin Kee

Director
Yeung Po Wah

The notes on pages 34 to 97 are an integral part of these financial statements.

	Note	Attributable to owners of the Company					
		Share capital	Other reserves	Retained earnings	Proposed final dividend	Non-controlling interests	Total equity
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010		3,143	57,561	111,819	9,430	(3,938)	178,015
Comprehensive income/(loss)							
Profit/(loss) for the year		–	–	37,243	–	(3,371)	33,872
Other comprehensive gain:							
Fair value gain on available-for-sale financial assets	*21*	–	82	–	–	79	161
Currency translation differences		–	70	–	–	67	137
Total other comprehensive income for the year		–	152	–	–	146	298
Total comprehensive income/(loss) for the year		–	152	37,243	–	(3,225)	34,170
Transactions with owners							
Interim dividend paid	*15*	–	–	(4,715)	–	–	(4,715)
Proposed final dividend	*15*	–	–	(15,716)	15,716	–	–
Final dividend relating to 2009		–	–	–	(9,430)	–	(9,430)
Allocation to statutory reserve		–	1,068	(1,068)	–	–	–
Balance at 31 December 2010		3,143	58,781	127,563	15,716	(7,163)	198,040

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2011		**3,143**	**58,781**	**127,563**	**15,716**	**(7,163)**	**198,040**
Comprehensive income/(loss)							
Profit/(loss) for the year		**–**	**–**	**33,423**	**–**	**(1,406)**	**32,017**
Other comprehensive gain:							
Fair value gain on available-for-sale financial assets	*21*	**–**	**28**	**–**	**–**	**27**	**55**
Currency translation differences		**–**	**4,640**	**–**	**–**	**108**	**4,748**
Total other comprehensive income for the year		**–**	**4,668**	**–**	**–**	**135**	**4,803**
Total comprehensive income/(loss) for the year		**–**	**4,668**	**33,423**	**–**	**(1,271)**	**36,820**
Employee share option scheme – value of employee services	*20*	**–**	**8,296**	**–**	**–**	**–**	**8,296**
Employee share option scheme – issues of shares upon exercise of share options		**1**	**230**	**–**	**–**	**–**	**231**
Transactions with owners							
Interim dividend paid	*15*	**–**	**–**	**(12,577)**	**–**	**–**	**(12,577)**
Proposed final dividend	*15*	**–**	**–**	**(15,721)**	**15,721**	**–**	**–**
Final dividend relating to 2010	*15*	**–**	**–**	**(5)**	**(15,716)**	**–**	**(15,721)**
Allocation to statutory reserve		**–**	**1,338**	**(1,338)**	**–**	**–**	**–**
Balance at 31 December 2011		**3,144**	**73,313**	**131,345**	**15,721**	**(8,434)**	**215,089**

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	*34*	**89,135**	12,183
Interest income from bank deposits		**330**	126
Interest paid		**(4,362)**	(3,783)
Income tax paid			
– the People's Republic of China		**(4,842)**	(3,071)
– Hong Kong		**(6,457)**	(6,407)
Net cash generated from/(used in) operating activities		**73,804**	(952)
Cash flows from investing activities			
Decrease in prepayments for non-current assets		**–**	111
Purchase of property, plant and equipment		**(7,987)**	(14,697)
Proceeds from sale of property, plant and equipment	*34*	**606**	1,729
Purchase of financial assets at fair value through profit or loss		**(9,207)**	(4,561)
Proceeds from sale of financial assets at fair value through profit or loss		**7,204**	9,153
Dividend income received from financial assets at fair value through profit or loss		**26**	35
Net cash used in investing activities		**(9,358)**	(8,230)
Cash flows from financing activities			
Proceeds from issue of shares		**231**	–
Capital element of finance lease payments		**(2,356)**	(2,348)
Dividends paid to the Company's shareholders	*15*	**(28,298)**	(14,145)
Repayments of borrowings		**(29,957)**	(37,247)
Proceeds from borrowings		**17,550**	16,000
Increase in pledged bank deposits		**(1,522)**	(2)
Net cash used in financing activities		**(44,352)**	(37,742)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**20,094**	(46,924)
Cash and cash equivalents, net of bank overdrafts at beginning of year		**32,695**	79,027
Exchange gains on cash and cash equivalents, net of bank overdrafts		**669**	592
Cash and cash equivalents, net of bank overdrafts at end of the year	*28*	**53,458**	32,695

The notes on pages 34 to 97 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Alltronics Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together the "Group") are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products, the manufacturing and trading of biodiesel products, and the provision of energy saving business solutions. Details of the activities of the principal subsidiaries are set out in Note 19 to the financial statements.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) *New and amended standards adopted by the Group for the first time for the financial year beginning 1 January 2011*

HKAS 24 (Revised)	Related party disclosure
HKAS 32 (Amendment)	Classification of rights issue
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

Various improvements to HKFRSs published by the Hong Kong Institute of Certified Public Accountants in May 2010

The adoption of the new/amended standards has no significant impact on the Group's consolidated financial statements.

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted*

HKAS 1 (Amendment)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKAS 19	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has already commenced an assessment of the impact of the above new/amended standards but is not yet in a position to state whether these new/amended standards would have a significant impact to its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, furniture and fixtures, office equipment, plant and machinery, leasehold improvements and motor vehicles. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2% – 20% or over the lease terms, whichever is shorter
Furniture and fixtures	9% – 20%
Office equipment	8% – 20%
Plant and machinery	9% – 20%
Leasehold improvements	16.67% – 20% or over the lease terms, whichever is shorter
Motor vehicles	9% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses – net', in the consolidated income statement.

2.6 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible asset'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) *Contractual customer relationships*

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amount due from the ultimate holding company", "amount due from a related company", "amounts due from non-controlling shareholders of a subsidiary", "pledged bank deposits" and "cash and cash equivalents" in the statement of financial position (Notes 2.10 and 2.11).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other losses – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'other losses – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(d) Recognition and measurement (Continued)

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(e) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(e) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Employee benefits

(a) *Pension obligations*

The Group operates defined contribution retirement schemes for its Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes' costs expensed in the income statement represent contributions paid or payable by the Group to the schemes.

The Group's contributions to the defined contribution retirement schemes in Hong Kong are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company participate in respective government retirement benefit schemes are required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. The contributions under the schemes are expensed in the income statement as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

(c) *Bonus plans*

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases

(a) *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *Finance lease*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Changes in the fair value of these derivative instruments are recognised in the consolidated income statement within 'other losses – net'.

2.22 Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other ventures in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets. The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the statement of financial position and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sales or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the income statement when it is probable that the economic benefits associated with the transactions will follow to or from the Group.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Management periodically analyses and reviews measures to manage the Group's exposures to these financial risks. Generally, the Group adopts a conservative strategy regarding its risk management and uses derivative financial instruments to hedge certain risk exposures.

Risk management is mainly carried out by the finance and accounts department (the "Finance and Accounts Department") under policies approved by the Board of Directors. The Finance and Accounts Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units to cope with overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (US dollar) and Renminbi (RMB). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group engage in transactions mainly in HK dollar, US dollar and RMB to the extent possible. The Group manages its exposure through constant monitoring to minimise the amount of its foreign currencies exposures. Moreover, the Group enters into currency forwards with banks to manage the overall currency exposure. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance and Accounts Department of the Group is responsible for monitoring and managing the net position in each foreign currency.

Since HK dollar is pegged to US dollar, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The Group has certain investments and operations in the PRC, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's operations in the PRC is managed primarily through incurring liabilities denominated in RMB.

For companies with HK dollar as their functional currency

At 31 December 2011, if HK dollar had weakened/strengthened by 10% against RMB with all other variables held constant, post tax profit for the year would have been approximately HK$100,000 lower/higher (2010: HK$133,000 lower/higher), mainly as a result of foreign exchange losses/gains on translation of RMB denominated trade and other payables, trade and other receivables and cash and bank balances.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As the Group has no significant interest-bearing assets except its bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arose from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The Group regularly seeks out the most favourable interest rates available for its bank deposits and borrowings. Information relating to interest rates of the Group's bank balances, deposits and borrowings are disclosed in Notes 28 and 32, respectively.

As at 31 December 2011, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$891,000 lower/higher (2010: HK$925,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale financial assets or financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's equity investments held as available-for-sale are capital guaranteed funds which are not publicly traded. The Group does not actively trade in equity investments of this nature and in the opinion of the Board of Directors, the price risk related to trading activities to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosures for price risk have been prepared.

As at 31 December 2011, if the fair values of the equity securities listed in Hong Kong had increased/decreased by 10% with all other variables held constant, post-tax profit for the year would have been HK$209,000 higher/lower (2010: HK$202,000 higher/lower) as a result of fair value gains/losses on equity securities classified as financial assets at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

Credit risk arises mainly from cash placed with banks, as well as credit exposures to customers. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Finance and Accounts Department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits for each customer are set with reference to the internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. As at 31 December 2011, the Group's largest customer accounted for approximately 38.5% of total trade receivables (2010: 22.7%). This customer has more than 12 months trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard.

No credit limits were exceeded during the years ended 31 December 2011 and 2010, and management does not expect any material losses from non-performance by the counterparties.

The Group controls its credit risk on cash with banks through regular review of their credit ratings.

(c) *Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the balance sheet date) and the earliest date the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the maturity analysis set out in Note 32. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. If the lenders were to invoke their unconditional rights to call the loans, the full amounts of the loans, together with interests, will be repayable immediately. The maturity analysis for obligations under finance leases is prepared based on the scheduled repayment dates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	2011		
	Maturity analysis – Undiscounted cash outflows		
	Less than 1 year HK$'000	**Between 1 and 5 years HK$'000**	**Total undiscounted cash outflows HK$'000**
Group			
Term loans subject to a repayment on demand clause, including interest payable	**23,598**	**15,442**	**39,040**
Obligations under finance leases	**2,667**	**2,630**	**5,297**
Loan from a customer	**1,103**	**1,471**	**2,574**
Bills payable	**24,990**	**–**	**24,990**
Bank overdrafts	**19,278**	**–**	**19,278**
Trade payables, accruals and other payables	**104,880**	**–**	**104,880**

	2010 (restated)		
	Maturity analysis – Undiscounted cash outflows		
	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Total undiscounted cash outflows HK$'000
Group			
Term loans subject to a repayment on demand clause, including interest payable	21,820	33,110	54,930
Obligations under finance leases	1,203	1,705	2,908
Bills payable	18,442	–	18,442
Trust receipt loans	577	–	577
Bank overdrafts	18,518	–	18,518
Trade payables, accruals and other payables	112,433	–	112,433

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Maturity analysis – Undiscounted cash outflows		
	Less than 1 year	**Between 1 and 5 years**	**Total undiscounted cash outflows**
	HK$'000	HK$'000	HK$'000
Company			
At 31 December 2011			
Accruals and other payables	**845**	**–**	**845**
Financial guarantee given to subsidiaries	**62,611**	**–**	**62,611**
At 31 December 2010			
Accruals and other payables	542	–	542
Financial guarantee given to subsidiaries	67,932	–	67,932

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less trade related debts and cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position.

The gearing ratios as at 31 December 2011 and 2010 are as follows:

	2011 **HK$'000**	2010 HK$'000
Total borrowings	**89,136**	92,507
Less: Trade related debts	**(24,990)**	(19,019)
Cash and cash equivalents	**(72,736)**	(51,213)
Net debt	**N/A**	22,275
Total equity	**215,089**	198,040
Gearing ratio	**N/A**	11.2%

The Group did not have a net debt position as at 31 December 2011 and therefore no gearing ratio is presented.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Available-for-sale financial assets	**–**	**–**	**2,826**	**2,826**
Financial assets at fair value through profit or loss	**2,088**	**–**	**–**	**2,088**
Total assets	**2,088**	**–**	**2,826**	**4,914**
Liabilities				
Derivative financial instruments	**–**	**–**	**9,289**	**9,289**
Total liabilities	**–**	**–**	**9,289**	**9,289**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets	–	–	2,771	2,771
Financial assets at fair value through profit or loss	2,021	–	–	2,021
Derivative financial instruments	–	–	202	202
Total assets	2,021	–	2,973	4,994
Liabilities				
Derivative financial instruments	–	–	3	3
Total liabilities	–	–	3	3

The fair value of available-for-sale financial assets that are not traded in an active market is determined with reference to indicative market values provided by the issuers (Note 21).

The fair value of financial assets at fair value through profit or loss is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2011.

	Available-for-sale financial assets and derivative financial instruments – net HK$'000
Opening balance	**2,970**
Gains recognised in equity *(Note 21)*	**55**
Losses recognised in consolidated income statement	**(9,488)**
Closing balance	**(6,463)**
Total losses for the year included in profit or loss for assets held at the end of the reporting period	**(9,488)**

The following table presents the changes in level 3 instruments for the year ended 31 December 2010.

	Available-for-sale financial assets and derivative financial instruments – net HK$'000
Opening balance	2,988
Gains recognised in equity *(Note 21)*	161
Losses recognised in consolidated income statement	(179)
Closing balance	2,970
Total losses for the year included in profit or loss for assets held at the end of the reporting period	(179)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).

No impairment charge has been recognised during the years ended 31 December 2011 and 2010.

If the budgeted gross margin used in the value-in-use calculation had been 10% lower than management's estimates at 31 December 2011, or if the estimated pre-tax discount rate applied to the discounted cash flows for the cash-generating unit had been 1% higher than management's estimates, the estimated value-in-use amount would still exceed the carrying value of goodwill.

Goodwill amounting to a total of HK$19,931,000 was subjected to an impairment test in the years ended 31 December 2011 and 2010.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have suffered an impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of property, plant and equipment are determined based on value-in-use calculations which require the use of judgment and estimates.

(d) Estimated impairment provision for trade receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer. In making its judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(e) Estimated provision for inventories

The Group makes provision for inventories based on consideration of obsolescence of raw materials and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision in the year in which such estimate is changed.

If the provision for inventories was to differ by 10% from management's estimates, the carrying value of inventories would have been HK$820,000 (2010: HK$717,000) higher/lower.

(f) Fair value estimation of derivative financial instruments and available-for-sale financial assets

The fair value of derivative financial instruments and available-for-sale financial assets which are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and each subsequent balance sheet date. The valuation model requires the input of both observable and unobservable data. Changes in these unobservable and subjective input assumptions can materially affect the fair value estimate of derivative financial instruments and available-for-sale financial assets.

(g) Recognition of deferred income tax assets

According to the accounting policy as stated in Note 2.15, a deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, and it is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised.

In determining the deferred income tax asset to be recognised, management is required to estimate the future applicable tax rate for each subsidiary of the Company at each tax jurisdiction and the profitability of each subsidiary, so as to estimate the future utilisation of tax losses.

Any difference between these estimates and the actual outcome will impact the Group's result in the period in which the actual outcome is determined.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive Directors who make strategic decisions and assess performance.

For the year ended 31 December 2011, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide.

The Group considers the business from both a geographic and product perspective. From a product perspective, management assesses the performance of

(i) the electronic products segment – the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products;

(ii) the biodiesel products segment – the manufacturing and trading of biodiesel products in Hong Kong; and

(iii) the energy saving business segment – the provision of energy saving business solutions to customers (with effect from the year ended 31 December 2011).

Revenue is allocated based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before unallocated operating costs). Other information provided is measured in a manner consistent with that in the consolidated financial statements.

5 SEGMENT INFORMATION (Continued)

There were no sales between segments. All segment revenue reported is derived from external parties. The revenue from external parties reported to the executive Directors is measured in a manner consistent with that in the consolidated income statement.

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2011				
Total segment revenue and revenue from external customers	785,081	16,613	–	801,694
Operating profit/(loss) before interest and tax	61,071	(5,060)	(2,977)	53,034
Finance income	330	–	–	330
Finance costs	(3,372)	(990)	–	(4,362)
Income tax expense	(13,355)	–	–	(13,355)
	44,674	(6,050)	(2,977)	35,647
Unallocated operating costs				(3,630)
Profit for the year				32,017
Other information:				
Depreciation and amortisation	(16,182)	(960)	(69)	(17,211)
Fair value loss on derivative financial instruments – net	(9,488)	–	–	(9,488)

5 SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Total HK$'000
Year ended 31 December 2010			
Total segment revenue and revenue from external customers	588,341	10,188	598,529
Operating profit/(loss) before interest and tax	55,097	(5,017)	50,080
Finance income	126	–	126
Finance costs	(2,796)	(987)	(3,783)
Income tax expense	(9,291)	–	(9,291)
	43,136	(6,004)	37,132
Unallocated operating costs			(3,260)
Profit for the year			33,872
Other information:			
Depreciation and amortisation	(14,955)	(1,016)	(15,971)
Fair value loss on derivative financial instruments – net	(179)	–	(179)

The Group is domiciled in Hong Kong. The Group's revenue by geographical location, which is determined by the places/countries in which the customer is located, is as follows:

	2011 HK$'000	2010 HK$'000
The United States	**430,812**	299,953
Hong Kong	**202,707**	149,290
Europe	**91,559**	72,002
The PRC	**59,171**	60,837
Other countries	**17,445**	16,447
	801,694	598,529

5 SEGMENT INFORMATION (Continued)

For the year ended 31 December 2011, revenues of approximately HK$310,903,000 (2010: HK$186,396,000) were derived from a single external customer. These revenues were attributable to the electronic products segment.

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
As at 31 December 2011				
Total segment assets	**399,288**	**16,396**	**9,145**	**424,829**
Unallocated:				
Cash and cash equivalents				**149**
Prepayments, deposits and other receivables				**62**
Tax recoverable				**57**
Total assets per consolidated statement of financial position				**425,097**
Total segment liabilities	**189,947**	**19,017**	**199**	**209,163**
Unallocated:				
Accruals and other payables				**845**
Total liabilities per consolidated statement of financial position				**210,008**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**12,084**	**234**	**330**	**12,648**

5 SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Total HK$'000
As at 31 December 2010			
Total segment assets	390,829	17,227	408,056
Unallocated:			
Cash and cash equivalents			45
Prepayments, deposits and other receivables			44
Total assets per consolidated statement of financial position			408,145
Total segment liabilities	190,258	19,305	209,563
Unallocated:			
Accruals and other payables			542
Total liabilities per consolidated statement of financial position			210,105
Additions to non-current assets (other than financial instruments and deferred income tax assets)	18,453	240	18,693

Additions to non-current assets comprise additions to leasehold land and land use rights, property, plant and equipment and intangible assets including additions resulting from acquisition through business combinations.

The Group's non-current assets by geographical location, which is determined by the places/countries in which the asset is located, is as follows:

	2011 HK$'000	2010 HK$'000
Hong Kong	**31,623**	29,482
The PRC	**48,550**	54,736
	80,173	84,218

5 SEGMENT INFORMATION (Continued)

	2011 HK$'000	2010 HK$'000
Analysis of revenue by category:		
Sale of goods	**801,694**	598,529
Other income		
Dividend income from financial assets at fair value through profit or loss	**26**	35

6 EXPENSES BY NATURE

	2011 HK$'000	2010 HK$'000
Amortisation of leasehold land and land use rights *(Note 17)*	**50**	50
Auditor's remuneration	**1,665**	1,542
Cost of inventories sold *(Note 22)*	**479,977**	326,497
Depreciation *(Note 16)*		
– Owned property, plant and equipment	**15,749**	15,588
– Leased property, plant and equipment	**1,412**	333
Employee benefit expense – excluding Directors' emoluments *(Note 9)*	**137,023**	115,881
Employee benefit expense – Directors' emoluments *(Note 10)*	**9,376**	8,107
Provision for slow moving and obsolete inventories	**1,033**	361
Provision for impairment of trade receivables *(Note 23)*	**2,364**	–
Operating lease payments	**14,741**	13,360
Other expenses	**80,364**	68,958
Total of cost of sales, distribution costs and administrative expenses	**743,754**	550,677

7 OTHER LOSSES – NET

	2011 HK$'000	2010 HK$'000
Fair value loss on financial assets at fair value through profit or loss – net	**(1,936)**	(286)
Fair value loss on derivative financial instruments – net	**(9,488)**	(179)
Realised gain on derivative financial instruments	**3,305**	1,406
Net foreign exchange losses	**(2,027)**	(2,043)
Gain/(loss) on disposals of property, plant and equipment *(Note 34)*	**524**	(598)
Others	**1,060**	633
	(8,562)	(1,067)

8 FINANCE INCOME AND COSTS

	2011 HK$'000	2010 HK$'000
Interests on bank loans, trust receipt loans and bank overdrafts wholly repayable within five years	**3,934**	3,705
Interest on loan from a customer	**132**	–
Interest element of finance leases	**296**	78
Total finance costs	**4,362**	3,783
Less: Interest income from bank deposits	**(330)**	(126)
Finance costs – net	**4,032**	3,657

For the years ended 31 December 2011 and 2010, the interest on bank borrowings which contained a repayment on demand clause amounted to HK$3,934,000 and HK$3,705,000 respectively.

9 EMPLOYEE BENEFIT EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2011 HK$'000	2010 HK$'000
Wages and salaries	**118,964**	104,501
Pension costs – defined contribution plans *(Note 11)*	**797**	797
Staff welfare and allowances	**10,363**	10,583
Share-based payment expenses *(Note 20)*	**6,899**	–
	137,023	115,881

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits[1]	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors							
Mr. Lam Yin Kee	–	2,816	500	1,650	559	12	5,537
Ms. Yeung Po Wah	–	975	100	–	559	12	1,646
Mr. So Kin Hung	–	948	50	–	279	12	1,289
Non-executive Directors							
Mr. Fan Chung Yue, William	226	–	–	–	–	–	226
Ms. Yeung Chi Ying	226	–	–	–	–	–	226
Mr. Leung Kam Wah	226	–	–	–	–	–	226
Mr. Yau Ming Kim, Robert	226	–	–	–	–	–	226
	904	4,739	650	1,650	1,397	36	9,376

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits[1]	Share-based payment expenses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors							
Mr. Lam Yin Kee	–	2,584	1,100	1,200	–	12	4,896
Ms. Yeung Po Wah	–	858	500	–	–	12	1,370
Mr. So Kin Hung	–	901	100	–	–	12	1,013
Non-executive Directors							
Mr. Fan Chung Yue, William	207	–	–	–	–	–	207
Ms. Yeung Chi Ying	207	–	–	–	–	–	207
Mr. Leung Kam Wah	207	–	–	–	–	–	207
Mr. Yau Ming Kim, Robert	207	–	–	–	–	–	207
	828	4,343	1,700	1,200	–	36	8,107

[1] Other benefits represent quarters and housing allowances for the Directors.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

During the years ended 31 December 2011 and 2010, none of the Directors received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No Director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2010: two) Director whose emoluments are reflected in the analysis presented above. The emoluments paid and payable to the remaining four (2010: three) individuals during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,904**	3,365
Pension costs – defined contribution plans	**48**	34
Bonus	**300**	100
Share-based payment expenses	**3,347**	–
	8,599	3,499

The emoluments fell within the following bands:

	Number of individuals **2011**	2010
Emolument bands		
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–

11 PENSIONS – DEFINED CONTRIBUTION PLANS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong incorporated companies within the Group and their employees makes monthly contributions to the scheme at 5% of the employees' earnings up to a maximum of HK$1,000 per month per employee as defined under the Mandatory Provident Scheme Ordinances.

For the year ended 31 December 2011, the aggregate amount of the Group's contributions to the MPF Scheme was approximately HK$833,000 (2010: HK$833,000). As at 31 December 2011, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions under the MPF Scheme (2010: Nil).

As stipulated by the rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC as determined by the local governments, which is a defined contribution plan. The Group and its employees contribute approximately 10% and 8%, respectively, of the salary as specified by the relevant local governments, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2011 **HK$'000**	2010 HK$'000
Current income tax		
– Hong Kong profits tax	**8,096**	6,240
– PRC enterprise income tax *(Note a)*	**4,736**	3,407
Under-provision in prior years	**31**	54
Deferred income tax charge/(credit) *(Note 33)*	**492**	(410)
	13,355	9,291

Note:

(a) PRC enterprise income tax has been calculated on the estimated assessable profit at the rates of taxation prevailing in the PRC. As at 31 December 2011, the Company has six subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), Alltronics Tech. Mftg. Limited ("ATM"), Southchina Engineering and Manufacturing Limited ("Southchina"), 陽江華訊電子制品有限公司 ("陽江華訊"), Alltronics Energy Saving (Shenzhen) Limited ("Alltronics Energy Saving") and 南盈科技發展(深圳)有限公司 ("南盈"). During the year ended 31 December 2011, Shenzhen Allcomm, ATM, Southchina and 南盈 were subject to an income tax rate of 24% (2010: 22%), 陽江華訊 and Alltronics Energy Saving were subject to a standard income tax rate of 25% (2010: 25%) in accordance with the relevant applicable tax laws.

12 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Company's home country tax rate as follows:

	2011	2010
	HK$'000	HK$'000
Profit before income tax	**45,372**	43,163
Calculated at a taxation rate of 16.5% (2010: 16.5%)	**7,486**	7,122
Effect of different taxation rates in other countries	**2,650**	659
Income not subject to tax	**(6)**	(206)
Expenses not deductible for tax purposes	**1,471**	774
Under-provision in prior years	**31**	54
Tax losses for which no deferred income tax asset was recognized	**1,668**	1,068
Utilization of previously unrecognized tax losses	**(187)**	–
Others	**242**	(180)
	13,355	9,291

13 PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The profit attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$27,636,000 (2010: HK$13,705,000).

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit attributable to owners of the Company (HK$'000)	**33,423**	37,243
Weighted average number of ordinary shares in issue (thousand)	**314,402**	314,320
Basic earnings per share (HK cents per share)	**10.63**	11.85

14 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2011, the Company had only one category of dilutive potential ordinary shares: share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to owners of the Company (HK$'000)	**33,423**	37,243
Weighted average number of ordinary shares in issue (thousand)	**314,402**	314,320
Adjustments for share options (thousand)	**–**	–
	314,402	314,320
Diluted earnings per share (HK cents per share)	**10.63**	11.85

The assumed conversion of potential ordinary shares arising from the share options during the year would be anti-dilutive.

15 DIVIDENDS

	2011 HK$'000	2010 HK$'000
Interim dividend, paid, of HK4.0 cents (2010: HK1.5 cents) per ordinary share	**12,577**	4,715
Proposed final dividend of HK5.0 cents (2010: HK5.0 cents) per ordinary share	**15,721**	15,716
	28,298	20,431

The Directors recommend the payment of a final dividend of HK5.0 cents per ordinary share, totalling HK$15,721,000. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 29 May 2012. These consolidated financial statements do not reflect this proposed dividend as dividend payable but account for it as proposed dividends in reserves (Note 31).

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

Group	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2011							
Cost	8,581	10,444	16,278	70,405	52,948	8,265	166,921
Accumulated depreciation	(1,927)	(7,110)	(10,883)	(52,439)	(32,381)	(5,076)	(109,816)
Net book amount	6,654	3,334	5,395	17,966	20,567	3,189	57,105
Year ended 31 December 2011							
Opening net book amount	6,654	3,334	5,395	17,966	20,567	3,189	57,105
Exchange differences	–	97	120	427	298	87	1,029
Additions	–	530	849	1,700	4,237	5,332	12,648
Disposals	–	–	(56)	(26)	–	–	(82)
Depreciation	(174)	(887)	(1,840)	(4,531)	(8,153)	(1,576)	(17,161)
Closing net book amount	6,480	3,074	4,468	15,536	16,949	7,032	53,539
At 31 December 2011							
Cost	8,581	11,218	17,347	72,548	58,826	12,048	180,568
Accumulated depreciation	(2,101)	(8,144)	(12,879)	(57,012)	(41,877)	(5,016)	(127,029)
Net book amount	6,480	3,074	4,468	15,536	16,949	7,032	53,539

16 PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Group	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Leasehold improvements	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010							
Cost	8,581	10,492	15,366	68,187	46,572	11,286	160,484
Accumulated depreciation	(1,753)	(7,083)	(9,381)	(51,909)	(28,512)	(6,224)	(104,862)
Net book amount	6,828	3,409	5,985	16,278	18,060	5,062	55,622
Year ended 31 December 2010							
Opening net book amount	6,828	3,409	5,985	16,278	18,060	5,062	55,622
Exchange differences	–	84	124	390	404	36	1,038
Additions	–	722	1,601	6,810	8,924	636	18,693
Disposals	–	(20)	(336)	(1,013)	(21)	(937)	(2,327)
Depreciation	(174)	(861)	(1,979)	(4,499)	(6,800)	(1,608)	(15,921)
Closing net book amount	6,654	3,334	5,395	17,966	20,567	3,189	57,105

In 1998, the Group entered into an arrangement with two independent third parties (the "Partners") for the development of certain manufacturing premises for the Group's use and staff quarters in Shenzhen and the Group's attributable interest in these buildings is 60%. These buildings are accounted for as jointly controlled assets of the Group.

As at 31 December 2011, the aggregate cost and accumulated depreciation of property, plant and equipment held by the Group under finance leases amounted to HK$8,402,000 (2010: HK$3,745,000) and HK$1,756,000 (2010: HK$339,000), respectively.

Depreciation expense of HK$14,311,000 (2010: HK$13,011,000) has been charged in cost of sales and HK$2,850,000 (2010: HK$2,910,000) in administrative expenses.

17 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2011	2010
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**1,921**	1,971
Opening net book amount	**1,971**	2,021
Amortisation *(Note 6)*	**(50)**	(50)
Closing net book amount	**1,921**	1,971

18 INTANGIBLE ASSETS – GROUP

	Goodwill	**Customers relationships**	**Total**
	HK$'000	HK$'000	HK$'000
At 31 December 2011 and 2010			
Cost and net book amount	19,931	521	20,452

Impairment tests for goodwill

The goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of two subsidiaries, namely Southchina and Dynamic Progress International Limited ("Dynamic"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. Management considers Southchina and Dynamic as two separate cash-generating units (the 'CGUs'). The recoverable amount of the CGUs is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina and Dynamic, approved by management covering a five-year period. The pre-tax discount rate of 9.5% and 23.0% have been applied to the cash flow projections for Southchina and Dynamic respectively to reflect specific risks relating to the CGUs. Based on the impairment testing of goodwill, in the opinion of the Directors, no impairment provision is considered necessary for the balance of the goodwill as at 31 December 2011 and 2010.

18 INTANGIBLE ASSETS – GROUP (Continued)

The key assumptions used for the value-in-use calculation for Southchina and Dynamic are as follows:

	Southchina	Dynamic
Average gross margin	22.2%	28.7%
Average growth rate	6.0%	63.6%
Discount rate	9.5%	23.0%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted turnover, operating expenses and finance costs were projected with reference to the expected earnings from manufacturing and trading of plastic moulds, plastic and electronic accessories for Southchina and manufacturing and trading of biodiesel for Dynamic.

(b) For the business environment, there will be no change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any other countries in which Southchina and Dynamic operates.

(c) Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the business.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment.

An operating segment-level summary of the goodwill allocation is presented as below.

	2011	2010
	HK$'000	HK$'000
Electronic products	**11,672**	11,672
Biodiesel products	**8,259**	8,259
	19,931	19,931

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted investments, at cost *(Note a)*	**9,975**	2,377
Due from subsidiaries *(Note b)*	**64,431**	64,040
	74,406	66,417

Notes:

(a) The following is a list of subsidiaries as at 31 December 2011:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Alltronics (BVI) Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	[1] 100%
Alltronics Resources Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1 each	[1] 100%
Alltronics Tech. Mftg. Limited	Hong Kong, limited liability company	Research and development, manufacturing and trading of electronic products in Hong Kong and the PRC	500,000 ordinary shares of HK$1 each	100%
Allcomm (H.K.) Limited	Hong Kong, limited liability company	Investment holding and trading of electronic products in Hong Kong	2 ordinary shares of HK$1 each	100%
Shenzhen Allcomm Electronic Co. Ltd.	The PRC, limited liability company	Manufacturing of electronic products in the PRC	Registered capital of US$2,500,000	100%
Dynamic Progress International Limited	Hong Kong, limited liability company	Manufacturing and trading of biodiesel in Hong Kong	10,000 ordinary shares of HK$1 each	51%
WT Technology Development Company Limited	Hong Kong, limited liability company	Research and development of telecommunication products	10,000 ordinary shares of HK$1 each	65%

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (Continued)

(a) (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Alltronics Project Limited	Hong Kong, limited liability company	Investment holding	100 shares of HK$1 each	[1] 100%
Southchina Engineering and Manufacturing Limited	Hong Kong, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	1,000,000 ordinary shares of HK$1 each	51%
陽江華訊電子制品有限公司	The PRC, limited liability company	Manufacturing of transformers, solenoids and other components for electronic products in the PRC	Registered capital of US$1,500,000	100%
Alltronics Energy Saving (Shenzhen) Limited	The PRC, limited liability company	Provision of energy saving business solutions to customers	Registered capital of HK$10,000,000	100%
南盈科技發展(深圳)有限公司	The PRC, limited liability company	Manufacturing of plastic moulds, plastic and electronic accessories in the PRC	Registered capital of HK$7,700,000	51%

[1] Shares held directly by the Company

(b) The amounts due from subsidiaries are unsecured, interest-free and are not expected to be repayable by subsidiaries within 12 months from the balance sheet date.

20 SHARE-BASED PAYMENT TRANSACTIONS

On 22 June 2005, the Company adopted a share option scheme (the "Share Option Scheme") for the primary purpose of providing incentives or rewards to employees and Directors of the Company or any of its subsidiaries and any supplier and/or sub-contractor of the Group (the "Participants") for their contributions or potential contributions to the Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme is adopted.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent (the "General Scheme Limit") of the total number of shares on 15 July 2005, the listing date. The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent of the total number of shares of the Company in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent limit being exceeded. Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme and other share option schemes of the Company in any twelve–month period shall not exceed 1 per cent of the shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day; and

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

20 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

On 13 January 2011, 15,900,000 share options were granted to certain directors and employees with an exercisable period of two years from 13 January 2011 to 12 January 2013. There are no vesting periods for these share options. The closing market price per share at the date on which the share options were granted was HK$2.31. The estimated fair value of the options granted during the year was approximately HK$8,296,000 and has been recognised in the consolidated income statement for the year, with a corresponding increase in share option reserve in equity.

Share option expenses in relation to the share options attributable to directors and employees of the Group recognised by the Company and the main operating subsidiaries of the Company were HK$1,397,000 (2010: HK$Nil) and HK$6,899,000 (2010: HK$Nil) respectively.

The fair values of the share options granted directors and employees during the year ended 31 December 2011 were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

	Directors	**Employees**
Year of grant	2011	2011
Exercise price	HK$2.31	HK$2.31
Closing share price on date of grant	HK$2.31	HK$2.31
Expected life	0.841 years	0.558 years
Expected volatility	71.08%	78.91%
Expected annualised dividend yield	2.814%	2.814%
Risk free rate	0.277%	0.247%

As at 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 15,800,000, representing 5.0% of the total number of shares of the Company in issue at that date.

On 8 March 2011, a total of 100,000 share options had been exercised resulting in the issue of 100,000 ordinary shares of the Company.

During the year ended 31 December 2010, no share options were granted, exercised, lapsed or cancelled. As at 31 December 2010, there were no share options granted and remained outstanding under the Share Option Scheme.

20 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses details of the Company's share options held by employees and Directors and movements in such holding during the year ended 31 December 2011:

	Number of share options					
	Held at 1 January 2011	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Held at 31 December 2011	Exercise price per share (HK$)
Executive Directors	–	2,500,000	–	–	2,500,000	2.31
Other employees	–	13,400,000	(100,000)	–	13,300,000	2.31
Total	–	15,900,000	(100,000)	–	15,800,000	

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2011 HK$'000	2010 HK$'000
Unlisted capital guaranteed funds in Hong Kong:		
Beginning of the year	**2,771**	2,610
Fair value gains transferred to equity	**55**	161
End of the year	**2,826**	2,771

There was no impairment provision on available-for-sale financial assets in 2011 and 2010.

As at 31 December 2011, available-for-sale financial assets with an aggregate carrying amount of HK$2,826,000 (2010: HK$2,771,000) were pledged to a bank to secure loan and overdraft facilities granted to Southchina (Note 36(c)). Available-for-sale financial assets are denominated in US dollars.

As these capital guaranteed funds are not publicly traded and in the absence of readily available information to determine the fair values of these capital guaranteed funds, the Group has adopted the indicative market values provided by the issuers as its best estimate of the fair values of these capital guaranteed funds.

22 INVENTORIES – GROUP

	2011 HK$'000	2010 HK$'000
Raw materials	**75,290**	75,533
Work in progress	**24,544**	24,053
Finished goods	**24,308**	28,906
	124,142	128,492

The cost of inventories recognised as an expense and included in cost of inventories sold amounted to HK$479,977,000 (2010: HK$326,497,000).

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP

	2011 HK$'000	2010 HK$'000
Trade receivables	**128,634**	122,582
Less: provision for impairment of receivables	**(2,364)**	–
Trade receivables, net	**126,270**	122,582
Prepayments and deposits	**13,615**	14,210
Other receivables	**396**	500
Prepayments, deposits and other receivables	**14,011**	14,710
	140,281	137,292

As at 31 December 2011 and 2010, the fair values of trade receivables approximated their carrying amounts.

The Group's sales to corporate customers are entered into on credit terms of up to 90 days, except for certain credit worthy customers to whom a longer credit period is allowed.

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP (Continued)

The ageing analysis of trade receivables at the balance sheet dates is as follows:

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**76,954**	66,923
31 – 60 days	**31,863**	33,368
61 – 90 days	**11,359**	14,161
91 – 120 days	**5,358**	6,029
121 – 365 days	**2,612**	2,064
Over 365 days	**488**	37
	128,634	122,582

As at 31 December 2011, trade receivables of HK$28,512,000 (2010: HK$25,878,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**21,133**	17,946
31 – 60 days	**3,611**	4,486
61 – 90 days	**2,159**	2,631
91 – 120 days	**983**	550
121 – 365 days	**607**	265
Over 365 days	**19**	–
	28,512	25,878

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP (Continued)

As of 31 December 2011, trade receivables of HK$2,364,000 were impaired and the amount of provision made was HK$2,364,000. The individually impaired receivables mainly relate to customers who are in unexpected difficult economic situations. As of 31 December 2010, none of the trade receivables was impaired. The aging analysis of these impaired receivables is as follows:

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**–**	–
31 – 60 days	**556**	–
61 – 90 days	**2**	–
91 – 120 days	**644**	–
121 – 365 days	**1,162**	–
	2,364	–

Movements on the provision for impairment of trade receivables are as follows:

	2011 **HK$'000**	2010 HK$'000
At 1 January	**–**	–
Provision for impairment of receivables *(Note 6)*	**2,364**	–
Written off during the year as uncollectible	**–**	–
At 31 December	**2,364**	–

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 6). The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security.

23 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP (Continued)

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

	2011	2010
	HK$'000	HK$'000
US dollar	**112,678**	109,819
HK dollar	**10,542**	9,162
RMB	**2,973**	3,549
Japanese Yen	**473**	552
	126,666	123,082

Credit quality analysis of the Group's fully performing trade receivables is as follows:

	2011	2010
	HK$'000	HK$'000
Existing customers (more than 12 months) with no defaults in the past	**98,145**	93,904
New customers (less than 12 months)	**1,977**	2,800
	100,122	96,704

As at 31 December 2011, the Group's trade receivables of approximately HK$2.5 million (2010: HK$2.6 million) were pledged with banks to secure banking facilities granted to the Group (Note 36(d)).

24 AMOUNT DUE FROM A RELATED COMPANY – GROUP

The balance as at 31 December 2011 (2010: HK$151,000) represented trade receivable from a related company, Maruman Products Co. Ltd. ("Maruman"), which is unsecured, interest-free with a credit term of 60 days. Mr. Lam Yin Kee, the Chairman and an executive Director of the Company, has 24.7% equity interest in Maruman.

The balance is denominated in Hong Kong dollars.

25 AMOUNTS DUE FROM THE ULTIMATE HOLDING COMPANY AND NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY – GROUP

The balances due from the ultimate holding company and non-controlling shareholders of a subsidiary are unsecured, interest-free and repayable on demand.

The balances are denominated in Hong Kong dollar.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - GROUP

	2011	2010
	HK$'000	HK$'000
Listed securities:		
Equity securities – Hong Kong, at market values	**2,088**	2,021

Changes in fair values of financial assets at fair value through profit or loss are recorded in other losses – net in the consolidated income statement (Note 7). The fair value of all equity securities is based on their current bid prices in an active market.

27 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2011 was US$11,000,000 (approximately HK$85,800,000) (2010: US$5,000,000, approximately HK$39,000,000). Changes in fair values of derivative financial instruments are recorded in 'other losses – net' in the consolidated income statement.

28 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**72,736**	51,213	**149**	45
Maximum exposure to credit risk	**69,891**	49,871	**149**	45
Denominated in:				
– US dollar	**35,979**	23,736	**–**	–
– HK dollar	**14,062**	11,889	**149**	45
– RMB	**22,446**	14,699	**–**	–
– Other currencies	**249**	889	**–**	–
	72,736	51,213	**149**	45

28 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY (Continued)

Cash and cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**72,736**	51,213	**149**	45
Bank overdrafts *(Note 32)*	**(19,278)**	(18,518)	**–**	–
	53,458	32,695	**149**	45

The Group's cash and bank balances of approximately HK$22,446,000 and HK$14,699,000 as at 31 December 2011 and 2010, respectively, were denominated in RMB and kept in banks in the PRC. The remittance of these funds out of the PRC is subject to the foreign exchange restrictions imposed by the PRC government.

29 TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	2011	2010
	HK$'000	HK$'000
0 – 30 days	**36,960**	46,433
31– 60 days	**30,339**	28,509
61– 90 days	**5,856**	6,701
91 – 120 days	**924**	1,321
121 – 365 days	**1,562**	2,077
Over 365 days	**398**	515
	76,039	85,556

The fair values of trade payables approximated their carrying values.

30. SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	2011 **HK$'000**	2010 HK$'000
Authorised:		
10,000,000,000 (2010: 10,000,000,000) ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
314,420,000 (2010: 314,320,000) ordinary shares of HK$0.01 each	**3,144**	3,143

A summary of the movements of the Company's issued ordinary share capital and share premium account is as follows:

	Note	**Number of shares in issue**	**Issued capital** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 1 January 2010 and 31 December 2010		314,320,000	3,143	42,602	45,745
Issue of shares upon exercise of share options under employee share option scheme	*(a)*	100,000	1	281	282
At 31 December 2011		314,420,000	3,144	42,883	46,027

Note:

(a) During the year ended 31 December 2011, a total of 100,000 share options had been exercised and a total of 100,000 shares were issued and fully paid.

31 RESERVES – GROUP AND COMPANY

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve (note a) HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2010	42,602	5,799	4,414	4,550	154	–	42	111,819	9,430	178,810
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	37,243	–	37,243
Other comprehensive income										
Fair value gain on available-for-sale financial assets *(Note 21)*	–	–	–	–	82	–	–	–	–	82
Currency translation differences	–	–	–	70	–	–	–	–	–	70
Total other comprehensive income for the year	–	–	–	70	82	–	–	–	–	152
Total comprehensive income for the year	–	–	–	70	82	–	–	37,243	–	37,395
Interim dividend paid	–	–	–	–	–	–	–	(4,715)	–	(4,715)
Proposed final dividend	–	–	–	–	–	–	–	(15,716)	15,716	–
Final dividend relating to 2009	–	–	–	–	–	–	–	–	(9,430)	(9,430)
Allocation to statutory reserve	–	–	1,068	–	–	–	–	(1,068)	–	–
Balance at 31 December 2010	42,602	5,799	5,482	4,620	236	–	42	127,563	15,716	202,060

31 RESERVES – GROUP AND COMPANY (Continued)

(a) Group (Continued)

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve (note a) HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2011	42,602	5,799	5,482	4,620	236	–	42	127,563	15,716	202,060
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	33,423	–	33,423
Other comprehensive income										
Fair value gain on available-for-sale financial assets *(Note 21)*	–	–	–	–	28	–	–	–	–	28
Currency translation differences	–	–	–	4,640	–	–	–	–	–	4,640
Total other comprehensive income for the year	–	–	–	4,640	28	–	–	–	–	4,668
Total comprehensive income for the year	–	–	–	4,640	28	–	–	33,423	–	38,091
Employee share option scheme – value of employee services	–	–	–	–	–	8,296	–	–	–	8,296
Employee share option scheme – issues of shares upon exercise of share options	281	–	–	–	–	(51)	–	–	–	230
Interim dividend paid	–	–	–	–	–	–	–	(12,577)	–	(12,577)
Proposed final dividend	–	–	–	–	–	–	–	(15,721)	15,721	–
Final dividend relating to 2010	–	–	–	–	–	–	–	(5)	(15,716)	(15,721)
Allocation to statutory reserve	–	–	1,338	–	–	–	–	(1,338)	–	–
Balance at 31 December 2011	42,883	5,799	6,820	9,260	264	8,245	42	131,345	15,721	220,379

Note a:

The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries.

31 RESERVES – GROUP AND COMPANY (Continued)

(b) Company

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000
Balance at 1 January 2010	42,602	–	42	11,187	9,430	63,261
Comprehensive income						
Profit for the year	–	–	–	13,705	–	13,705
Total comprehensive income for the year	–	–	–	13,705	–	13,705
Interim dividend paid	–	–	–	(4,715)	–	(4,715)
Proposed final dividend	–	–	–	(15,716)	15,716	–
Final dividend relating to 2009	–	–	–	–	(9,430)	(9,430)
Balance at 31 December 2010	42,602	–	42	4,461	15,716	62,821
Balance at 1 January 2011	**42,602**	**–**	**42**	**4,461**	**15,716**	**62,821**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**27,636**	**–**	**27,636**
Total comprehensive income for the year	**–**	**–**	**–**	**27,636**	**–**	**27,636**
Employee share option scheme – value of employee services	**–**	**8,296**	**–**	**–**	**–**	**8,296**
Employee share option scheme – issues of shares upon exercise of share options	**281**	**(51)**	**–**	**–**	**–**	**230**
Interim dividend paid	**–**	**–**	**–**	**(12,577)**	**–**	**(12,577)**
Proposed final dividend	**–**	**–**	**–**	**(15,721)**	**15,721**	**–**
Final dividend relating to 2010	**–**	**–**	**–**	**(5)**	**(15,716)**	**(15,721)**
Balance at 31 December 2011	**42,883**	**8,245**	**42**	**3,794**	**15,721**	**70,685**

32 BORROWINGS – GROUP

The analysis of the carrying amount of borrowings is as follows:

	2011 HK$'000	2010 HK$'000
Current liabilities		
Bank overdrafts, secured *(Note 36)*	**19,278**	18,518
Bills payable, secured *(Note 36)*	**24,990**	18,442
Trust receipt loans, secured *(Note 36)*	**–**	577
Portion of term loans from banks due for repayment within one year *(Note a)*	**22,463**	20,499
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause *(Note a)*	**15,000**	31,754
Obligations under finance leases *(Note b)*	**2,484**	1,092
Loan from a customer *(Note c)*	**977**	–
	85,192	90,882
Non-current liabilities		
Obligations under finance leases *(Note b)*	**2,538**	1,625
Loan from a customer *(Note c)*	**1,406**	–
	3,944	1,625

Details of the available banking facilities and securities given in respect of the above secured borrowings are set out in Note 36.

(a) The Group's bank loans were due for repayment as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**22,463**	20,499
In the second year	**8,200**	18,254
In the third to fifth year	**6,800**	13,500
	37,463	52,253

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

32 BORROWINGS – GROUP (Continued)

(b) The Group's finance lease liabilities were repayable as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**2,667**	1,203
In the second year	**1,965**	1,203
In the third to fifth year	**665**	502
	5,297	2,908
Future finance charges on finance leases	**(275)**	(191)
Present value of finance lease liabilities	**5,022**	2,717

The present value of finance lease liabilities is as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**2,484**	1,092
In the second year	**1,890**	1,140
In the third to fifth year	**648**	485
	5,022	2,717

(c) The loan from a customer was repayable as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**977**	–
In the second year	**1,043**	–
In the third to fifth year	**363**	–
	2,383	–

The loan from a customer is unsecured and bears interest at commercial rates.

32 BORROWINGS – GROUP (Continued)

(d) The effective interest rates per annum at the balance sheet date were as follows:

	2011	2010
Bank loans	**3.8%**	3.4%
Obligations under finance leases	**4.3%**	4.3%
Bills payable	**3.7%**	4.5%
Trust receipt loans	**N/A**	5.5%
Bank overdrafts	**5.8%**	5.7%
Loan from a customer	**6.5%**	N/A

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Company's or the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Company or the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Company's and the Group's term loan arrangements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company or the Group has complied with the covenants and met the scheduled repayment obligations.

The Company and the Group regularly monitor its compliance with these covenants, are up to date with the scheduled repayments of the term loans and do not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Company and the Group continue to meet these requirements. Further details of the Company's management of liquidity risk are set out in Note 3.1(c). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached.

33 DEFERRED INCOME TAX – GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(875)**	(1,359)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**1,351**	1,343

33 DEFERRED INCOME TAX – GROUP (Continued)

The gross movement on the deferred income tax account is as follows:

	2011	2010
	HK$'000	HK$'000
Beginning of the year	**(16)**	394
Charged/(credited) to the consolidated income statement *(Note 12)*	**492**	(410)
End of the year	**476**	(16)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	**Provision**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2010	–	(1,036)	(1,036)
(Credited)/charged to the consolidated income statement	(390)	67	(323)
At 31 December 2010	(390)	(969)	(1,359)
Charged to the consolidated income statement	299	185	484
At 31 December 2011	(123)	(752)	(875)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, the Group had estimated unrecognised tax losses of HK$41,201,000 (2010: HK$32,223,000) to carry forward against future taxable income. Except for the estimated tax losses of HK$8,291,000 (2010: HK$6,690,000) expiring within five years, the tax losses have no expiry.

33 DEFERRED INCOME TAX – GROUP (Continued)

Deferred income tax liabilities

	Accelerated tax depreciation HK$'000
At 1 January 2010	1,430
Credited to the consolidated income statement	(87)
At 31 December 2010	1,343
Charged to the consolidated income statement	8
At 31 December 2011	1,351

Deferred income tax liabilities of HK$2,323,000 have not been recognised as at 31 December 2011 (2010: HK$1,713,000) for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries. Unremitted earnings totalled HK$47,044,000 at 31 December 2011 (2010: HK$41,813,000).

34 CASH GENERATED FROM OPERATIONS

	2011 HK$'000	2010 HK$'000
Profit before income tax	**45,372**	43,163
Adjustments for:		
Depreciation *(Note 16)*	**17,161**	15,921
Amortisation of leasehold land and land use rights *(Note 17)*	**50**	50
(Gain)/loss on disposals of property, plant and equipment	**(524)**	598
Loss on financial assets at fair value through profit or loss, net *(Note 7)*	**1,936**	286
Fair value loss on derivative financial instruments *(Note 7)*	**9,488**	179
Provision for impairment of trade receivables *(Note 23)*	**2,364**	–
Dividend income from financial assets at fair value through profit or loss *(Note 5)*	**(26)**	(35)
Share-based payment expenses	**8,296**	–
Finance costs – net *(Note 8)*	**4,032**	3,657
	88,149	63,819
Changes in working capital:		
Trade receivables	**(6,052)**	(45,194)
Prepayments, deposits and other receivables	**699**	(7,149)
Inventories	**4,350**	(55,592)
Amounts due from non-controlling shareholders of a subsidiary	**386**	(19)
Amount due from a related company	**135**	(151)
Bills payable and trust receipt loans	**5,971**	16,319
Trade payables	**(6,467)**	36,039
Accruals and other payables	**1,964**	4,111
Cash generated from operations	**89,135**	12,183

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2011 HK$'000	2010 HK$'000
Net book amount *(Note 16)*	**82**	2,327
Gain/(loss) on disposal of property, plant and equipment	**524**	(598)
Proceeds from disposal of property, plant and equipment	**606**	1,729

Non-cash transaction

The principal non-cash transaction is the acquisition of motor vehicles under finance lease amounting to HK$4,661,000 for the year ended 31 December 2011 (2010: HK$3,996,000).

35 COMMITMENTS – GROUP

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2011 **HK$'000**	2010 HK$'000
Property, plant and equipment		
Contracted but not provided for	**97**	1,063
Authorised but not contracted for	**–**	–
	97	1,063

(b) Operating lease commitments

The Group leases various offices, warehouses and quarters under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	2011 **HK$'000**	2010 HK$'000
Not later than 1 year	**16,069**	13,622
Later than 1 year and not later than 5 years	**13,738**	23,084
	29,807	36,706

36 BANKING FACILITIES

As at 31 December 2011, the Group's total available banking facilities amounted to approximately HK$403 million (2010: HK$412 million), of which approximately HK$321 million (2010: HK$323 million) was unutilised. The facilities were secured by the following:

(a) corporate guarantees given by the Company (Note 37);

(b) pledge of the Group's fixed deposits denominated in HK$ of approximately HK$4.0 million (2010: HK$2.4 million) at effective interest rates of 0.01% to 0.22%, and bank deposits denominated in US$ of approximately HK$1.0 million (2010: HK$1.0 million) at an effective interest rate of 0.01%;

(c) available-for-sale financial assets with carrying value totaling approximately HK$2.8 million (2010: HK$2.8 million) (Note 21); and

(d) the Group's trade receivables of HK$2.5 million (2010: HK$2.6 million) (Note 23).

The banking facilities granted to Southchina and Dynamic are also secured by personal guarantees given by Mr. Lam Yin Kee, a Director of the Company and other non-controlling shareholders of Southchina and Dynamic.

37 RELATED PARTY TRANSACTIONS

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owned 66.8% of the Company's shares as at 31 December 2011 (2010: 66.8%). In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company.

(a) Significant related party transactions, which were carried out in the normal course of the Group's business and at terms negotiated between the Group and the respective parties, were as follows:

	2011	2010
	HK$'000	HK$'000
Sales of goods and moulds to Maruman [(i)]	**836**	151
Rental expenses paid to Profit Home Investments Limited [(ii)]	**1,650**	1,200

(i) Maruman is a company incorporated in Japan and owned as to 24.7% by Mr. Lam Yin Kee, a Director of the Company. Maruman is engaged in the business of trading of general merchandise.

(ii) Ms. Yeung Po Wah is a Director of the Company, and has a 60% equity interest in Profit Home Investments Limited.

Significant related party transactions between the Company and its subsidiaries were as follows:

	Company	
	2011	2010
	HK$'000	HK$'000
Financial guarantees given to subsidiaries *(Note 36(a))*	**62,611**	67,932

(b) Year end balances arising from the related party transactions as disclosed in note (a) above were as follows:

	2011	2010
	HK$'000	HK$'000
Amount due from a related company *(Note 24)*	**16**	151

Amount due from a related company was aged less than one year and was unsecured, non-interest bearing and with normal credit terms of 60 days.

37 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	2011 **HK$'000**	2010 HK$'000
Directors' fees	**902**	828
Salaries and other short-term employee benefits	**17,424**	15,628
Share-based payment expenses	**4,744**	–
Pension costs – defined contribution plans	**156**	152
	23,226	16,608

38 EVENTS AFTER THE BALANCE SHEET DATE

On 13 February 2012, Alltronics Energy Saving, being an indirectly wholly-owned subsidiary of the Company, has entered into the Suning EMC Agreement with Suning Appliance Co., Ltd., China Potevio Company Limited and 北京巨龍東方國際信息技術有限責任公司 for the provision of energy saving solutions to at least 1,000 retail stores operated by Suning Appliance Co., Ltd. in the PRC, through the use of LED lighting equipment. Details of the agreement are set out in the announcement issued by the Company dated 13 February 2012.

Five-year Financial Summary

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2011:

	Year ended 31 December				
	2011	2010	2009	2008	2007
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**801,694**	598,529	449,388	497,364	575,080
Profit/(Loss) before income tax	**45,372**	43,163	16,674	(9,461)	61,892
Income tax expense	**(13,355)**	(9,291)	(5,848)	(1,096)	(11,163)
Profit/(Loss) for the year	**32,017**	33,872	10,826	(10,557)	50,729
Non-controlling interests	**1,406**	3,371	3,051	955	(1,812)
Profit/(Loss) attributable to owners of the Company	**33,423**	37,243	13,877	(9,602)	48,917
Assets and liabilities					
Total assets	**425,097**	408,145	343,167	349,210	337,348
Total liabilities	**(210,008)**	(210,105)	(165,152)	(175,731)	(127,074)
Total equity	**215,089**	198,040	178,015	173,497	210,274

Note:

(1) The results of the Group for each of the two years ended 31 December 2011 and 2010 and its assets and liabilities as at 31 December 2011 and 2010 are those set out on pages 26 to 29 of this report and are presented on the basis as set out in note 2 to the financial statements.