WING LEE HOLDINGS LIMITED

永 利 控 股 有 限 公 司

STOCK CODE：876

2011 Annual Report

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	6
Directors and Senior Management Profile	8
Corporate Governance Report	10
Directors' Report	21
Independent Auditor's Report	26
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Financial Statements	34
Financial Summary	76
Summary of Properties held for Investment	77

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chow Tak Hung *(Chairman)*
Ms. Chow Woon Yin *(Deputy Chairman)*
Ms. Wong Siu Wah
Ms. Chau Choi Fa *(Managing Director)*

Independent Non-executive Directors

Dr. Lau Yue Sun
Mr. Yip Tai Him
Mr. Lam Kwok Cheong

COMPANY SECRETARY

Mr. Tam Chak Chi
(resigned with effect from 13 April 2012)
Ms. Chan Kwan Lin (with effect from 13 April 2012)

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Bermuda

Conyers Dill & Pearman

Hong Kong

Reed Smith Richards Butler

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Dah Sing Bank, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 201 & 206-208, 2nd Floor
Sunbeam Centre
27 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

SHARE REGISTRARS

Bermuda Principal

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

Hong Kong Branch

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

STOCK CODE

Stock Code on The Stock Exchange of Hong Kong Limited: 876

COMPANY WEBSITE

www.wingleeholdings.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Wing Lee Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

For the year, the Group achieved a revenue of HK$380 million (2010: HK$425 million), representing a decrease of 11% as compared with the same period in 2010. Profit for the year attributable to equity owners of the Company was approximately HK$168 million (2010: HK$80 million), representing an increase of 110% as compared with the same period in 2010. Earnings per share were HK49.09 cents (2010: HK22.41 cents).

BUSINESS REVIEW

The global economy stabilized and revitalized gradually in 2010 and customers enlarged their production volume, such that the Group maintained a high level of sales of electronic components. However, in the year of 2011, the earthquake and tsunami in Japan in March and the severe floods in Thailand in October resulted in a substantial interruption in the supply chain of electronic consumer products in the world, which affected the number of orders received by the Group for the fourth quarter of the year, resulting in a decrease of nearly 30% in the number of orders received from customers in Japan and Europe as compared with the same period in 2010, thus hitting the overall sales of the electronics component manufacturing sector. Fortunately, the Group exerted more efforts in developing the Korean market. The first-tier customers there have responded well to the production and delivery by the Group, and the orders from Korea accounted for 20% of the total number of orders in the fourth quarter of 2011, which has offset partly the impact of reduced orders from other customer bases.

Taking a sweeping view of 2011, the management holds a "wait-and-see" attitude towards the global market. The uncertainties surrounding the US economy and the extent of the European debt crisis act as drags on the market. Japanese customers have also changed their previous business operating models and outsourced the production procedures by way of OEM and ODM in the light of factors such as decrease in the price of electronic consumer products and appreciation of the Japanese Yen. All these factors contributed to a loss in orders for the Group and a decline in the turnover for this sector.

However, the Group is still full of confidence in its prospects and intends to continue to expand the Korean market in 2012. The management predicts that the Group will secure another renowned customer in Korea in the fourth quarter of 2012 which will be an additional source of income for the Group. In addition, the Group is committed to developing digital products and will increase investment in purchasing additional plant and equipment. New products are anticipated to be launched in 2012 to help compensate for the loss in orders mentioned above and maintain the Group's competitiveness.

BUSINESS REVIEW – continued

Regarding the properties investment segment, the Group acquired a total of five properties located in Hong Kong in 2011, including three residential units, a commercial unit located in Wan Chai and a single building property located in Mong Kok, for long-term holding and leasing purposes, of which one acquisition is expected to be completed in 2012. In addition, the Group disposed of two commercial shops located in Wan Chai in 2011 with a gain in disposal of HK$44.5 million (2010: nil), reflected as a gain arising from fair value changes of investment properties.

At the reporting date, as the commercial property market was booming in Hong Kong, the aggregate market value of the Group's property investment portfolio, as appraised by independent valuers, amounted to HK$610 million (31 December 2010: HK$491 million). A fair value gain of approximately HK$93.1 million (2010: HK$35.9 million) on investment properties held and a full-year rental income of approximately HK$20.3 million (2010: HK$15.4 million) was recorded by the Group. The management is of the opinion that the Group's commercial shops properties primarily invested in Hong Kong have relatively lower risk as compared to other investment instruments. It is expected that a satisfactory increase will be recorded in the rental income upon the expiration and renewal of leases and accordingly the value of investment properties and the rental yield are expected to pick up continuously when the property market conditions take a turn for the better.

PROSPECTS

As compared with the same period in 2010, the Group has made remarkable improvement in its overall performance in 2011. The management is optimistic about the operation conditions. The Group has sufficient cash reserve and a low borrowing rate. Our properties investment depends on long-term rentals, and our customer base for our electronic components manufacturing sector comprises a majority of internationally renowned electronic consumer product brands. We will seek to lay a solid foundation for the future through expanding customer and product coverage. At the same time, we will adhere to sound investment strategies in identifying low-risk assets for investment so as to reap a reasonable return, and will exercise caution in considering new investment projects.

The Group is, in view of the financial results and performance of the properties investment segment, considering proposals to develop this business further.

In the long run, we have full confidence in the future and believe that our various segments and investments, in view of a more optimistic outlook on global economic conditions, will be able to generate considerable and stable income.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of HK4.0 cents per share for the financial year ended 31 December 2011 to be payable on or around Friday, 29 June 2012 to the Company's shareholders whose names appear on the register of members of the Company on Friday, 22 June 2012 subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 June 2012 to Friday, 22 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the final dividend, all transfers of shares, accompanied by the relevant share certificates and transfer forms 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 not later than 4:30 p.m. on Wednesday, 20 June 2012.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our beloved shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in coming years.

I would also like to personally thank all management and staff for their hard work and commitment to the Group and cheer them as we tackle future challenges successfully.

CHOW TAK HUNG
Chairman

Hong Kong, 9 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

CORE BUSINESSES

Manufacturing of Electronic Components

The first core business of the Group consists of the design, manufacture and sale of electronic jacks and connectors, all of which are basic components used in electronic, communication and computer products. The major customer groups who account for the larger proportion in the Group's products sales are reputable brand named owners from Japan, Korea, Europe and USA.

Properties Investment

The second core business of the Group is the investment in properties in Hong Kong and the PRC for long-term holding and leasing purposes, that generates stable income.

The Group completed the acquisition of four investment properties during 2011 at a total consideration of approximately HK$81 million (2010: HK$145 million). The said properties comprise three residential units located in Hong Kong and Kowloon and a single building property located in Mong Kok. The acquisition of a commercial unit located in Wan Chai is expected to be completed in 2012 at the consideration of HK$25.6 million, and a deposit of HK$2.6 million has been paid. Excluding the acquisition which is not yet completed, there are a total of seventeen properties in the Group's property portfolio with fourteen in Hong Kong and the other three in the PRC. The Group disposed of two commercial shops located in Wan Chai in 2011 with a gain in disposal of HK$44.5 million (2010: nil), reflected as a gain arising from fair value changes of investment properties.

As at 31 December 2011, the aggregate market value of investment properties held, as appraised by an independent property valuer, amounted to HK$610 million (31 December 2010: HK$491 million). Due to the continuing market boom, an appreciation of HK$93.1 million (2010: HK$35.9 million) was recorded for the year, which was reflected as a gain arising from fair value changes of investment properties.

The investment properties held by the Group generated a total rental income of HK$20.3 million (2010: HK$15.4 million) with a nearly 100% occupancy rate and a return of investment of 3.7% per annum (2010: 3.8%). As at 31 December 2011, a total of seven investment properties, with an aggregate market value of HK$285 million, were charged to secure bank loans amounting to HK$132 million.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2011, the net current assets of the Group amounted to HK$104 million (31 December 2010: net current liabilities of HK$11 million). The current and quick ratio were 1.7 and 1.4 (31 December 2010: 0.9 and 0.7) respectively. Shareholders' funds rose to HK$829 million (31 December 2010: HK$687 million).

Moreover, as at 31 December 2011, the bank deposits and cash of the Group were HK$118 million (31 December 2010: HK$77 million), which included fixed deposits of HK$62 million (31 December 2010: HK$4.7 million).

FINANCIAL REVIEW – continued

Liquidity and Capital Resources – continued

The Group continued to adopt a prudent financial management policy, which operated generally with internal resources. The bank borrowing ratio, calculated by dividing total bank loans by equity attributable to owners of the Company, was 19.6% (31 December 2010: 20.7%), representing a lower borrowing exposure as compared to other companies in a similar industry. As at 31 December 2011, the total bank borrowings of the Group were HK$162 million (31 December 2010: HK$142 million), of which HK$63 million was repayable within one year (31 December 2010: HK$142 million). The loans were principally used to finance the acquisition of investment properties.

In addition, the Company purchased its own ordinary shares of HK$0.5 each through The Stock Exchange of Hong Kong Limited in 2011. It paid a total consideration of HK$28.5 million (2010: HK$2.1 million) for the purchase of 32,858,000 shares (2010: 3,440,000 shares).

Capital Expenditure

The total capital expenditure incurred for 2011 was HK$101 million (2010: HK$160 million), out of which, approximately HK$20 million (2010: HK$15 million) was expended on the Heyuan plant, whereas approximately HK$81 million (2010: HK$145 million) was paid to acquire investment properties.

Treasury Policy

The Group's sales were principally denominated in US dollars and Hong Kong dollars while purchases were transacted mainly in US dollars, Renminbi and Hong Kong dollars. The fluctuation of Renminbi in 2011 did not materially affect the costs and operations of the Group for the year and the directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Other than the information disclosed above, the Group had no material acquisitions nor disposals of subsidiaries and associated companies in the financial year ended 31 December 2011, no contingent liabilities as at 31 December 2011 and at the reporting date, and no future plans for material investments nor acquisitions of material capital assets as at 31 December 2011 and at the reporting date.

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of 1,900 employees (31 December 2010: 2,400 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 31 December 2011 amounted to HK$84 million (2010: HK$96 million).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chow Tak Hung, aged 58, is the Chairman and the Chief Executive Officer of the Group. Mr. Chow is the husband of Ms. Chau Choi Fa and the older brother of Ms. Chow Woon Yin. Mr. Chow founded the business of the Group in 1971, and has over 40 years of management, production and marketing experience in the electronics industry. He is responsible for the overall strategic planning and corporate policy of the Group.

Ms. Chow Woon Yin, aged 55, is the Deputy Chairman of the Group. Ms. Chow is the younger sister of Mr. Chow Tak Hung and the sister-in-law of Ms. Chau Choi Fa. She joined the Group in 1985, and has over 25 years of management, production and marketing experience in the electronics industry. She is responsible for the sales and marketing of the Group.

Ms. Wong Siu Wah, aged 65, is the Administration Director of the Group. Ms. Wong joined the Group in 1990, and has over 20 years of management experience in the electronics industry. Prior to joining the Group, she had over 15 years of management experience in the toy industry. She is responsible for the overall administration and properties investment of the Group.

Ms. Chau Choi Fa, aged 44, is the Managing Director of the Group. Ms. Chau is the wife of Mr. Chow Tak Hung and the sister-in-law of Ms. Chow Woon Yin. She joined the Group in 1988, and has over 20 years of management and production experience in the electronics industry. She is responsible for the overall production planning and management of the Group.

Details of the shareholdings of the executive directors of the Company are set out in the section headed "Directors' Report – Directors' and Chief Executives' Interests in Securities".

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Yue Sun, BBS, aged 71, is the managing director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Goldlion Holdings Limited, which is a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has over 30 years of experience in manufacturing, electronics, plastic injection products and import-export business. Dr. Lau is a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Selection Committee for the First Government of the HKSAR, a member of the Second and Third Election Committee of the HKSAR and a standing committee member of the Chinese General Chamber of Commerce. He is also an advisor of Guangdong Education Foundation and a vice president of Guangdong Federation of Industry and Commerce.

Mr. Yip Tai Him, aged 41, is a practising accountant in Hong Kong. Mr. Yip is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has over 15 years of experience in accounting, auditing and financial management. Mr. Yip is also an independent non-executive director of China Communication Telecom Services Company Limited, KH Investment Holdings Limited, GCL-Poly Energy Holdings Limited, iOne Holdings Limited and Vinco Financial Group Limited, all of which are companies listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS – continued

Mr. Lam Kwok Cheong, aged 58, is a Justice of the Peace and a solicitor of the High Court of the HKSAR. He holds a Bachelor of Laws degree from the University of Hong Kong. Mr. Lam was a member of the Election Committee of the HKSAR, and currently a member of the Buildings Ordinance Appeal Tribunal Panel, a member of Panel of Adjudicators, Obscene Articles Tribunal and an Ex-Officio Member of Heung Yee Kuk. Mr. Lam is also an independent non-executive director of Same Time Holdings Limited and Sparkle Roll Group Limited, both of which are companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Tam Chak Chi, aged 35, was the Financial Controller of the Group. Mr. Tam was also the Group's Company Secretary. Mr. Tam joined the Group in 2006 and has over 10 years of experience in auditing, financial management and taxation. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Tam was responsible for the financial and company secretarial matters of the Group. Mr. Tam resigned from his position as the Group's Company Secretary and Financial Controller with effect from 13 April 2012.

Ms. Chan Kwan Lin, aged 44, became the Company Secretary and Financial Controller of the Group with effect from 13 April 2012. Prior to joining the Group, Ms. Chan held a senior position with a company listed on the main board of the Stock Exchange for 10 years and had approximately 10 years of experience in auditing with an international accounting firm. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan is responsible for the financial and company secretarial matters of the Group.

Mr. So Shun Tong, aged 48, is the General Manager of the Group. Mr. So joined the Group in 1985 and has over 25 years of engineering and manufacturing experience in the electronics industry. He is responsible for the production and administration of the factories in the PRC.

Ms. Chan Sze Wan, aged 40, is the Marketing Manager of the Group. Ms. Chan joined the Group in 1992 and has over 20 years of sales and marketing experience in the electronics industry. She is responsible for the sales and marketing of products to both local and overseas customers.

Mr. Cheng Yiu Kwan, aged 61, is the Advisor of the Group. Mr. Cheng joined the Group in 2005 and has over 30 years of management and marketing experience in the finance industry. He holds a Bachelor of Arts degree in economics from the International Christian University, Tokyo, and a Master of Business Administration degree in finance from the University of British Columbia, Vancouver. Mr. Cheng is responsible for assisting the sales team in their overall interactions with major customers.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Group for the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

The Board considers effective corporate governance a key component in the Group's sustained development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has considered and applied the principles set out in the "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code, except the code provisions A.2.1 and A.4.2. The details of the foregoing deviations are provided below.

The Company periodically reviews its corporate governance practices to ensure that they comply with the statutory and regulatory standards and align with the latest developments.

A. BOARD OF DIRECTORS

(1) Responsibilities

The overall management of the Group's business is vested in the Board, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs and overseeing the implementation of plans to enhance shareholder value. Every director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and takes decisions objectively in the interests of the Group and the shareholders.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company ("Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The independent non-executive directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.

A. BOARD OF DIRECTORS – continued

(2) Board Composition

The Board comprises the following directors:

Executive directors:

Mr. Chow Tak Hung	*(Chairman of the Board, Chief Executive Officer and Chairman of both the Remuneration Committee and the Nomination Committee until 29 March 2012, and from 29 March 2012, Chairman of the Board, Chief Executive Officer and Member of both the Remuneration Committee and the Nomination Committee)*
Ms. Chow Woon Yin	*(Deputy Chairman)*
Ms. Wong Siu Wah	
Ms. Chau Choi Fa	*(Managing Director)*

Independent non-executive directors:

Dr. Lau Yue Sun	*(Member of both the Remuneration Committee and the Audit Committee until 29 March 2012, and from 29 March 2012, Chairman of the Remuneration Committee and Member of the Audit Committee)*
Mr. Yip Tai Him	*(Chairman of the Audit Committee and Member of both the Remuneration Committee and the Nomination Committee)*
Mr. Lam Kwok Cheong	*(Member of both the Nomination Committee and the Audit Committee until 29 March 2012 and from 29 March 2012, Chairman of the Nomination Committee and Member of the Audit Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time. The biographical details of the directors of the Company as well as the relationships among them, if any, are set out under "Directors and Senior Management Profile" on pages 8 to 9.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board, with at least one of whom possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has received written annual confirmation from all of its independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers that all of them are independent in accordance with the independence guidelines set out in the Listing Rules.

A. BOARD OF DIRECTORS – continued

(2) Board Composition – continued

The independent non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

(3) Chairman and Chief Executive Officer

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual so that power is not concentrated in one individual.

Mr. Chow Tak Hung currently holds the offices of Chairman and Chief Executive Officer of the Company. Mr. Chow is the founder of the Group and has extensive experience in the electronics industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Chow provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders as a whole.

As other Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are delegated to the management, the Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority.

(4) Appointment and Re-Election of Directors

Each of the executive directors of the Company is engaged on a service contract for a fixed term. The current term for all executive directors is 3 years. All the independent non-executive directors of the Company have also been appointed for a specific term, subject to re-election. The term of office of each independent non-executive director is 1 year.

The code provision A.4.2 of the CG Code requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's bye-laws ("Bye-laws") deviates from such code provision in the following aspects with the reasons for the deviations/measures taken to address the deviations specified below:

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

(a) The Bye-laws provides that any new director appointed by the Board shall be subject to election by shareholders of the Company at the Company's next following annual general meeting, instead of the first general meeting, after appointment.

– The reason for keeping such Bye-laws provision is to ensure the Company's compliance with paragraph 4(2) of Appendix 3 to the Listing Rules and also to facilitate the Company's process of re-election of directors since it enables the Company and the shareholders to consider the re-election of those new directors appointed by the Board during the year and of those directors retiring by rotation at the same general meeting.

(b) The Bye-laws does not state that directors should be subject to retirement by rotation at least once every three years and besides, it provides that the Chairman of the Board and/or the Managing Director shall not be subject to retirement by rotation.

– Notwithstanding the foregoing Bye-laws provisions, in practice, Ms. Chau Choi Fa, the Managing Director of the Company, has voluntarily submitted herself for re-election by shareholders before and will continue to do so; and Mr. Chow Tak Hung, the Chairman of the Board, will also voluntarily submit himself for re-election by shareholders in the Company's annual general meeting, such that all directors of the Company are subject to retirement by rotation at least once every three years.

The Board will consider in due course whether amendments on the Company's Bye-laws are necessary.

Nomination Committee

The Nomination Committee of the Company comprises one executive director, namely Mr. Chow Tak Hung (Chairman of the Nomination Committee until 29 March 2012), and two independent non-executive directors, namely Mr. Lam Kwok Cheong and Mr. Yip Tai Him. Mr. Lam Kwok Cheong was appointed as Chairman of the Nomination Committee with effect from 29 March 2012. Mr. Chow Tak Hung remained as a member of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the Company's independent non-executive directors.

A. BOARD OF DIRECTORS – continued

(4) Appointment and Re-Election of Directors – continued

Nomination Committee – continued

As set out in the Nomination Committee's Terms of Reference, the Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, character, personal ethics and integrity and time commitments of such individuals as well as the Company's needs and market conditions. An external recruitment agency may be engaged to carry out the selection process when necessary.

The Nomination Committee held one meeting during the year ended 31 December 2011 and the attendance record is set out under "Directors' Attendance Records" of this report. The Nomination Committee performed the following work during the year:

(a) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company;

(b) recommended the re-appointment of Mr. Chow Tak Hung, Mr. Yip Tai Him and Mr. Lam Kwok Cheong, the directors standing for re-election at the 2011 annual general meeting of the Company held on 6 May 2011;

(c) determined the policy for the nomination of directors; and

(d) assessed the independence of the independent non-executive directors.

(5) Induction and Continuing Development for Directors

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

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

A. BOARD OF DIRECTORS – continued

(6) Board Meetings

Board Practices and Conduct of Meetings

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

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

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

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

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

Directors' Attendance Records

During the year ended 31 December 2011, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director/Committee member at the meetings of the Board, the Nomination Committee, the Remuneration Committee and the Audit Committee during the year ended 31 December 2011 are set out below:

A. BOARD OF DIRECTORS – continued

(6) Board Meetings – continued

Directors' Attendance Records – continued

		Attendance/Number of Meetings		
Name of Directors	Board	Nomination Committee	Remuneration Committee	Audit Committee
Executive directors:				
Mr. Chow Tak Hung	4/4	1/1	1/1	N/A
Ms. Chow Woon Yin	4/4	N/A	N/A	N/A
Ms. Wong Siu Wah	4/4	N/A	N/A	N/A
Ms. Chau Choi Fa	4/4	N/A	N/A	N/A
Independent non-executive directors:				
Dr. Lau Yue Sun	4/4	N/A	1/1	2/2
Mr. Yip Tai Him	4/4	1/1	1/1	2/2
Mr. Lam Kwok Cheong	4/4	1/1	N/A	2/2

(7) Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' dealings in the Company's securities.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

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

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

B. DELEGATION BY THE BOARD

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

B. DELEGATION BY THE BOARD – continued

The day-to-day management, administration and operations of the Group are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. The Board will give directions to the senior management as to their powers of management, and circumstances where they should report back. Approval has to be obtained from the Board prior to any decision making on significant transactions or entering into any significant commitments on behalf of the Company.

The senior management has an obligation to supply the Board and its Committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each director have separate and independent access to the senior management.

In addition, the Board has established three Committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All these Committees are established with defined written terms of reference which are published on the Company's website at www.wingleeholdings.com and on the Stock Exchange's website at www.hkexnews.hk.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the directors and senior management of the Group. Details of the remuneration of each director of the Company for the year ended 31 December 2011 are set out in note 11 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee comprises one executive director, namely Mr. Chow Tak Hung (Chairman of the Remuneration Committee until 29 March 2012) and two independent non-executive directors, namely Dr. Lau Yue Sun and Mr. Yip Tai Him. Dr. Lau Yue Sun was appointed as Chairman of the Remuneration Committee with effect from 29 March 2012. Mr. Chow Tak Hung remained as a member of the Remuneration Committee.

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

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

C. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT – continued

The Remuneration Committee held one meeting during the year ended 31 December 2011 and the attendance record is set out under "Directors' Attendance Records" of this report. The Remuneration Committee performed the following work during the year:

(a) reviewed generally the remuneration policy and structure of the Group;

(b) assessed the performance of the executive directors and the senior management; and

(c) determined the remuneration packages as well as the annual bonuses of the executive directors and the senior management.

D. ACCOUNTABILITY AND AUDIT

(1) Directors' Responsibilities for Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

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

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(2) Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company and, with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The Board has conducted an annual review of the effectiveness of the internal control system of the Group for the year ended 31 December 2011. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

(3) Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Yip Tai Him (Chairman of the Committee who possesses the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules), Dr. Lau Yue Sun and Mr. Lam Kwok Cheong. None of the members of the Audit Committee is a former partner of the Company's existing independent auditor.

D. ACCOUNTABILITY AND AUDIT – continued

(3) Audit Committee – continued

The main duties of the Audit Committee include review of the financial information of the Group, review of the relationship with and the terms of appointment of the independent auditor, and review of the Group's financial reporting system, internal control system, risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2011. The attendance records are set out under "Directors' Attendance Records" of this report. The Audit Committee performed the following work during the year:

(a) reviewed with the independent auditor the Group's annual audited financial statements for the year ended 31 December 2011, and reviewed the unaudited interim financial statements for the six months ended 30 June 2011, including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group's financial statements;

(c) reviewed the Group's internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor and the terms of engagement.

(4) Independent Auditor and Auditor's Remuneration

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 26 to 27.

The remuneration paid to the Company's independent auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2011 is set out below:

Type of services provided by the Independent auditor	**Amount of fees**
	HK$'000
Audit services	1,280
Non-audit services:	
Tax consultancy and compliance	27
Total	1,307

E. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective Committees normally attend shareholders' meetings of the Company to answer shareholders' questions. During the year ended 31 December 2011, the Company held one shareholders' meeting, the annual general meeting held on 6 May 2011. Six members of the Board were present at this meeting to address to shareholders' enquiries.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, business developments and operations, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

F. SHAREHOLDERS' RIGHT

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

The directors are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 28.

A 2011 interim dividend of HK2.0 cents per share amounting to HK$6,908,000 and a 2010 final dividend of HK2.0 cents per share amounting to HK$7,027,000 was paid to the shareholders during the year. The directors have resolved to recommend the payment of a final dividend of HK4.0 cents per share.

SHARE CAPITAL

During the year, the Company repurchased certain of its own shares through the Stock Exchange, details of which are set out in note 25 to the consolidated financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchase would increase the net asset value per share of the Company.

Neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any redeemable securities. As at 31 December 2011, there were no outstanding redeemable securities of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2011, the Company's reserves available for distribution consisted of contributed surplus of HK$24,930,000 and retained profits of HK$101,541,000.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties at a cost of HK$80,992,000. Details of the movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group invested HK$19,576,000 in property, plant and equipment. Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:
Mr. Chow Tak Hung *(Chairman)*
Ms. Chow Woon Yin *(Deputy Chairman)*
Ms. Wong Siu Wah
Ms. Chau Choi Fa *(Managing Director)*

Independent non-executive directors:
Dr. Lau Yue Sun
Mr. Yip Tai Him
Mr. Lam Kwok Cheong

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Ms. Chow Woon Yin and Ms. Wong Siu Wah will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-election.

Each of the executive directors of the Company has entered into a service agreement with the Company for a term of three years commencing on 1 October 2011 and either the executive director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing or by making a payment of three months' salary in lieu of the notice.

Further, each of the independent non-executive directors of the Company has entered into a letter of appointment with the Company and is appointed for a period of one year commencing on 6 May 2011 and either the independent non-executive director or the Company may terminate the appointment by giving the other party not less than three months' notice in writing or by making a payment of three months' fee in lieu of the notice.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31 December 2011, the interests of the directors and the chief executives and their associates in the shares, underlying shares of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers, were as follows:

Long positions in ordinary shares of HK$0.50 each of the Company:

Name of director	Family interest	Corporate interest	Total number of shares	Percentage of the Company's issued share capital
Mr. Chow Tak Hung *(note a)*	–	222,374,255	222,374,255	69.38%
Ms. Chau Choi Fa *(note b)*	222,374,255	–	222,374,255	69.38%

Notes:

(a) Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong Siu Wah are beneficial owners of 60%, 20% and 20% respectively of the issued share capital of Bright Asia Holdings Limited, which beneficially owns 222,374,255 ordinary shares of the Company.

(b) Mr. Chow Tak Hung is the husband of Ms. Chau Choi Fa whose personal interests are therefore also the family interests of Ms. Chau Choi Fa.

(c) Mr. Chow Tak Hung, Ms. Chow Woon Yin, Ms. Wong Siu Wah and Ms. Chau Choi Fa are also directors of Bright Asia Holdings Limited.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

During the year, no share options were granted under the share option scheme by the Company. In addition, as of 31 December 2011, there were no outstanding share options under the share option scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

CONNECTED TRANSACTIONS

For the year ended 31 December 2011, the Company and its subsidiaries have not entered into any connected transactions (as defined in Chapter 14A of the Listing Rules). There is no contract of significance (including any contract for the provision of services) between the Company or any of its subsidiaries and the controlling shareholder of the Company (as defined in the Listing Rules) or any subsidiaries of the controlling shareholder.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors in the section headed "Directors' and Chief Executives' interests in Securities", the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO disclosed no person having a notifiable interest or short position in the issued share capital of the Company as at 31 December 2011.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

OTHER INFORMATION

Ms. Wong Siu Wah ("Ms. Wong") and Ms. Chau Choi Fa ("Ms. Chau"), two of the executive directors of the Company, held, either in their personal names or through private companies jointly owned by them, properties in Hong Kong held for personal investment ("Directors' Personal Property Investments"). As one of the major business segments of the Group is in property investment, the property interests held by Ms. Wong and Ms. Chau may be regarded as a business which potentially competes with that of the Group. However, the Directors' Personal Property Investments is small as compared with the property investments by the Group, in terms of both the number and the market value of the properties held.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 32.37% (2010: 41.76%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 10.37% (2010: 15.00%) of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 63.15% (2010: 47.68%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 15.27% (2010: 16.11%) of the Group's total purchases.

None of the directors, their associates or any shareholders, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any interest in the share capital of the five largest customers or suppliers of the Group.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 26 the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

WAIVER OF DIVIDENDS

The Company was not party to any arrangement under which a shareholder has waived or agreed to waive any dividends.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$104,000.

AUDITOR

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

On behalf of the Board

CHOW TAK HUNG
Chairman

Hong Kong, 9 March 2012

Deloitte.
德勤

TO THE MEMBERS OF
WING LEE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing Lee Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 75, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
9 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	7	379,886	424,657
Cost of goods sold		(253,084)	(289,276)
Gross profit		126,802	135,381
Other income	8	1,830	903
Selling and distribution costs		(5,529)	(6,665)
Administrative expenses		(76,850)	(74,262)
Other expenses		(6,267)	(4,062)
Loss arising from fair value changes of investments held for trading		–	(896)
Gain on disposal of available-for-sale investments		–	88
Gain arising from fair value changes of investment properties	16	137,607	35,860
Finance costs	9	(1,638)	(892)
Profit before taxation	10	175,955	85,455
Taxation	13	(8,777)	(6,994)
Profit for the year		167,178	78,461
Other comprehensive income		16,925	13,090
Total comprehensive income for the year		184,103	91,551
Profit for the year attributable to:			
Owners of the Company		167,916	79,502
Non-controlling interests		(738)	(1,041)
		167,178	78,461
Total comprehensive income attributable to:			
Owners of the Company		184,628	92,420
Non-controlling interests		(525)	(869)
		184,103	91,551
Earnings per share	15		
– Basic		49.09 HK cents	22.41 HK cents

AT 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	16	609,679	490,524
Property, plant and equipment	17	212,236	209,570
Prepaid lease payments	18	14,037	13,710
Deposits paid for acquisition of property, plant and equipment		3,201	–
Deposits paid for acquisition of investment properties		2,562	500
		841,715	714,304
Current assets			
Inventories	19	49,476	47,866
Trade and other receivables	20	79,091	84,112
Fixed deposits	21	62,022	4,716
Bank balances and cash	21	56,063	72,291
		246,652	208,985
Current liabilities			
Trade and other payables	22	63,554	61,348
Rental deposits received		5,371	4,512
Taxation payable		10,463	12,066
Bank loans – due within one year	23	63,145	142,481
		142,533	220,407
Net current assets (liabilities)		104,119	(11,422)
Total assets less current liabilities		945,834	702,882
Non-current liabilities			
Bank loans – due after one year	23	99,265	–
Deferred tax liabilities	24	18,022	16,010
		117,287	16,010
		828,547	686,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTE	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	25	160,263	176,692
Reserves		668,850	510,221
Equity attributable to owners of the Company		829,113	686,913
Non-controlling interests		(566)	(41)
		828,547	686,872

The consolidated financial statements on pages 28 to 75 were approved and authorised for issue by the Board of Directors on 9 March 2012 and are signed on behalf of the Board by:

CHOW TAK HUNG
CHAIRMAN

CHOW WOON YIN
DEPUTY CHAIRMAN

FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Property revaluation reserve HK$'000	PRC statutory reserve HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	178,412	78,815	1,545	10,141	4,574	30,079	12,641	284,586	600,793	1,180	601,973
Exchanged differences arising from translation of foreign operation	–	–	–	–	–	12,918	–	–	12,918	172	13,090
Profit for the year	–	–	–	–	–	–	–	79,502	79,502	(1,041)	78,461
Total comprehensive income (expense) for the year	–	–	–	–	–	12,918	–	79,502	92,420	(869)	91,551
Dividend paid (note 14)	–	–	–	–	–	–	–	(3,534)	(3,534)	–	(3,534)
Share repurchased and cancelled	(1,720)	–	–	–	–	–	1,720	(2,066)	(2,066)	–	(2,066)
Arising on acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(700)	(700)	(352)	(1,052)
At 31 December 2010	176,692	78,815	1,545	10,141	4,574	42,997	14,361	357,788	686,913	(41)	686,872
Exchanged differences arising from translation of foreign operation	–	–	–	–	–	16,712	–	–	16,712	213	16,925
Profit for the year	–	–	–	–	–	–	–	167,916	167,916	(738)	167,178
Total comprehensive income (expense) for the year	–	–	–	–	–	16,712	–	167,916	184,628	(525)	184,103
Dividend paid (note 14)	–	–	–	–	–	–	–	(13,935)	(13,935)	–	(13,935)
Share repurchased and cancelled	(16,429)	–	–	–	–	–	16,429	(28,493)	(28,493)	–	(28,493)
At 31 December 2011	160,263	78,815	1,545	10,141	4,574	59,709	30,790	483,276	829,113	(566)	828,547

The special reserve arose pursuant to a group reorganisation in 1997 being the difference between the nominal amount of the share capital issued by the Company in exchange for the shares of the subsidiaries and the nominal amount of the share capital of the subsidiaries acquired, capital reduction and bonus issue by way of capitalisation of the reserve in 2005 and 2006.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the PRC subsidiaries are required to maintain a statutory reserve fund, comprising an enterprise expansion fund. The statutory reserve funds are non-distributable. Appropriations to such reserves are made out of net profit after taxation annually of the PRC subsidiaries at the discretion of the board of directors with a minimum of 10%. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	175,955	85,455
Adjustments for:		
Allowance for inventories	1,853	445
Amortisation of prepaid lease payments	341	327
Depreciation of property, plant and equipment	26,518	22,159
Dividend income	–	(236)
Gain arising from fair value changes of investment properties	(137,607)	(35,860)
Gain on disposal of property, plant and equipment	(1,056)	–
Gain on disposal of available-for-sale investments	–	(88)
Interest expenses	1,638	892
Interest income	(284)	(298)
Loss arising from fair value changes of investments held for trading	–	896
Operating cash flows before movements in working capital	67,358	73,692
Increase in inventories	(1,116)	(6,789)
Decrease (increase) in trade and other receivables	6,530	(4,510)
Decrease in investments held for trading	–	9,162
Increase in trade and other payables	1,210	9,171
Net cash generated from operations	73,982	80,726
Hong Kong Profits Tax paid	(6,762)	(4,848)
PRC Enterprise Income Tax paid	(2,500)	–
NET CASH FROM OPERATING ACTIVITIES	64,720	75,878
INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	101,000	–
Proceeds from disposal of property, plant and equipment	1,056	–
Interest received	284	298
Purchase of investment properties	(80,492)	(145,124)
Placement of fixed deposits	(57,306)	–
Purchase of property, plant and equipment	(19,576)	(15,490)
Deposits paid for acquisition of property, plant and equipment	(3,124)	–
Deposits paid for acquisition of investment properties	(2,562)	(500)
Withdrawal of fixed deposits	–	6,744
Proceeds from disposal of available-for-sale investments	–	4,797
Purchase of available-for-sale investments	–	(2,352)
Dividend received	–	236
NET CASH USED IN INVESTING ACTIVITIES	(60,720)	(151,391)

FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
New bank loans raised	47,635	222,767
Payment on repurchase of shares	(28,493)	(2,066)
Repayment of bank loans	(27,706)	(100,286)
Dividend paid	(13,935)	(3,534)
Interest paid	(1,638)	(892)
Acquisition of additional interest in a subsidiary	–	(1,052)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(24,137)	114,937
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,137)	39,424
CASH AND CASH EQUIVALENTS AT 1 JANUARY	72,291	27,917
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,909	4,950
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	56,063	72,291
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS BANK BALANCES AND CASH	56,063	72,291

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company and ultimate holding company is Bright Asia Holdings Limited, a company which was incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 30.

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRSs, amendment and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC)* – Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

* IFRIC represents the IFRS Interpretations Committee

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

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

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

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9	Financial instruments[3]
HKFRS 9 and Amendments to HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[5]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[2]

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

Amendments to HKAS 1 Presentation of financial statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

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

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principle accounting policies are set out below.

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

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

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

Allocation of total comprehensive income to non-controlling interests

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

Revenue recognition

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

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

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

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

Property, plant and equipment

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets or buildings borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Borrowing costs

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

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

Inventories

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

Retirement benefit costs

Payments to defined contribution retirement benefits schemes including, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as lessee

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

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised in an effective interest basis for instruments.

Loans and receivables

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

Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

For loans and receivables, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition – continued

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income tax

As at 31 December 2011, no deferred tax assets are recognised in the Group's statement of financial position in relation to the estimated unused tax losses of HK$7,138,000 (2010: HK$26,100,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, recognition of a deferred tax asset may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of changes in circumstances, for example assets lasting longer or shorter than expected or technical innovation. Management will revise the expected useful lives and depreciation method for classes of property, plant and equipment where actual useful lives are identified to be different from the previously estimated lives and management may also need to write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold in the period when such events take place. The carrying amount of the property, plant and equipment as at 31 December 2011 is HK$212,236,000 (2010: HK$209,570,000) (see note 17).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2011 and 31 December 2010 at their fair value as disclosed in note 16. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Changes to these assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the bank loans disclosed in note 23, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-back of the Company. The Group's overall strategy remains unchanged from the prior year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	185,152	153,965
Financial liabilities		
At amortised cost	206,623	186,146

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, fixed deposits, bank balances, trade and other payables and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk

Interest rate risk

The Group is exposed to fair value interest rate in relation to fixed-rate bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank loans (see note 23 for details of these borrowings). It is the Group's policy to keep its loans at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and bank loans. The analysis is prepared assuming the bank balances and bank borrowings at the end of the reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For variable-rate bank balances, if the interest rates had been 50 basis points (2010: 10 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase by HK$280,000 (2010: increase by HK$77,000). If the interest rates had been dropped to zero (2010: 10 basis points lower) and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease by HK$129,000 (2010: decrease by HK$77,000). Basis points change in line with the changes in carry interest of bank balances.

For variable-rate bank loans, if the interest rates had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by HK$560,000 (2010: decrease/increase by HK$110,000).

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date, excluding balances which are denominated in United States dollars in group entities as Hong Kong dollars is pegged to United States dollars.

Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are estimated by the Group's management based on prior experience and their assessment of the current economic environment. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and fixed deposits are limited because the majority of the counterparties are comprising a number of banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no other significant concentration of credit risk. Trade receivables consists of a large number of customers, spread across diverse industries and geographical areas.

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk

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

As at 31 December 2011, the Group has available unutilised bank loan facilities of approximately HK$5,000,000 (2010: HK$5,000,000).

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

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

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount at end of reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011								
Non-derivative financial liabilities								
Trade and other payables		33,093	16,491	–	–	–	49,584	49,584
Variable rate bank loans	1.12	51,079	2,462	11,121	58,753	46,383	169,798	162,410
		84,172	18,953	11,121	58,753	46,383	219,382	211,994
2010								
Non-derivative financial liabilities								
Trade and other payables		25,908	17,757	–	–	–	43,665	43,665
Variable rate bank loans	0.96	142,481	–	–	–	–	142,481	142,481
		168,389	17,757	–	–	–	186,146	186,146

6. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Note: Bank loans with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. However, the directors believe that such bank loans will be repaid after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	Total undiscounted cashflow HK$'000	Carrying amount at end of the reporting period HK$'000
As at 31 December 2011		
Bank loans to be repaid		
Within one year	47,406	45,560
In more than one year but not more than two years	17,188	15,560
Over two years	106,190	101,290
	170,784	162,410
As at 31 December 2010		
Bank loans to be repaid		
Within one year	42,764	41,657
In more than one year but not more than two years	12,609	11,657
Over two years	92,636	89,167
	148,009	142,481

The amounts included above for variable rate bank loans are subject to change if changes in variable interest rates differ to those estimates of interest rates determined with reference to the interest rate at the end of the reporting period.

7. SEGMENT INFORMATION

The Group's operations are organised into two operating divisions namely manufacture of and trading in electronic components and properties investment. These divisions are based on the information reported to the chief operating decision maker.

The executive directors of the Company (the "Executive Directors") have been identified as the chief operating decision maker. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

Manufacture of and trading in electronic components	–	manufacture of and trading in electronic jacks and connectors in Mainland China (the "PRC") and Hong Kong
Properties investment	–	investments in properties in PRC and Hong Kong

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

Segment revenues and results

	Manufacture of and trading in electronic components HK$'000	**Properties investment** HK$'000	**Consolidated** HK$'000
For the year ended 31 December 2011			
TURNOVER			
External sales	359,526	20,360	379,886
RESULTS			
Segment results	29,294	150,114	179,408
Finance costs			(1,638)
Interest income from banks			284
Unallocated expenses			(2,099)
Profit before taxation			175,955

7. SEGMENT INFORMATION – continued

Segment revenues and results – continued

	Manufacture of and trading in electronic components	Properties investment	Consolidated
	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2010			
TURNOVER			
External sales	409,466	15,191	424,657
RESULTS			
Segment results	42,643	45,687	88,330
Finance costs			(892)
Interest income from banks			134
Unallocated expenses			(2,117)
Profit before taxation			85,455

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income from bank deposits and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION – continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2011 HK$'000	2010 HK$'000
SEGMENT ASSETS		
Manufacture of and trading in electronic components	395,330	390,426
Properties investment	688,281	531,065
Total segment assets	1,083,611	921,491
Unallocated assets	4,756	1,798
Consolidated assets	1,088,367	923,289
SEGMENT LIABILITIES		
Manufacture of and trading in electronic components	54,373	50,921
Properties investment	14,313	9,461
Total segment liabilities	68,686	60,382
Unallocated liabilities	191,134	176,035
Consolidated liabilities	259,820	236,417

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than cash and bank balances held by head office; and
- all liabilities are allocated to operating segments other than liabilities of the head office, deferred tax liabilities, bank loans and taxation payable.

7. SEGMENT INFORMATION – continued

Other segment information

2011

	Manufacture of and trading in electronic components	Properties investment	Consolidated
	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit:			
Depreciation and amortisation	24,828	2,031	26,859
Gain arising from fair value changes on investment properties	–	137,607	137,607
Allowance for inventories	1,853	–	1,853

2010

	Manufacture of and trading in electronic components	Properties investment	Consolidated
	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit:			
Depreciation and amortisation	22,486	–	22,486
Gain arising from fair value changes on investment properties	–	35,860	35,860
Allowance for inventories	445	–	445

7. SEGMENT INFORMATION – continued

Turnover from major product and services

The following is an analysis of the Group's turnover from its major products and services.

	2011 HK$000	2010 HK$000
Manufacture of and trading in electronic components	359,526	409,466
Property rental income	20,360	15,191
	379,886	424,657

Geographical information

The Group's operations are mainly situated in Hong Kong and PRC. The following table provides an analysis of the Group's turnover by the location of customers and the Group's non-current assets by geographical location of assets.

	Turnover from external customers		Non-current assets	
	2011 HK$000	2010 HK$000	2011 HK$000	2010 HK$000
Hong Kong	132,244	153,306	589,897	471,687
PRC	68,451	104,732	251,818	242,617
Malaysia	62,509	58,891	N/A	N/A
Europe	35,134	48,446	N/A	N/A
America	5,050	7,419	N/A	N/A
Others	76,498	51,863	N/A	N/A
	379,886	424,657	841,715	714,304

7. SEGMENT INFORMATION – continued

Information about major customers

For the year ended 31 December 2011, a customer from the segment of manufacture of and trading in electronic components contributed HK$39,387,000 (2010: HK$63,774,000) of the total turnover of the Group, which is over 10% of the total turnover of the Group for the year.

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest on bank deposits	284	134
Interest on debt securities	–	164
Total interest income	284	298
Dividends from equity securities	–	236
Gain on disposal of property, plant and equipment	1,056	–
Others	490	369
	1,830	903

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings wholly repayable:		
– within five years	456	892
– over five years	1,182	–
	1,638	892

10. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	9,209	8,932
Other staff's retirement benefits scheme contributions	3,193	1,482
Other staff costs	72,075	85,323
	84,477	95,737
Allowance for inventories	1,853	445
Amortisation of prepaid lease payments	341	327
Auditors' remuneration	1,280	1,120
Cost of inventories recognised as expense (including allowance for inventories of HK$1,853,000 (2010: HK$445,000))	253,084	289,276
Depreciation of property, plant and equipment	26,518	22,159
Net exchange losses (included in other expenses)	6,267	4,062
Operating lease rentals in respect of rented premises	227	353
and after crediting:		
Gross rental income less outgoings of HK$326,000 (2010: HK$236,000)	20,618	15,463

11. DIRECTORS' REMUNERATION

	Fees	Basic salaries and allowances	Performance related incentive bonus	Retirement benefits scheme contributions	Total directors' emoluments
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000
2011					
Executive directors					
Mr. Chow Tak Hung	–	1,248	1,900	12	3,160
Ms. Chow Woon Yin	–	1,248	550	12	1,810
Ms. Wong Siu Wah	–	1,248	800	21	2,069
Ms. Chau Choi Fa	–	1,248	550	12	1,810
Independent non-executive directors					
Dr. Lau Yue Sun	120	–	–	–	120
Mr. Yip Tai Him	120	–	–	–	120
Mr. Lam Kwok Cheong	120	–	–	–	120
	360	4,992	3,800	57	9,209
2010					
Executive directors					
Mr. Chow Tak Hung	–	1,081	2,100	12	3,193
Ms. Chow Woon Yin	–	1,081	700	12	1,793
Ms. Wong Siu Wah	–	1,081	700	12	1,793
Ms. Chau Choi Fa	–	1,081	700	12	1,793
Independent non-executive directors					
Dr. Lau Yue Sun	120	–	–	–	120
Mr. Yip Tai Him	120	–	–	–	120
Mr. Lam Kwok Cheong	120	–	–	–	120
	360	4,324	4,200	48	8,932

Note: The performance related incentive bonus payment is determined with reference to the operating results and individual performance for each year.

No emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office for both years. No directors waived any emoluments for both years.

12. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included four (2010: four) executive directors of the Company whose emoluments are set out above. The aggregate emoluments of the remaining one (2010: one) highest paid individual is as follows:

	2011 HK$'000	2010 HK$'000
Basic salary and allowances	272	268
Performance related incentive bonus	2,742	3,362
Retirement benefits scheme contributions	12	12
	3,026	3,642

The emoluments were within the following bands:

	Number of employee	
	2011	2010
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	–	1

13. TAXATION

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong	5,428	5,991
PRC Enterprise Income Tax	1,701	–
	7,129	5,991
Underprovision of in prior years:		
Hong Kong	63	299
PRC Enterprise Income Tax	340	–
	403	299
Deferred tax (note 24):		
Current year	1,245	704
	8,777	6,994

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

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

Certain PRC subsidiaries are entitled to exemption from PRC income tax for two years commencing from their first profit-making year, followed by a 50% reduction for the next three years. The tax concession given to these PRC subsidiaries remains effective under the new EIT Law and will expire in year 2012.

For the year ended 31 December 2011 and 2010, the PRC subsidiaries was under 50% reduction tax concession.

13. TAXATION – continued

The charge for the year is reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation	175,955	85,455
Tax charge at applicable tax rate at 25%	43,989	21,364
Tax effect of income not taxable for tax purpose	(36,955)	(6,527)
Tax effect of expenses not deductible for tax purpose	6,802	2,340
Tax effect of tax losses not recognised	522	2,638
Utilisation of tax losses previously not recognised	(215)	(5,751)
Effect of different tax rates of subsidiaries operating in Hong Kong	(4,063)	(6,487)
Effect of income tax at concessionary rate	(1,499)	–
Underprovision in prior years	403	299
Others	(207)	(882)
Tax charge for the year	8,777	6,994

14. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year		
2011 interim dividend of HK2.0 cents per share (2010: HK1.0 cent)	6,908	3,534
2010 final dividend of HK2.0 cents per share (2009: nil)	7,027	–
	13,935	3,534

Subsequent to the end of the reporting period, final dividend of HK4.0 cents per share in respect of the year ended 31 December 2011 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2011 is based on the profit for the year attributable to owners of the Company of HK$167,916,000 (2010: HK$79,502,000) and on the weighted average number of ordinary shares of 342,056,751 shares in issue during the year (2010: 354,793,589 shares).

No diluted earnings per share is presented as there were no potential dilutive shares in issue for both years.

16. INVESTMENT PROPERTIES

	2011 HK$'000	2010 HK$'000
FAIR VALUE		
At 1 January	490,524	308,477
Currency realignment	1,556	1,063
Additions	80,992	145,124
Disposals	(101,000)	–
Increase in fair value	137,607	35,860
At 31 December	609,679	490,524
The carrying value of the Group's investment properties comprises properties held under medium-term leases in		
– Hong Kong	568,160	453,500
– the PRC	41,519	37,024
	609,679	490,524

The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on those dates by RHL Appraisal Limited ("RHL"), an independent firm of professional property valuers not connected with the Group. For properties situated in Hong Kong, the valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar locations and based on the income method by capitalising future rental income derived from the property interest at an appropriate market yield with the allowance for the reversionary income potential of the properties for the remaining tenure of the properties. For those located in the PRC, a combination of the open market and depreciated replacement cost approaches were used in assessing the land portion of the properties and buildings structures standing on the land respectively. The depreciated replacement cost approach measures the fair value of a building in the PRC by estimating the new replacement costs of it based on the cost of constructing a similar building in similar locations, with deductions made to allow for age, condition and functional obsolescence.

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

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Moulds, plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2010	194,061	6,248	8,559	10,073	170,939	38,156	428,036
Currency realignment	6,017	–	444	218	5,884	1,347	13,910
Transfer	11,161	–	–	–	28,342	(39,503)	–
Additions	5,169	–	–	385	9,936	–	15,490
Disposals	–	–	–	(382)	–	–	(382)
Written-off	–	(4,297)	–	(3,392)	(109,540)	–	(117,229)
At 31 December 2010	216,408	1,951	9,003	6,902	105,561	–	339,825
Currency realignment	9,587	–	255	127	4,632	–	14,601
Additions	2,648	–	–	3,241	13,687	–	19,576
Disposals	–	–	–	(882)	(766)	–	(1,648)
At 31 December 2011	228,643	1,951	9,258	9,388	123,114	–	372,354
DEPRECIATION							
At 1 January 2010	30,782	5,598	8,559	9,731	163,678	–	218,348
Currency realignment	893	–	444	210	5,812	–	7,359
Provided for the year	11,235	217	–	192	10,515	–	22,159
Eliminated on disposal	–	–	–	(382)	–	–	(382)
Eliminated on written-off	–	(4,297)	–	(3,392)	(109,540)	–	(117,229)
At 31 December 2010	42,910	1,518	9,003	6,359	70,465	–	130,255
Currency realignment	1,776	–	255	59	2,903	–	4,993
Provided for the year	11,758	217	–	848	13,695	–	26,518
Elimination on disposal	–	–	–	(882)	(766)	–	(1,648)
At 31 December 2011	56,444	1,735	9,258	6,384	86,297	–	160,118
CARRYING VALUES							
At 31 December 2011	172,199	216	–	3,004	36,817	–	212,236
At 31 December 2010	173,498	433	–	543	35,096	–	209,570

17. PROPERTY, PLANT AND EQUIPMENT – continued

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

Land and buildings in Hong Kong	50 years
Buildings in the PRC	20 years
Furniture, fixtures and equipment	20%
Leasehold improvements	20%
Motor vehicles	20%
Moulds, plant and machinery	20%

	2011 HK$'000	2010 HK$'000
The carrying value of the Group's land and buildings comprises:		
Land and buildings held under		
– medium-term leases in Hong Kong	9,889	11,643
– medium-term leases in the PRC	162,310	161,855
	172,199	173,498

18. PREPAID LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease	14,387	14,043
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	350	333
Non-current asset	14,037	13,710
	14,387	14,043

19. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	31,650	29,954
Work in progress	7,697	10,082
Finished goods	10,129	7,830
	49,476	47,866

20. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	66,198	75,165
Other receivables	12,893	8,947
	79,091	84,112

Payment terms with customers are mainly on credit. Invoices are normally due for payment within 30 to 90 days after issuance, except for certain well-established customers, where the terms are extended to 120 days. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
Age		
0 – 90 days	61,261	71,184
91 – 180 days	4,067	3,981
over 180 days	870	–
	66,198	75,165

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$19,388,000 (2010: HK$11,987,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there is no adverse change in the credit standing of the debtors from the date at which credit was initially granted. The Group does not hold any collateral over these balances. The average age of these receivables is 94 days (2010: 92 days).

20. TRADE AND OTHER RECEIVABLES – continued

Aging of trade receivables which are past due but not impaired

	2011 HK$'000	2010 HK$'000
Overdue by:		
1 – 30 days	14,264	8,366
31 – 90 days	3,909	3,384
Over 90 days	1,215	237
Total	19,388	11,987

No interest is charged on overdue trade receivables, the Group provides fully for all receivables over eight months because historical experience is such that receivables past due beyond eight months are generally not recoverable.

At 31 December 2011, trade and other receivables denominated in foreign currencies other than the functional currencies for respective group entities amounted to approximately HK$54,839,000 (2010: HK$62,462,000) which is denominated in United States dollars.

21. BANK BALANCES AND CASH/FIXED DEPOSITS

Bank balances carry interest at market rates which ranges from 0.001% to 0.5% (2010: 0.01%) per annum. The fixed deposits carry fixed interest rate of 2% (2010: 1.91%) per annum with an original maturity of three months or less.

Included in bank balances and cash are the following amounts denominated in a currency other than the functional currency of the relevant group companies:

	2011 HK$'000	2010 HK$'000
United States dollars	23,656	29,443
Renminbi	100	174

22. TRADE AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Trade payables	13,559	17,757
Accrued expenses	19,343	20,911
Other payables	30,652	22,680
	63,554	61,348

The following is an aged analysis of the Group's trade payables presented based on the invoice date as at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
Age		
0 – 90 days	12,447	17,751
91 – 180 days	1,112	6
	13,559	17,757

The average credit period on purchases of goods is 90 days.

23. BANK LOANS

	2011 HK$'000	2010 HK$'000
The bank loans are repayable		
Within one year	45,560	41,657
More than one year, but not exceeding two years	13,162	–
More than two years but not more than five years	40,974	–
More than five years	45,129	–
	144,825	41,657
Carrying amounts of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	17,585	100,824
	162,410	142,481
Less: Amounts due within one year shown under current liabilities	(63,145)	(142,481)
Amounts shown under non-current liabilities	99,265	–

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

As at 31 December 2011, bank loans amounting to HK$132,410,000 (2010: HK$112,481,000), are secured by mortgages over the Group's investment properties with carrying amount of HK$285,200,000 (2010: HK$179,300,000) and carry interest at HIBOR plus 0.7% to 2.75% (2010: 0.7% to 0.8%) per annum. The effective interest rates for the year on the Group's bank loans range from 0.81% to 3.04% (2010: 0.89% to 1.18%) per annum.

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Fair value changes of investment properties	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2010	1,614	13,214	14,828
Currency realignment	–	478	478
(Credit) charge to profit or loss for the year (note 13)	(210)	914	704
At 31 December 2010	1,404	14,606	16,010
Currency realignment	–	767	767
Charge to profit or loss for the year (note 13)	567	678	1,245
At 31 December 2011	1,971	16,051	18,022

At the end of the reporting period, the Group has unused tax losses of HK$7,138,000 (2010: HK$26,100,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$6,794,000 (2010: HK$8,760,000) that will expire from 2012 to 2016 (2010: from 2011 to 2015). Other losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	400,000,000	200,000
Issued and fully paid:		
At 1 January 2010	356,823,879	178,412
Share repurchased and cancelled	(3,440,000)	(1,720)
At 31 December 2010	353,383,879	176,692
Share repurchased and cancelled	(32,858,000)	(16,429)
At 31 December 2011	320,525,879	160,263

For both years, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.5 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
2011				
April	2,402,000	0.89	0.89	2,137,780
May	1,560,000	0.86	0.81	1,312,020
June	918,000	0.81	0.77	720,580
August	1,248,000	0.83	0.78	1,012,640
September	19,068,000	0.89	0.83	16,583,160
October	7,662,000	0.90	0.87	6,727,380
				28,493,560

25. SHARE CAPITAL – continued

Month of repurchase	No. of ordinary shares of HK$0.5 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
2010				
May	1,366,000	0.63	0.62	859,920
June	2,074,000	0.60	0.58	1,205,600
				2,065,520

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

26. SHARE OPTIONS

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 1 February 2003, the Company approved and adopted a share option scheme (the "Scheme") which will expire on 31 January 2013.

The purpose of the Scheme is to recognise and motivate the participants and to provide incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Under the Scheme, the directors may grant options to any eligible participants, including the Company's shareholders, all directors and any full-time employees of the Company or any subsidiaries and any suppliers, consultants or advisors who will provide or have provided services to the Group.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

26. SHARE OPTIONS – continued

The exercisable period of the options granted are determined by the board of directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 28 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 10% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of, the shares of the Company in issue from time to time.

During the year ended 31 December 2011 and 31 December 2010, no share options were granted under the Scheme by the Company. In addition, as of 31 December 2011 and 2010, no share options under the Scheme were outstanding.

27. OPERATING LEASE ARRANGEMENTS

As lessor

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

	2011 HK$'000	2010 HK$'000
Within one year	19,889	15,465
In the second to fifth year inclusive	17,631	8,304
Over five years	5,753	17,405
	43,273	41,174

The properties held have committed tenants for periods of up to 8 years with average lease term of 3 years.

As lessee

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented premises rented under non-cancellable operating leases which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	36	2,127
In second to fifth year inclusive	–	45
	36	2,172

Leases are negotiated and rentals are fixed for an average term of two years.

28. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of:		
– property, plant and equipment	6,410	838
– investment properties	23,058	4,500
	29,468	5,338

29. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF scheme charged to the consolidated statement of comprehensive income represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

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

30. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activities
Morning Star Industrial Company Limited	Hong Kong	HK$5,000,000	Trading in electronic jacks and connectors
星晨(羅定)電子有限公司 (note a)	PRC	HK$30,000,000	Manufacture of and trading in electronic jacks and connectors
星晨實業(河源)有限公司 (note b)	PRC	HK$160,000,000	Manufacture of and trading in electronic jacks and connectors
Extra Rich Development Limited	Hong Kong	HK$10,000	Property investment

Notes:

(a) 星晨(羅定)電子有限公司is a wholly foreign investment enterprise established in the PRC for a term of 12 years commencing 2 January 2004.

(b) 星晨實業(河源)有限公司is a wholly foreign investment enterprise established in the PRC for a term of 10 years commencing 16 August 2004.

Pursuant to Article 20 of the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), subsidiaries in the PRC are entitled to apply for extension of the operation period. The directors intend to apply for such extension and consider that the subsidiaries in the PRC are able to renew the operating period at a minimal cost.

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

None of the subsidiaries had any debt securities subsisting at 31 December 2011 or at any time during the year.

31. RELATED PARTY TRANSACTIONS

Key management personnel compensation represents the amounts paid to the directors of the Company and the five highest paid individuals as set out in notes 11 and 12 respectively.

FINANCIAL SUMMARY

	Year ended 31 December				
	2007	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	394,334	421,334	331,563	424,657	379,886
Profit (loss) before taxation	90,527	(73,369)	59,841	85,455	175,955
Taxation (charge) credit	(5,773)	2,190	(2,787)	(6,994)	(8,777)
Profit (loss) for the year	84,754	(71,179)	57,054	78,461	167,178
Attributable to:					
Owners of the Company	85,254	(70,824)	58,079	79,502	167,916
Non-controlling interests	(500)	(355)	(1,025)	(1,041)	(738)
	84,754	(71,179)	57,054	78,461	167,178

	As at 31 December				
	2007	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	778,612	739,178	702,660	923,289	1,088,367
Total liabilities	(190,456)	(194,259)	(100,687)	(236,417)	(259,820)
Net assets	588,156	544,919	601,973	686,872	828,547
Attributable to:					
Owners of the Company	586,235	542,714	600,793	686,913	829,113
Non-controlling interests	1,921	2,205	1,180	(41)	(566)
	588,156	544,919	601,973	686,872	828,547

AT 31 DECEMBER 2011

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

Details of the Group's major properties held for investment at 31 December 2011 are as follows:

Property address	Existing use	Lease term
Shop No. 7 on Ground Floor, Rialto Building, No. 2 Landale Street, Wanchai, Hong Kong	Commercial	Long-term lease
Shop Nos. C2A and C2B and C2D on Ground Floor, China Insurance Group Building, No. 141 Des Voeux Road, Central, Hong Kong	Commercial	Long-term lease
Ground Floor and Cockloft, No. 61 Wellington Street, Central, Hong Kong	Commercial	Long-term lease
Ground Floor, Flat A and Flat B and Flat C on 1st Floor, including Flat Roof, Wah Fung Building, Nos. 296 – 298 Lockhart Road, Wanchai, Hong Kong	Commercial	Long-term lease
Flat B on G/F (Shop B on G/F) Hung Fook Mansion, No. 360 Lockhart Road, Wanchai, Hong Kong	Commercial	Long-term lease
Shops A, B, C on G/F and Flats A, B, C on 1/F, Kam Tak Mansion, Nos. 88-90 Queen's Road East, Wanchai, Hong Kong	Commercial	Long-term lease
Shop E on Ground Floor and Mezzanine Floor, Cheong Hong Mansion, Nos. 25-33 Johnston Road, Nos. 1-3 Thomas Road, No. 2 Fenwick Street, Wanchai, Hong Kong	Commercial	Long-term lease

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

AT 31 DECEMBER 2011

Property address	Existing use	Lease term
Ground & Mezzanine Floor, Mandarin Commercial House, No. 38 Morrison Hill Road, Wanchai, Hong Kong	Commercial	Long-term lease
G/F, Wayson Commercial House, Nos. 68 – 70 Lockhard Road, Wanchai, Hong Kong	Commercial	Medium-term lease
No. 656 Shanghai Street, Mongkok, Hong Kong	Commercial	Long-term lease
G/F – 3/F, No. 3 Ma Tau Kok Road, Tokwawan, Hong Kong	Commercial	Medium-term lease
G/F, 1/F, 2/F & 3/F, No. 347 Portland Street, Kowloon, Hong Kong	Commercial	Long-term lease
Qingfeng Road West, Second Industrial Area, Sijia Administrative Area, Shijie Town, Dongguan City, Guangdong Province, PRC	Commercial	Medium-term lease
Unit 1409, Level 14, Shenhua Commercial Building, No. 2018 Jiabin Road, Luohu District, Shenzhen, PRC	Commercial	Medium-term lease