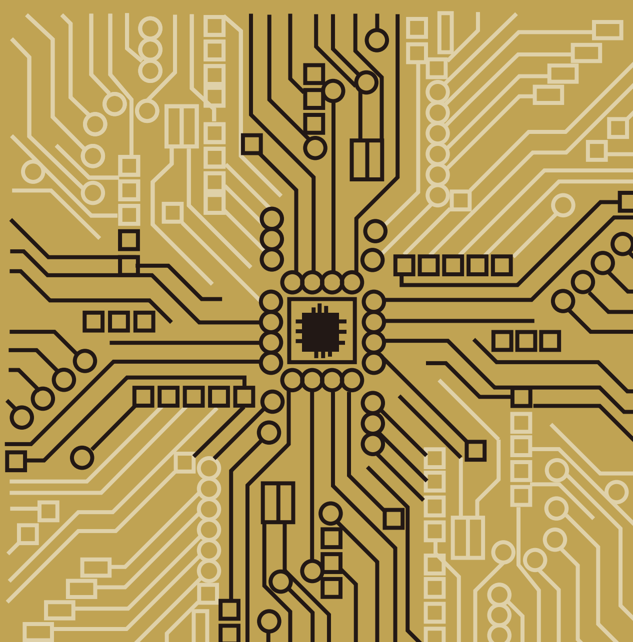
GRANDE

THE GRANDE HOLDINGS LIMITED

(Provisional Liquidators Appointed)



A N N U A L   R E P O R T   2 0 1 1

(Stock code no. 186)

THE GRANDE HOLDINGS LIMITED

(PROVISIONAL LIQUIDATORS APPOINTED)

ANNUAL REPORT 2011

CONTENTS

CORPORATE INFORMATION

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. Fok Hei Yu
(appointed by the High Court of the HKSAR on 31 May 2011)
Mr. Roderick John Sutton
(appointed by the High Court of the HKSAR on 31 May 2011)

FOUNDING CHAIRMAN

Dr. Stanley Ho

BOARD OF DIRECTORS

Executive Directors

Mr. Christopher W. Ho
Chairman
Mrs. Christine L. S. Asprey
Mr. Duncan T. K. Hon
(appointed on 3 January 2011)
Mr. Paul K. F. Law
(resigned on 3 January 2011)
Mr. Adrian C. C. Ma
(resigned on 23 June 2011)

Independent Non-executive Directors

Mr. Martin I. Wright
Mr. Henry C. S. Chong
(resigned on 10 June 2011)
Mr. Herbert H. K. Tsoi
(resigned on 10 June 2011)

INDEPENDENT AUDITORS

Moore Stephens

COMPANY SECRETARY

Mr. Christopher T. O. Chiang

ASSISTANT COMPANY SECRETARY

Ms. Linda Longworth
International Managers Bermuda Ltd.

OFFICE OF THE PROVISIONAL LIQUIDATORS

Level 22, The Center,
99 Queen's Road Central,
Central, Hong Kong

CORPORATE OFFICE IN HONG KONG

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

CORPORATE OFFICE IN SINGAPORE

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

REGISTERED OFFICE

#2 Reid Street,
Hamilton HM 11, Bermuda

SHARE REGISTRAR

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

SHARE TRANSFER OFFICE

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

COMPANY'S WEBSITE

http://www.grandeholdings.com

The board of directors of The Grande Holdings Limited (Provisional Liquidators Appointed) (the "Company") herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

SUSPENSION OF TRADING IN THE SHARES OF THE COMPANY AND APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Trading in the shares of the Company has been suspended on The Stock Exchange of Hong Kong Limited since 30 May 2011.

On 31 May 2011, a substantial creditor of the Company filed an application to the High Court of Hong Kong Special Administrative Region (the "High Court") for the winding up petition against the Company. Accordingly, the High Court appointed Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited to act as the Provisional Liquidators to the Company on the same day.

PRINCIPAL ACTIVITIES

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

SEGMENTED INFORMATION

Details of revenue and segmented information are set out in notes 9 and 42 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 17 to 80.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 December				
	2011 HK$ million	2010 HK$ million (Restated)	2009 HK$ million (Restated)	2008 HK$ million (Restated)	2007 HK$ million (Restated)
CONTINUING OPERATIONS – REVENUE	**1,484**	1,764	1,682	1,746	3,777
LOSS BEFORE TAX	**(1,090)**	(8)	(1,142)	(221)	(1,049)
Tax	**(82)**	(36)	(6)	(2)	(20)
LOSS BEFORE NON-CONTROLLING INTERESTS	**(1,172)**	(44)	(1,148)	(223)	(1,069)
Non-controlling interests	**(34)**	(58)	(22)	31	35
	(1,206)	(102)	(1,170)	(192)	(1,034)
DISCONTINUED OPERATIONS	**(116)**	(526)	(96)	(48)	439
LOSS ATTRIBUTABLE TO SHAREHOLDERS	**(1,322)**	(628)	(1,266)	(240)	(595)

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES

	31 December				
	2011	2010	2009	2008	2007
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
NON-CURRENT ASSETS	**1,254**	1,742	2,600	2,838	3,086
CURRENT ASSETS	**740**	497	1,100	1,226	4,123
TOTAL ASSETS	**1,994**	2,239	3,700	4,064	7,209
CURRENT LIABILITIES	**3,496**	1,404	2,085	1,200	3,530
NON-CURRENT LIABILITIES	**10**	732	733	736	432
TOTAL LIABILITIES	**3,506**	2,136	2,818	1,936	3,962
NET (LIABILITIES)/ASSETS	**(1,512)**	103	882	2,128	3,247
SHARE CAPITAL AND RESERVES	**(1,942)**	(600)	104	1,357	2,388
NON-CONTROLLING INTERESTS	**430**	703	778	771	859
TOTAL (DEFICIENCY)/BALANCE OF EQUITY	**(1,512)**	103	882	2,128	3,247

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 43 and 18 respectively to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

Details of the Company's share capital and share premium are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company did not maintain any reserve available for distribution to shareholders, calculated under the provisions of the Companies Act 1981 of Bermuda.

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

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's largest customer and five largest customers accounted for approximately 47% and 86% respectively, of the Group's total revenue for the year.

Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 64% and 91% respectively, of the Group's total purchases for the year.

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

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 11 to the consolidated financial statements.

DIRECTORS

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

Mrs. Christine L. S. Asprey	
Mr. Henry C. S. Chong	(resigned on 10 June 2011)
Mr. Christopher W. Ho	
Mr. Duncan T. K. Hon	(appointed on 3 January 2011)
Mr. Paul K. F. Law	(resigned on 3 January 2011)
Mr. Adrian C. C. Ma	(resigned on 23 June 2011)
Mr. Herbert H. K. Tsoi	(resigned on 10 June 2011)
Mr. Martin I. Wright	

In accordance with the provisions of the Company's Bye-laws, Mrs. Christine L. S. Asprey and Mr. Christopher W. Ho will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors who are proposed for re-election do not have any unexpired service contract with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2011, the interests of the directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and HKSE were as follows:

Long positions in shares:

Name of director	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Mr. Christopher W. Ho	Beneficiary of a discretionary trust	328,497,822*	71.37%

* *Mr. Christopher W. Ho is deemed to have interests in these shares as he is one of the beneficiaries of a discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons (other than the directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of substantial shareholders	Capacity	Number of issued ordinary shares of HK$0.10 each in the Company held	% of the issued share capital
Ms. Rosy L. S. Yu	Interest as Mr. Ho's spouse	328,497,822*	71.37%
Barrican Investments Corporation	Beneficial owner	328,497,822#	71.37%
Accolade (PTC) Inc (formerly known as Accolade Inc.)	Trustee	328,497,822#	71.37%

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

\# *Accolade (PTC) Inc is deemed to have interests in these shares as the trustee to the discretionary trust which owns the entire issued share capital of The Ho Family Trust Limited that owns the entire issued share capital of Airwave Capital Limited, which in turn through its wholly owned subsidiary, Barrican Investments Corporation, indirectly owns 328,497,822 ordinary shares in the Company.*

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31 December 2011, none of the directors knew of any person (other than the directors or chief executives of the Company) who had, or was deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and HKSE under the provisions of Division 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Board of Directors				
Executive Directors				
Mr. Christopher W. Ho	61	Chairman	21	Manufacturing, international trading and corporate finance
Mrs. Christine L. S. Asprey	63	Group Executive Director	14	International marketing, market research and industrial affairs
Mr. Duncan T. K. Hon	51	Group Executive Director	5	Consumer electronics industry
Independent Non-executive Director				
Mr. Martin I. Wright	50	Non-executive Director	8	Finance and accounting

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

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

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

The Company received the annual confirmation of year 2011 from the independent non-executive director and considers that he is independent.

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

WINDING-UP PETITION, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING

Details of the Group's winding-up petition, appointment of provisional liquidators and group restructuring are set out in note 2 to the consolidated financial statements.

BUSINESS REVIEW AND PROSPECTS

For the year 2011 (the "current year"), the revenue of the Group was HK$1,484 million as compared to HK$1,764 million for 2010 (the "corresponding year"). The Group recorded a net loss attributable to shareholders of HK$1,322 million for the current year, as compared to a loss of HK$628 million for the corresponding year.

The Group comprises the Branded Distribution Division only consequent upon the disposal of the Electronics Manufacturing Services Division in December 2010.

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

(a) Emerson

The trade name "Emerson" dates back to 1912 and is one of the oldest and most well respected brand in the consumer electronics industry. Emerson has been focusing on offering a broad variety of current and new consumer electronics products and household appliances at low to medium-priced levels to customers.

Emerson's revenue for the current year was HK$1,404 million as compared to HK$1,662 million for the corresponding year. It recorded an operating profit of HK$113 million for the current year as compared to HK$154 million for the corresponding year. Emerson has also entered into distribution and license agreements with third party licensees that allow the licensees to sell various products bearing the Emerson trademarks into defined geographic areas.

(b) Distribution and Licensing

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

The revenue of this segment was HK$80 million for the current year as compared to HK$102 million for the corresponding period. The operating profit for the current year was HK$52 million which comprised mainly the net licensing income received from the licensees, as compared to a profit of HK$57 million for the corresponding year.

Notwithstanding the net loss of HK$1,322 million recorded by the Group during the current year, the directors are of the view that the loss does not affect the Group's existing business and its normal operation. The Group continues to operate its branded distribution business as usual.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had a current ratio of approximately 0.21 as compared to that of approximately 0.35 at 31 December 2010.

As at 31 December 2011, the Group had HK$385 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources, borrowings from related companies and associates as detailed in note 8 to the consolidated financial statements.

The Group had inventories of approximately HK$147 million as at 31 December 2011 representing a decrease of HK$42 million as compared to the previous year.

As at 31 December 2011, the Group's gearing ratio was -111% which is calculated based on the Group's net borrowings of HK$1,678 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total deficiency of equity of HK$1,512 million.

As at 31 December 2011, the Group had net current liabilities of HK$2,386 million, excluding the provision for legal claims of HK$370 million in respect of certain court proceedings as detailed in note 34 to the consolidated financial statements.

CHARGES ON GROUP ASSETS

As at 31 December 2011, certain of the Group's assets with a total carrying value of approximately HK$291 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 40 to the consolidated financial statements.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars or HK dollars. The Group is not exposed to any significant currency risk exposure since the HK dollar is linked with the US dollar.

EMPLOYEES AND REMUNERATION POLICIES

The number of employees of the Group as at 31 December 2011 was approximately 100. The Group remunerates its employees mainly based on industry practice, individual's performance and experience. Apart from the basic remuneration, a discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as to an individual's performance. Other benefits include medical and retirement schemes.

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

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

SIGNIFICANT INVESTMENTS

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group had gained control over SEC's financial and operating policies, the investment in SEC had since June 2007 been accounted for as a subsidiary. There was no movement in the Group's shareholding interests in SEC during the year. However, SEC has been reclassified and accounted for as an associate instead since 1 October 2011 as the Group has lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide continuing financial support to SEC from that time.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

The Group has been providing certain administrative services to Lafe and its subsidiaries. Mr. Christopher W. Ho, a director of the Company, is deemed to have interests in Lafe as he is one of the beneficiaries of a discretionary trust which owns the entire issued capital of Clarendon Investments Capital Ltd that owns approximately 54% of the issued capital of Lafe and therefore Lafe is a connected person of the Company under the Listing Rules before 31 May 2011 on which the Provisional Liquidators were appointed. The transactions before that date constituted continuing connected transactions of the Company.

Significant related party transactions entered by the Group during the year ended 31 December 2011, which constituted connected transactions under the Listing Rules are disclosed in note 8 to the consolidated financial statements.

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

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

AUDIT COMMITTEE

Following the resignations of the majority of the Company's independent non-executive directors during the current year up to date of this report, there has been no replacement of members at the audit committee. No audit committee is therefore maintained as required by Rule 3.21 of the Listing Rules. As a result, the consolidated financial statements of the Group for the current year ended 31 December 2011 have not been reviewed by the audit committee.

CORPORATE GOVERNANCE

In the opinion of the board of directors, the Company had complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules prior to 31 May 2011, the date the Company being put to provisional liquidation, except for the deviation in respect of the service term code provision A.4.1 of the Listing Rules. Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Subsequent to that date, the Company has been placed under provisional liquidation and a full board of directors has not been constituted, the current directors of the Company are therefore unable to comply with the CG Code. However, upon resumption of trading in the shares of the Company, the Company will ensure that the CG Code shall be complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 44 to the consolidated financial statements.

INDEPENDENT AUDITORS

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

BY ORDER OF THE BOARD
THE GRANDE HOLDINGS LIMITED
(PROVISIONAL LIQUIDATORS APPOINTED)

Christopher W. Ho
Chairman

Hong Kong
30 April 2012

MOORE STEPHENS
CERTIFIED PUBLIC ACCOUNTANTS

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

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

馬施雲
會計師事務所

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

We were engaged to audit the consolidated financial statements of The Grande Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 80 which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matter described in the Basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

In forming our opinion, we have considered the adequacy of the disclosure made in notes 2 and 3 (a) to the consolidated financial statements which indicates that the Group incurred a loss of HK$1,322 million during the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by HK$2,756 million. Trading of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 30 May 2011. On 5 March 2012, a resumption proposal was submitted by the Provisional Liquidators and an investor to the Stock Exchange.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the resumption proposal will be successfully approved by the Stock Exchange and that, following the proposed restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to implement the resumption proposal. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the approval of the resumption proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moore Stephens
Certified Public Accountants

Hong Kong
30 April 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	**2011 HK$ million**	2010 HK$ million (Restated)
CONTINUING OPERATIONS –			
REVENUE	9	**1,484**	1,764
Cost of sales		**(1,188)**	(1,390)
Gross profit		**296**	374
Other income		**57**	43
Gain on disposal of subsidiaries		**6**	–
Distribution costs		**(24)**	(32)
Administrative expenses		**(134)**	(169)
Impairment loss recognised in respect of brands and trademarks	21	**(507)**	(72)
Other expenses		**(28)**	(28)
Finance costs	10	**(99)**	(48)
Share of results of associates	18	**1**	–
(LOSS)/PROFIT BEFORE PROVISION FOR LEGAL CLAIMS, SETTLEMENT OF COURT PROCEEDINGS AND TAX		**(432)**	68
Provision for legal claims	34	**(370)**	–
Settlement of court proceedings	35	**(288)**	(76)
LOSS BEFORE TAX		**(1,090)**	(8)
Tax	12	**(82)**	(36)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	10	**(1,172)**	(44)
DISCONTINUED OPERATIONS –			
Loss for the year from discontinued operations	13(a)	**(15)**	(138)
(Loss)/gain on deconsolidation/disposal of subsidiaries from discontinued operations	13(b)	**(110)**	76
Impairment loss recognised in respect of goodwill arising from discontinued operations	23	**–**	(516)
		(125)	(578)
LOSS FOR THE YEAR	10	**(1,297)**	(622)
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:			
Exchange differences on translating foreign operations		**(10)**	(4)
Share of other comprehensive income of associates	18	**1**	–
Reclassification adjustments relating to deconsolidation/disposal of foreign operations		**(11)**	(59)
		(20)	(63)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	10	**(1,317)**	(685)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK$ million	2010 HK$ million (Restated)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company:			
Loss for the year from continuing operations		**(1,206)**	(102)
Loss for the year from discontinued operations		**(116)**	(526)
		(1,322)	(628)
Non-controlling interests:			
Profit for the year from continuing operations		**34**	58
Loss for the year from discontinued operations	13(a)	**(9)**	(52)
		25	6
		(1,297)	(622)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company:			
Loss for the year from continuing operations		**(1,215)**	(111)
Loss for the year from discontinued operations		**(127)**	(586)
		(1,342)	(697)
Non-controlling interests:			
Profit for the year from continuing operations		**34**	60
Loss for the year from discontinued operations		**(9)**	(48)
		25	12
		(1,317)	(685)
LOSS PER SHARE	15	**HK$**	HK$
From continuing and discontinued operations –			
Basic		**(2.87)**	(1.36)
Diluted		**(2.87)**	(1.36)
From continuing operations –			
Basic		**(2.62)**	(0.22)
Diluted		**(2.62)**	(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$ million	2010 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3**	25
Investment properties	17	**1**	1
Interests in associates	18	**109**	–
Available-for-sale investments	19	**–**	30
Deferred tax assets	20(a)	**24**	57
Brands and trademarks	21	**1,101**	1,609
Other assets	22	**3**	7
Goodwill	23	**13**	13
		1,254	1,742
CURRENT ASSETS			
Inventories	25	**147**	189
Accounts and bills receivable	26	**135**	73
Amounts due from associates	8(a)	**39**	–
Amounts due from related companies	8(a)	**–**	4
Prepayments, deposits and other receivables	27	**30**	36
Tax recoverable		**4**	1
Held-for-trading investments	28	**–**	6
Pledged deposits with banks		**40**	30
Cash and bank balances		**345**	158
		740	497
CURRENT LIABILITIES			
Accounts and bills payable	29	**88**	51
Amounts due to associates	8(a)	**576**	–
Amounts due to related companies	8(a)	**–**	24
Accrued liabilities and other payables	30	**2,416**	390
Provision for retirement and long service payments		**–**	1
Tax liabilities		**46**	4
Secured bank loans	31, 40	**–**	19
Debenture	33	**–**	45
		3,126	534
Provision for legal claims/Settlement obligations of court proceedings	34, 35	**370**	870
		3,496	1,404
NET CURRENT LIABILITIES		**(2,756)**	(907)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,502)**	835

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$ million	2010 HK$ million
NON-CURRENT LIABILITIES			
Obligations under finance leases	32, 40	**1**	–
Amounts due to related companies	8(a)	**–**	671
Accrued liabilities and other payables	30	**9**	61
		10	732
NET (LIABILITIES)/ASSETS		**(1,512)**	103
CAPITAL AND RESERVES			
Share capital	36	**46**	46
Share premium	36	**1,173**	1,173
Reserves		**(3,161)**	(1,819)
DEFICIENCY OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**(1,942)**	(600)
NON-CONTROLLING INTERESTS		**430**	703
TOTAL (DEFICIENCY)/BALANCE OF EQUITY		**(1,512)**	103

Christopher W. Ho
Chairman

Christine L.S. Asprey
Director

	Share capital HK$ million	Share premium HK$ million	Contributed reserve HK$ million	Exchange fluctuation reserve HK$ million	Other reserves HK$ million	Retained deficits HK$ million	Balance/ (Deficiency) of equity attributable to the shareholders of the Company HK$ million	Non-controlling interests HK$ million	Total balance/ (deficiency) of equity HK$ million
At 1 January 2010	46	1,173	193	(59)	23	(1,272)	104	778	882
(Loss)/profit for the year	–	–	–	–	–	(628)	(628)	6	(622)
Other comprehensive (loss)/income	–	–	–	(69)	(23)	23	(69)	6	(63)
Total comprehensive (loss)/income for the year	–	–	–	(69)	(23)	(605)	(697)	12	(685)
Partial disposal of subsidiaries	–	–	–	–	(7)	–	(7)	15	8
Disposal of subsidiaries *(note 37)*	–	–	–	–	–	–	–	(1)	(1)
Dividend paid	–	–	–	–	–	–	–	(101)	(101)
At 31 December 2010 and 1 January 2011	46	1,173	193	(128)	(7)	(1,877)	(600)	703	103
(Loss)/profit for the year	–	–	–	–	–	(1,322)	(1,322)	25	(1,297)
Other comprehensive loss	–	–	–	(20)	–	–	(20)	–	(20)
Total comprehensive (loss)/income for the year	–	–	–	(20)	–	(1,322)	(1,342)	25	(1,317)
Deconsolidation of subsidiaries *(note 13(b))*	–	–	–	–	–	–	–	(294)	(294)
Disposal of subsidiaries *(note 37)*	–	–	–	–	–	–	–	(4)	(4)
At 31 December 2011	**46**	**1,173**	**193**	**(148)**	**(7)**	**(3,199)**	**(1,942)**	**430**	**(1,512)**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	**2011 HK$ million**	2010 HK$ million (Restated)
OPERATING ACTIVITIES			
Loss before tax from continuing operations		**(1,090)**	(8)
Adjustments for:			
Interest income		**(1)**	(2)
Finance costs		**99**	48
Share of results of associates		**(1)**	–
Depreciation		**3**	6
Written back of accrued liabilities and other payables		**(27)**	–
(Written back)/provision for loss on financial derivatives		**(12)**	18
Provision for legal claims		**370**	–
Settlement of court proceedings		**288**	76
Amortisation of other assets		**4**	1
Allowance/(written back) for doubtful debts		**16**	(6)
Provision for obsolete inventories written back		**–**	(5)
Impairment loss recognised in respect of brands and trademarks		**507**	72
Impairment loss recognised in respect of available-for-sale investments		**–**	1
Impairment loss recognised in respect of interests in associates		**2**	–
Impairment loss recognised in respect of property, plant and equipment		**1**	–
(Gain)/loss on disposal of property, plant and equipment		**(3)**	2
Gain on disposal of available-for-sale investments		**(6)**	(7)
Gain on disposal of subsidiaries		**(6)**	–
Operating cash flows before working capital changes		**144**	196
Decrease/(increase) in inventories		**40**	(40)
(Increase)/decrease in accounts and bills receivable		**(75)**	63
Increase in amounts due from associates		**(10)**	–
Increase in amounts due from related companies		**–**	(6)
Decrease in prepayments, deposits and other receivables		**2**	8
Decrease in held-for-trading investments		**6**	3
Increase/(decrease) in accounts and bills payable		**35**	(69)
Increase in amounts due to associates		**12**	–
Increase in amounts due to related companies		**1**	1
Decrease in accrued liabilities and other payables		**(1,143)**	(147)
Cash (used in)/generated from operations		**(988)**	9
Interest paid		**–**	(34)
Hong Kong profits tax paid		**–**	(3)
Overseas profits tax paid		**(9)**	(8)
Net cash used in operating activities		**(997)**	(36)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	**2011 HK$ million**	2010 HK$ million (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1)**	(2)
Increase in other non-current assets		**(1)**	–
Increase in pledged deposits with banks		**(10)**	(3)
Interest received		**1**	3
Net payment to financial derivatives		**–**	(41)
Proceeds from disposal of property, plant and equipment		**22**	2
Proceeds from disposal of available-for-sale investments		**36**	24
Deconsolidation of subsidiaries	13(b)	**(4)**	–
Disposal of subsidiaries	37	**–**	(137)
Net cash generated from/(used in) investing activities		**43**	(154)
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		**–**	(101)
Partial disposal of subsidiaries		**–**	9
Net increase in capital element of finance leases		**1**	–
Redemption of debenture		**–**	(8)
Net increase in other borrowings		**1,165**	69
Repayment of secured bank loans		**(19)**	(25)
Repayment of unsecured bank loans		**–**	(8)
Net cash generated from/(used in) financing activities		**1,147**	(64)
NET CASH (OUTFLOW)/INFLOW FROM DISCONTINUED OPERATIONS	13(c)	**(6)**	97
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**187**	(157)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**158**	315
CASH AND CASH EQUIVALENTS AT END OF YEAR		**345**	158
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**345**	158

1. GENERAL

The Company was incorporated in the Cayman Islands and continued in Bermuda as a liability under the Companies Law of Bermuda. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended from trading since 30 May 2011.

The Company's immediate holding company is Barrican Investments Corporation, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is Accolade (PTC) Inc ("Accolade"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 43.

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

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

2. WINDING-UP PETITION, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING

On 31 May 2011, pursuant to an order of the High Court of the Hong Kong Special Administrative Region (the "High Court"), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited ("FTI Consulting") were appointed as the provisional liquidators to the Company (the "Provisional Liquidators") as a result of the winding up petition made by Sino Bright Enterprises Co., Ltd., one of the major creditors, against the Company. Upon the appointment of the Provisional Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon application by the Provisional Liquidators, the High Court adjourned the hearing of winding-up petition against the Company to further date. On 19 March 2012, the High Court had further adjourned the hearing of the petition to 9 July 2012.

On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting (the "Escrow Agent") and Sunny Faith Investments Limited (the "Investor") (the "Escrow Agreement"). Pursuant to the Escrow Agreement, the Provisional Liquidators have granted the Investor an exclusivity period up to nine months to negotiate a legally binding agreement for the implementation of a viable restructuring proposal. The Provisional Liquidators have also appointed Emperor Capital Limited as financial adviser to the Company regarding the restructuring of the Group. On 26 April 2012, the Provisional Liquidators and the Investor, by way of a side letter, agreed to extend the Exclusivity Period by a further nine-month period until 25 January 2013.

2. WINDING-UP PETITION, APPOINTMENT OF PROVISIONAL LIQUIDATORS AND GROUP RESTRUCTURING (continued)

The Company is presently in the first stage of the delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at the date of these consolidated financial statements. The Company has submitted a resumption proposal, which was prepared by the Investor and accepted by the Provisional Liquidators, to the Stock Exchange on 5 March 2012 to address the following:

(a) that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and

(b) that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The resumption proposal is being reviewed by the Stock Exchange at the date of this report.

3. GOING CONCERN BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Going concern:

As at 31 December 2011, the Group had net current liabilities of approximately HK$2,756 million (2010: HK$907 million) and net liabilities of approximately HK$1,512 million (2010: net assets of approximately HK$103 million). Despite the significant deficiency of equity attributable to the shareholders of the Company, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. GOING CONCERN BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Deconsolidation of subsidiary:

The consolidated financial statements have been prepared based on the available books and records as maintained by the Company and its subsidiaries. The results, assets and liabilities of the Group's 40%-owned subsidiary, Sansui Electric Co., Ltd. ("SEC") were deconsolidated from the consolidated financial statements of the Group from 1 October 2011. SEC was considered and accounted for as the Group's subsidiary since June 2007 on the basis that the Group had gained control over SEC's financial and operating policies. Though there was no change in the Group's shareholding interest in SEC during the current financial year, SEC has been reclassified and accounted for as an associated company instead of a subsidiary of the Group with effect from 1 October 2011 as a result of the review by the Group of its structure for prospective restructuring purposes subsequent to the year end date. The Group is deemed to have lost its power to govern SEC's financial and operating policies in consequence of its lack of majority representations in SEC's board of directors and its inability to provide SEC with continuing financial support since that time. The results of SEC for the 9-month period ended 30 September 2011 are presented as discontinued operations in 2011. In consequence of the deconsolidation of SEC, a loss on deconsolidation of discontinued operations of HK$110 million as at 30 September 2011 was recognised in the current financial year.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 January 2011:

HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRSs (Amendments)	Improvements to HKFRSs (2010)
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of right issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

The Group has assessed the impact of the adoption of the new HKFRSs above and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, except for the adoption of HKAS 24 (Revised) described below:

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationship of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The revised standard has no financial impact on the Group. Details of the related party transactions are included in note 8 to the financial statements.

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

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2011:

HKFRS 1 (Amendment)	(i)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	(i)	Disclosures: Transfers of financial assets
HKFRS 7 (Amendment)	(iv)	Disclosures: Offsetting financial assets and financial liabilities
HKFRS 9	(vi)	Financial instruments
HKFRS 10	(iv)	Consolidated financial statements
HKFRS 11	(iv)	Joint arrangements
HKFRS 12	(iv)	Disclosure of interests in other entities
HKFRS 13	(iv)	Fair value measurement
HKAS 1 (Amendment)	(iii)	Presentation of items of other comprehensive income
HKAS 12 (Amendment)	(ii)	Deferred tax: Recovery of underlying assets
HKAS 19 (2011)	(iv)	Employee benefits
HKAS 27 (2011)	(iv)	Separate financial statements
HKAS 28 (2011)	(iv)	Investments in associates and joint ventures
HKAS 32 (Amendment)	(v)	Presentation: Offsetting financial assets and financial liabilities
HK(IFRIC) – Int 20	(iv)	Stripping costs in the production phase of a surface mine

(i) Effective for annual periods beginning on or after 1 July 2011.
(ii) Effective for annual periods beginning on or after 1 January 2012.
(iii) Effective for annual periods beginning on or after 1 July 2012.
(iv) Effective for annual periods beginning on or after 1 January 2013.
(v) Effective for annual periods beginning on or after 1 January 2014.
(vi) Effective for annual periods beginning on or after 1 January 2015.

HKFRS 1 Amendments introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation, whereby these entities can elect fair value as the deemed cost for assets and liabilities affected by severe hyperinflation in their first HKFRS financial statements. The amendments also remove the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. The amendments will not have any financial impact on the Group.

HKFRS 7 Amendments require an entity to disclose both quantitative and qualitative information for the derecognition of financial assets where the entity has a continuing involvement in the derecognised assets. The Group expects to adopt the amendments from 1 January 2012. As the Group does not have continuing involvement in the derecognised assets, the amendments will not have any financial impact on the Group.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013. The application of the amendments is unlikely to have any material financial impact on the Group.

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 "Financial Instruments: Recognition and measurement". This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in HKAS 27 "Consolidated and separate financial statements" and HK(SIC) – Int 12 "Consolidation – Special purpose entities". HKFRS 10 replaces the portion of HKAS 27 "Consolidated and separate financial statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC) – Int 12. The application of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 11 replaces HKAS 31 "Interests in joint Ventures" and HK(SIC) – Int 13 "Jointly controlled entities – Non-monetary contributions by venturers". It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard is unlikely to have any material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 "Consolidated and separate financial statements", HKAS 31 "Interests in joint ventures" and HKAS 28 "Investments in associates". It also introduces a number of new disclosure requirements for these entities.

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

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11 and HKFRS 12 and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other HKFRSs. The Group expects to adopt the standard from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 July 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC) – Int 21 "Income taxes – Recovery of revalued non-depreciable assets" that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. The application of these amendments are unlikely to have any material financial impact on the Group.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013. The application of this new standard is unlikely to have any material financial impact on the Group.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014. The application of these amendments is unlikely to have any material financial impact on the Group.

HK(IFRIC) – Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 "Inventories". To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The interpretation has no financial impact on the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of HKFRSs that have significant effect in the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 6.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries for the year.

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

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

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

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

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in associates are included in the Company's statement of financial position at cost less any identified impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

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

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

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

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

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

Goodwill

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gain on bargain purchase

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

Segment reporting

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

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

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

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

Property, plant and equipment

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when future economic benefits are not expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Leases

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

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

Financial instruments

(a) *Financial assets –*

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) Financial assets – (continued)

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

(b) Financial liabilities and equity instruments –

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Financial liabilities and equity instruments – (continued)

– Other financial liabilities:

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

Brands and trademarks

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

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

Research and deferred development costs

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

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

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

Inventories

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

– Tangible assets:

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that accounting standard.

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

– Intangible assets:

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

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

Retirement benefit costs

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for retirement and long service payments

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

Borrowing costs

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

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

Provisions

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

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

Tax

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group as the parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Cash and cash equivalents

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

Discontinued operations

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person –

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies –

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 5, the management has made the following estimates that have most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

(a) Going concern:

On 31 May 2011, an Order was granted by the High Court to appoint Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited, to act as provisional liquidators to the Company (the "Provisional Liquidators"). The Provisional Liquidators have been assessing the operations of the Company and its subsidiaries in consultation with the management, creditors, regulatory authorities and other relevant parties in order to determine the optimal strategy to maximize the return to stakeholders. Notwithstanding that the Group had net current liabilities of HK$2,756 million as at 31 December 2011, the consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company would be successfully completed. Based on the assessment of the information available at this time, the Provisional Liquidators are of the view that the proposed restructuring of the Company would likely be successfully completed barring any unforeseen circumstances. Based further on the assumption that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future and, accordingly, the Group continues to adopt the going concern basis in preparing these consolidated financial statements.

(b) Impairment of property, plant and equipment:

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

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

(c) Depreciation of property, plant and equipment:

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

(d) Impairment loss for bad and doubtful debts:

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

(e) Write down of inventories:

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

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

Determining whether goodwill, brands and trademarks are impaired requires an estimation of the value in use of the cash-generating units to which goodwill, brands and trademarks have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amounts of goodwill, brands and trademarks are HK$13 million and HK$1,101 million respectively. Particulars of the impairment test are disclosed in note 24.

(g) Income taxes:

As at 31 December 2011, deferred tax assets of HK$24 million in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position. The releasability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

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

(h) Basis of consolidation:

Sansui Electric Co., Ltd. ("SEC") was considered as a subsidiary prior to 1 October 2011 because the Group had gained control over SEC's financial and operating policies by having significant representations in the board of directors and appointing representative officers to overseeing its corporative affairs. From 1 October 2011, SEC has been reclassified and accounted for as an associate instead because the Group has lost its control over SEC's financial and operating policies in consequence of the Group's inability to provide SEC with the continuing financial support since that time, details please refer to note 3(b).

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

	2011 HK$ million	2010 HK$ million (Restated)
Financial assets –		
Available-for-sale financial assets	**–**	30
Held-for-trading financial assets	**–**	6
Loans and receivables (including cash and cash equivalents)	**578**	298
Financial liabilities –		
At amortised cost	**3,460**	2,132

(b) Financial risk management objectives and policies:

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

(i) Currency risk:

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

7. FINANCIAL INSTRUMENTS (continued)

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

(i) Currency risk: (continued)

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

	United States Dollar HK$ million	Great British Pound HK$ million	Renminbi Yuan HK$ million	Singapore Dollar HK$ million	Japanese Yen HK$ million
As at 31 December 2011					
Accounts and bills receivable	**132**	**–**	**2**	**–**	**1**
Amounts due from associates	**–**	**–**	**–**	**–**	**39**
Prepayments, deposits and other receivables	**23**	**–**	**5**	**1**	**1**
Cash and bank balances and pledged deposits	**380**	**–**	**1**	**–**	**–**
Accounts and bills payable	**(83)**	**–**	**–**	**–**	**–**
Amounts due to associates	**(535)**	**–**	**–**	**–**	**(41)**
Provision for legal claims	**(370)**	**–**	**–**	**–**	**–**
Accrued liabilities and other payables	**(338)**	**(1)**	**(15)**	**(2)**	**(74)**
Obligations under finance leases	**(1)**	**–**	**–**	**–**	**–**
	(792)	**(1)**	**(7)**	**(1)**	**(74)**

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

7. FINANCIAL INSTRUMENTS (continued)

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

(ii) Sensitivity analysis:

The Group's major financial assets and liabilities are denominated in United States Dollar and Hong Kong Dollar. The Group is therefore not exposed to any significant currency risk exposure since the Hong Kong Dollar is linked with United States Dollar.

(iii) Fair value interest rate risk:

The Group's fair value interest rate risk relates primarily to fixed-rate debenture *(note 33)*. No significant fair value interest rate risk was noted as at the end of the reporting period.

(iv) Credit risk:

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

7. FINANCIAL INSTRUMENTS (continued)

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

(v) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

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

	Payable less than 1 year HK$ million	**Payable between 1 to 5 years** HK$ million	**Total contractual undiscounted cash flows** HK$ million	**Carrying amount** HK$ million
As at 31 December 2011				
Accounts and bills payable	**88**	**–**	**88**	**88**
Amounts due to associates	**576**	**–**	**576**	**576**
Accrued liabilities and other payables	**2,528**	**9**	**2,537**	**2,425**
Provision for legal claims	**370**	**–**	**370**	**370**
Obligations under finance leases	**–**	**1**	**1**	**1**
	3,562	**10**	**3,572**	**3,460**
As at 31 December 2010				
Accounts and bills payable	51	–	51	51
Amounts due to related companies	60	674	734	695
Accrued liabilities and other payables	392	61	453	452
Settlement obligations of court proceedings	870	–	870	870
Bank loans	19	–	19	19
Debenture	48	–	48	45
	1,440	735	2,175	2,132

7. FINANCIAL INSTRUMENTS (continued)

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

(vi) Fair value:

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

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

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

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

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

There are no financial instruments that are measured at fair value as at 31 December 2011.

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

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

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

(vii) Interest rate risk:

As at 31 December 2011, it is estimated that a general increase or decrease of one percentage point in interest rates, with all other variables held constant, would increase or decrease the Group's loss after tax by approximately HK$16 million (2010: HK$14 million) and HK$16 million (2010: HK$14 million) respectively.

8. RELATED PARTY TRANSACTIONS

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

	2011 HK$ million	2010 HK$ million
Associates:		
Other receivables	**39**	–
Other payables	**(576)**	–
Related companies:		
Services fee income	**–**	4
Rental expenses	**–**	5
Interest expenses	**30**	31
Other receivables	**–**	4
Other payables	**–**	(695)

The amounts due to associates are secured, non-interest bearing and have no fixed terms of repayment. Included in the amounts due from associates is an amount of HK$30 million which is unsecured, bearing interest at 0.25% above the Japanese Yen Best Lending Rates per annum and repayable on demand. The remaining balance is unsecured, non-interest bearing and repayable on demand.

In 2010, the amounts due from related companies were unsecured, non-interest bearing and had no fixed terms of repayment. Included in the amounts due to related companies was an amount of HK$681 million, which was unsecured, bearing interest at 0.25% above the Hong Kong dollar prime rates per annum and repayable on demand except for an amount of HK$671 million which was subject to repayment on 31 January 2012. The remaining balance was unsecured, non-interest bearing and repayable on demand. The balances due from and due to such companies have been reclassified and accounted for as other receivables and other payables respectively following the Company being put to provisional liquidation on 31 May 2011.

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

	2011 HK$ million	2010 HK$ million
Short-term employee benefits	**14**	16

9. REVENUE

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

The Group disposed of its OEM manufacturing services business in December 2010, which formed principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division for the year ended 31 December 2010 are presented as discontinued operations.

SEC has been reclassified and accounted for as an associate instead of a subsidiary since 1 October 2011 as the Group has lost its control over SEC's financial and operating policies from that time. As SEC was the Group's separate major line of business operating in Japan, the results of SEC for the 9-month period ended 30 September 2011 are presented as discontinued operations in 2011. The comparative amounts for 2010 have been restated to conform with the current year's presentation.

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

	2011 HK$ million	2010 HK$ million (Restated)
By principal activity:		
Sales of goods	**1,361**	1,641
Licensing income	**123**	123
Attributable to continuing operations	**1,484**	1,764
Attributable to discontinued operations		
Sales of goods and services income	**1**	149
	1,485	1,913

10. LOSS FOR THE YEAR

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

	Continuing Operations		Discontinued Operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$ million	HK$ million (Restated)	**HK$ million**	HK$ million (Restated)	**HK$ million**	HK$ million
Depreciation of property, plant and equipment:						
Owned assets	**3**	6	**–**	41	**3**	47
Leased assets	**–**	–	**–**	6	**–**	6
	3	6	**–**	47	**3**	53
Operating lease rentals:						
Land and buildings	**17**	19	**1**	5	**18**	24
Property, plant and equipment	**1**	1	**–**	3	**1**	4
	18	20	**1**	8	**19**	28
Finance costs:						
Interest on bank overdrafts and loans wholly repayable within five years	**–**	1	**–**	28	**–**	29
Interest on debenture	**5**	6	**–**	–	**5**	6
Interest on amounts due to related companies	**30**	31	**–**	–	**30**	31
Others	**64**	10	**–**	21	**64**	31
	99	48	**–**	49	**99**	97
Auditors' remuneration:						
Current year	**6**	8	**2**	2	**8**	10
Under provision in prior year	**1**	–	**–**	2	**1**	2
	7	8	**2**	4	**9**	12
Staff costs:						
Salaries and other benefits	**67**	80	**3**	19	**70**	99
Retirement benefit costs	**5**	7	**–**	12	**5**	19
	72	87	**3**	31	**75**	118

10. LOSS FOR THE YEAR (continued)

	Continuing Operations		Discontinued Operations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$ million	HK$ million (Restated)	**HK$ million**	HK$ million (Restated)	**HK$ million**	HK$ million
Cost of inventories recognised as expenses	**1,188**	1,390	**1**	17	**1,189**	1,407
Amortisation of other assets included in other expenses	**4**	1	**–**	–	**4**	1
Allowance/(written back) for doubtful debts	**16**	(6)	**–**	1	**16**	(5)
(Gain)/loss on disposal of property, plant and equipment	**(3)**	2	**–**	50	**(3)**	52
Gain on disposal of available-for-sale investments	**(6)**	(7)	**–**	–	**(6)**	(7)
Impairment loss recognised in respect of interests in associates	**2**	–	**–**	–	**2**	–
Impairment loss recognised in respect of property, plant and equipment included in other expenses	**1**	–	**–**	13	**1**	13
Impairment loss recognised in respect of available-for-sale investments	**–**	1	**–**	–	**–**	1
Written back of accrued liabilities and other payables	**(27)**	–	**–**	–	**(27)**	–
(Written back)/provision for loss on financial derivatives	**(12)**	18	**–**	–	**(12)**	18
Interest income	**(1)**	(2)	**–**	–	**(1)**	(2)

11. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Directors' Remuneration

	Fees HK$ million	Basic salaries, housing allowances and other benefits HK$ million	Discretionary bonuses HK$ million	Total emoluments HK$ million
2011				
Mr. Christopher W. Ho	**1.3**	**–**	**–**	**1.3**
Mr. Adrian C. C. Ma (resigned on 23 June 2011)	**–**	**1.6**	**–**	**1.6**
Mrs. Christine L. S. Asprey	**–**	**0.6**	**–**	**0.6**
Mr. Henry C. S. Chong (resigned on 10 June 2011)	**0.1**	**–**	**–**	**0.1**
Mr. Duncan T. K. Hon (appointed on 3 January 2011)	**–**	**4.6**	**1.6**	**6.2**
Mr. Paul K. F. Law (resigned on 3 January 2011)	**–**	**–**	**–**	**–**
Mr. Herbert H. K. Tsoi (resigned on 10 June 2011)	**0.1**	**–**	**–**	**0.1**
Mr. Martin I. Wright	**0.2**	**–**	**–**	**0.2**
	1.7	**6.8**	**1.6**	**10.1**
2010				
Mr. Christopher W. Ho	0.9	–	–	0.9
Mr. Adrian C. C. Ma	–	3.0	–	3.0
Mrs. Christine L. S. Asprey	–	0.6	–	0.6
Mr. Michael A. B. Binney (resigned on 13 August 2010)	0.1	–	–	0.1
Mr. Henry C. S. Chong	0.2	–	–	0.2
Mr. Paul K. F. Law	–	0.3	–	0.3
Mr. Herbert H. K. Tsoi	0.3	–	–	0.3
Mr. Martin I. Wright	0.2	–	–	0.2
	1.7	3.9	–	5.6

11. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS (continued)

Employee Costs

During the year, the five highest paid individuals included three (2010: one) director(s), detail of whose emoluments are set out above. The emoluments of the remaining highest paid individual were as follows:

	2011 HK$ million	2010 HK$ million
Basic salaries, housing, other allowances and benefits in kind	**4**	9
Bonuses paid and payable	**–**	1
	4	10

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

HK$	**2011 Number of non-directors**	2010 Number of non-directors
1,000,001 – 1,500,000	**1**	2
2,000,001 – 2,500,000	**1**	1
4,500,001 – 5,000,000	**–**	1

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

12. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Continuing Operations		Discontinued Operations		Consolidated	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
The tax charge/(credit) comprises:						
Current year provision						
Hong Kong	**(1)**	1	**–**	–	**(1)**	1
Overseas	**23**	10	**–**	–	**23**	10
Under/(over) provision in prior year						
Hong Kong	**1**	(3)	**–**	–	**1**	(3)
Overseas	**26**	1	**–**	–	**26**	1
Deferred tax *(note 20)*						
Hong Kong	**–**	2	**–**	–	**–**	2
Overseas	**33**	25	**–**	–	**33**	25
	82	36	**–**	–	**82**	36

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

	Continuing Operations		Discontinued Operations		Consolidated	
	2011 HK$ million	2010 HK$ million (Restated)	**2011 HK$ million**	2010 HK$ million (Restated)	**2011 HK$ million**	2010 HK$ million
Loss before tax	**(1,090)**	(8)	**(125)**	(578)	**(1,215)**	(586)
Notional tax calculated at Hong Kong profits tax rate of 16.5%	**(180)**	(1)	**(20)**	(96)	**(200)**	(97)
Effect of different tax rates in overseas jurisdictions	**38**	(21)	**(4)**	7	**34**	(14)
Income and expenses not subject to tax	**176**	15	**18**	88	**194**	103
Unused tax losses not recognised	**3**	20	**–**	1	**3**	21
Utilisation of unrecognised tax losses	**–**	(4)	**–**	–	**–**	(4)
Under/(over) provision in prior year	**27**	(2)	**–**	–	**27**	(2)
Others	**18**	29	**6**	–	**24**	29
	82	36	**–**	–	**82**	36

13. DISCONTINUED OPERATIONS

The Group disposed of its OEM manufacturing services business in December 2010, which formed principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division for the year ended 31 December 2010 are presented as discontinued operations.

SEC has been reclassified and accounted for as an associate instead of a subsidiary since 1 October 2011 as the Group has lost its control over SEC's financial and operating policies from that time. As SEC was the Group's separate major line of business operating in Japan, the results of SEC for the 9-month period ended 30 September 2011 and for the year ended 31 December 2010 are presented as discontinued operations in 2011 and 2010 respectively.

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

	2011 HK$ million	2010 HK$ million (Restated)
Revenue	**1**	149
Cost of sales	**(1)**	(112)
Gross profit	**–**	37
Other income	**–**	20
Administrative expenses	**(15)**	(72)
Other expenses	**–**	(74)
Finance costs	**–**	(49)
Loss before non-controlling interests	**(15)**	(138)
Non-controlling interests	**9**	52
	(6)	(86)

13. DISCONTINUED OPERATIONS (continued)

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

	2011 HK$ million	2010 HK$ million (Restated)
Property, plant and equipment	–	39
Investment properties	–	41
Other non-current assets	1	–
Accounts and bills receivable	–	11
Prepayments, deposits and other receivables	2	108
Cash and bank balances	4	145
Accounts and bills payable	–	(25)
Accrued liabilities and other payables	(18)	(75)
Trust receipt loans	–	(165)
Bank loans	–	(65)
Obligations under finance leases	–	(17)
Net liabilities	(11)	(3)
(Loss)/gain on deconsolidation/disposal of subsidiaries from discontinued operations	(110)	76
	(121)	73
Represented by:		
Interests in associates	109	–
Amounts due from associates	29	–
Amounts due to associates	(564)	–
Non-controlling interests	294	1
Release of reserve	11	62
Cash consideration received	–	8
Amounts due from related companies	–	2
	(121)	73

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

	2011 HK$ million	2010 HK$ million
Cash and bank balances of deconsolidated subsidiaries	(4)	–

13. DISCONTINUED OPERATIONS (continued)

(c) Net cash (outflow)/inflow from discontinued operations:

	2011 HK$ million	2010 HK$ million (Restated)
Operating activities	**(16)**	276
Investing activities	**–**	42
Financing activities	**10**	(221)
	(6)	97

14. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

15. LOSS PER SHARE

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

	2011 HK$ million	2010 HK$ million (Restated)
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation:		
From continuing operations	**(1,206)**	(102)
From discontinued operations	**(116)**	(526)
	(1,322)	(628)

	2011 Number of ordinary shares million	2010 Number of ordinary shares million
Shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**460.2**	460.2

Discontinued operations:

Basic loss per share for the discontinued operations is HK$0.25 (2010: HK$1.14) per share, based on the loss from the discontinued operations and the weighted average numbers of ordinary shares presented above.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$ million	Plant, equipment and other assets HK$ million	Moulds HK$ million	Total HK$ million
Cost:				
At 1 January 2010	93	474	25	592
Foreign currency adjustment	10	11	(1)	20
Additions	1	2	–	3
Disposal of subsidiaries	–	(295)	–	(295)
Disposals	(83)	(58)	(24)	(165)
At 31 December 2010 and 1 January 2011	21	134	–	155
Additions	–	1	–	1
Disposals	(21)	(2)	–	(23)
At 31 December 2011	–	133	–	133
Accumulated depreciation and impairment:				
At 1 January 2010	1	353	25	379
Foreign currency adjustment	–	9	(1)	8
Provided during the year	1	52	–	53
Impairment	–	13	–	13
Disposal of subsidiaries	–	(255)	–	(255)
Disposals	(1)	(43)	(24)	(68)
At 31 December 2010 and 1 January 2011	1	129	–	130
Provided during the year	1	2	–	3
Impairment	–	1	–	1
Disposals	(2)	(2)	–	(4)
At 31 December 2011	–	130	–	130
Carrying values:				
At 31 December 2011	**–**	**3**	**–**	**3**
At 31 December 2010	20	5	–	25

16. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the Group had assessed the fair value of certain machineries and equipment based on their obsolescence, physical conditions and estimated resale value in its PRC plants and as a result, the carrying amount of these machineries and equipment was written down by HK$1 million (2010: HK$13 million). Details of the impairment loss recognised in respect of property, plant and equipment of the Group are set out in notes 10 and 42.

The carrying values of plant and machineries held under finance leases at 31 December 2011 was HK$1 million (2010: nil).

Freehold buildings outside Hong Kong at cost was nil (2010: HK$21 million).

17. INVESTMENT PROPERTIES

	2011 HK$ million	2010 HK$ million
At fair value		
At beginning of year	**1**	40
Foreign currency adjustment	**–**	2
Disposal of subsidiaries *(note 37)*	**–**	(41)
At end of year	**1**	1

The carrying amount of investment properties comprises medium term leasehold land in Hong Kong.

The investment property in Hong Kong was valued at HK$1 million as at 31 December 2011, by option of the directors, with reference to market evidence of transaction prices for similar properties.

18. INTERESTS IN ASSOCIATES

	2011 HK$ million	2010 HK$ million
Cost of investment less impairment	**107**	–
Share of post-acquisition results and reserves	**2**	–
	109	–
Listed investments outside Hong Kong, at market value	**109**	–

18. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's principal associates are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group 2011	2010	Principal activities
Sansui Electric Co., Ltd. ("SEC") #	Japan	**40%**	–	Sale of audio, visual and other electronic products

Listed on the First Section of the Tokyo Stock Exchange

Notes:

During 2007, the Group increased its shareholding interests in SEC from 30% at 31 December 2006 to 40% at 31 December 2007. Since the Group has gained control over SEC's financial and operating policies, the investment in SEC has since June 2007 been accounted for as a subsidiary. SEC is considered as an associate because the Group has lost control over SEC's financial and operating policies from 1 October 2011.

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

	2011 HK$ million	2010 HK$ million
Total assets	**575**	–
Total liabilities	**(47)**	–
Net assets	**528**	–
Group's share of net assets of associates	**210**	–
Revenue for the period from 1 October to 31 December	**–**	–
Profit for the period from 1 October to 31 December	**2**	–
Group's share of results of associates for the period from 1 October to 31 December	**1**	–
Group's share of other comprehensive income of associates for the period from 1 October to 31 December	**1**	–

19. AVAILABLE-FOR-SALE INVESTMENTS

As of 31 December 2011 and 31 December 2010, the Group had nil and US$5.0 million face value (with a carrying value of zero and US$3.9 million), respectively, invested in available-for-sale investments, consisting entirely of student loan auction rate securities ("SLARS"). These securities have long-term nominal maturities for which interest rates were historically reset through a Dutch auction process at pre-determined calendar intervals; a process which, prior to February 2008, had historically provided a liquid market for these securities. At a result of the continuing liquidity issues experienced in the global credit and capital markets, these SLARS had multiple failed auctions, although the Group was successful in May 2011 in selling its final SLARS for US$4.7 million, upon which the Group recorded a realised gain of US$0.8 million.

20. DEFERRED TAX ASSETS

(a) Deferred tax assets recognised:

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

	Accelerated / (decelerated) tax depreciation HK$ million	**Tax losses** HK$ million	**Total** HK$ million
At 1 January 2010	12	72	84
Charged to profit or loss *(note 12)*	(19)	(8)	(27)
At 31 December 2010 and 1 January 2011	(7)	64	57
Credited/(charged) to profit or loss *(note 12)*	18	(51)	(33)
At 31 December 2011	11	13	24

(b) Deferred tax assets not recognised:

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

	2011 **HK$** **million**	2010 HK$ million (Restated)
Tax losses carried forward	**513**	2,096
Accelerated depreciation allowances	**44**	45
	557	2,141

20. DEFERRED TAX ASSETS (continued)

(b) Deferred tax assets not recognised: (continued)

The above tax losses are available indefinitely for offsetting against future taxable profits of the subsidiaries except for the losses in the amount of HK$947 million in 2010 which will be expired in the years from 2011 to 2017.

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

21. BRANDS AND TRADEMARKS

	2011 HK$ million	2010 HK$ million
Gross amount		
At 1 January	**1,837**	1,905
Foreign currency adjustment	**(1)**	4
Impairment	**(507)**	(72)
At 31 December	**1,329**	1,837
Accumulated amortisation at 31 December	**(228)**	(228)
Carrying amount at 31 December	**1,101**	1,609

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

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

21. BRANDS AND TRADEMARKS (continued)

As a result, the brands and trademarks are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually or more frequently when there are indications of impairment. Particulars of the impairment testing are disclosed in note 24.

The Group recorded a non-cash impairment charge of HK$507 million associated with the partial provisions of its Nakamichi and Akai trademarks, being the difference between their respective book values and fair values as at 31 December 2011 with reference to the valuation reports prepared by independent professional valuers appointed by the Provisional Liquidators.

22. OTHER ASSETS

	2011 HK$ million	2010 HK$ million
Other deferred assets:		
At beginning and end of year	**11**	11
Accumulated amortisation and impairment:		
At beginning of year	**7**	6
Provided during the year	**4**	1
At end of year	**11**	7
Carrying amount of other deferred assets at end of year	**–**	4
Other receivables	**3**	3
Total other assets at end of year	**3**	7

23. GOODWILL

	2011 HK$ million	2010 HK$ million
At beginning of year	**13**	530
Impairment	**–**	(516)
Partial disposal of subsidiaries	**–**	(1)
Carrying amount at end of year	**13**	13

24. IMPAIRMENT TESTING ON GOODWILL, BRANDS AND TRADEMARKS

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

	Goodwill		Brands and trademarks	
	2011 HK$ million	2010 HK$ million	**2011 HK$ million**	2010 HK$ million
Branded distribution				
Emerson	**13**	13	**477**	477
Distribution and licensing	**–**	–	**624**	1,132
	13	13	**1,101**	1,609

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

The discount rates used for value-in-use calculations are in a range of 10% to 19% (2010: 9.84% to 10%). The management determines the budgeted gross margin based on past performance and its expectation of market development. The growth rates used to extrapolate cash flow projections beyond the ten-year financial budget are in a range of 3% to 5% (2010: 3% to 7%).

25. INVENTORIES

The inventories represent finished goods stated at net realisable values.

26. ACCOUNTS AND BILLS RECEIVABLE

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

	2011 HK$ million	2010 HK$ million
Gross amount	**211**	144
Less: allowance for doubtful debts	**(76)**	(71)
Net amount	**135**	73

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

26. ACCOUNTS AND BILLS RECEIVABLE (continued)

The movement of allowance for doubtful debts is as follows:

	2011 HK$ million	2010 HK$ million
At beginning of year	**71**	91
Written off	**(6)**	(15)
Impairment loss recognised/(written back)	**11**	(5)
At end of year	**76**	71

Included in the above allowance for doubtful debts is a provision for individually impaired accounts and bills receivable of HK$76 million (2010: HK$71 million) with a carrying amount before provision of HK$211 million (2010: HK$144 million). The individually impaired accounts and bills receivable in respect of receivables are not expected to be recovered.

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

	2011 HK$ million	2010 HK$ million
0 – 3 months	**133**	72
3 – 6 months	**2**	–
Over 6 months	**–**	1
	135	73

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

	2011 HK$ million	2010 HK$ million
0 – 3 months	**60**	57
3 – 6 months	**2**	–
Over 6 months	**–**	1
	62	58

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 **HK$ million**	2010 HK$ million
Prepayments	**14**	6
Deposits	**3**	8
VAT receivables	**5**	5
Other receivables	**8**	17
	30	36

28. HELD-FOR-TRADING INVESTMENTS

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

29. ACCOUNTS AND BILLS PAYABLE

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

	2011 **HK$ million**	2010 HK$ million
0 – 3 months	**77**	42
3 – 6 months	**1**	1
Over 6 months	**10**	8
	88	51

30. ACCRUED LIABILITIES AND OTHER PAYABLES

	2011		2010	
	Current HK$ million	**Non-Current HK$ million**	Current HK$ million	Non-Current HK$ million
Accrued expenses and provisions	**105**	**6**	116	32
Other payables	**2,311**	**3**	273	29
Deposits received	**–**	**–**	1	–
	2,416	**9**	390	61

Included in the other payables were amounts in aggregate of HK$247.9 million (2010: HK$209.2 million) which were due for payment prior to the end of the reporting period. Such balances were secured by the Group's shareholding interest in its certain subsidiaries and associates.

31. BANK LOANS

	2011 HK$ million	2010 HK$ million
Secured bank loans wholly repayable within one year	–	19

The carrying amounts represent United States Dollar variable-rate borrowings, bearing interest at 1.24% per annum.

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$ million	2010 HK$ million	2011 HK$ million	2010 HK$ million
Amounts payable under finance leases in the second year	1	–	1	–
Less: future finance charges	–	–	–	–
Present value of lease obligations	1	–	1	–

33. DEBENTURE

On 10 December 2008, the Company issued a principal amount of US$27.6 million (equivalent to HK$214 million) Debenture ("Debenture") at par value to an independent third party. The maturity date of the Debenture was on 5 July 2011. The principal outstanding at 31 December 2011 was approximately US$5.8 million (2010: US$5.8 million). Following the Company being put into provisional liquidation on 31 May 2011, such balance has been reclassified and accounted for as other payables.

34. PROVISION FOR LEGAL CLAIMS

In 2005, certain plaintiffs (the "Plaintiffs") obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US$48 million (approximately HK$370 million) which includes the aforesaid default judgment amount and the related accrued interest. Such amount was accrued and expensed during the year.

35. SETTLEMENT OF COURT PROCEEDINGS

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

On 23 November 2010, an amendment agreement relating to the Settlement Agreement had been entered into with the plaintiffs under which the plaintiffs had agreed to extend the date of final payment of approximately HK$801 million inclusive of an extension fee of approximately HK$47 million by another four months to February 2011. The extension fee and the related expenses up to 31 December 2010 were accrued and expensed in 2010.

On 31 January 2011, the Company discharged its entire outstanding settlement obligations in respect of these court proceedings with the financial assistance from the Company's ultimate holding company. The related financing and administration costs in an aggregate amount of approximately HK$288 million for discharging the settlement obligations was accrued and expensed during the year.

36. SHARE CAPITAL AND SHARE PREMIUM

	2011 HK$ million	2010 HK$ million
Authorised share capital:		
1,000,000,000 ordinary shares of HK$0.10 each	**100**	100
Issued and fully paid share capital:		
460,227,320 ordinary shares of HK$0.10 each	**46**	46
Share premium	**1,173**	1,173

37. DISPOSAL OF SUBSIDIARIES

Summary of the effects on disposal of subsidiaries

	2011 HK$ million	2010 HK$ million
Net liabilities disposed of:		
Property, plant and equipment	**–**	40
Investment properties	**–**	41
Cash and bank balances	**–**	145
Accounts and bills receivable	**–**	11
Prepayments, deposits and other receivables	**–**	110
Accounts and bills payable	**–**	(25)
Accrued liabilities and other payables	**(2)**	(76)
Trust receipt loans	**–**	(165)
Bank loans	**–**	(65)
Obligations under finance leases	**–**	(17)
Non-controlling interests	**(4)**	(1)
Release of reserve	**–**	(59)
	(6)	(61)
Gain on disposal of subsidiaries	**6**	74
	–	13
Represented by:		
Cash consideration received	**–**	8
Amounts due from related companies	**–**	5
	–	13

The subsidiaries disposed of during the year 2011 had no material effect on the operating loss and cash flow of the Group.

The subsidiaries disposed of during the year 2010 contributed HK$344 million to the Group's net operating cash flows, generated HK$3 million from investing activities, utilised HK$189 million in respect of the Group's financing activities and paid interest for HK$42 million.

37. DISPOSAL OF SUBSIDIARIES (continued)

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

	2011 HK$ million	2010 HK$ million
Cash consideration received	–	8
Cash and bank balances of disposed subsidiaries	–	(145)
	–	(137)

38. CONTINGENT LIABILITIES

	2011 HK$ million	2010 HK$ million
Guarantee of trade finance banking facilities granted to former subsidiaries	32	96

In 2005, certain plaintiffs (the Plaintiffs") obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 and January 2011. On 16 May 2011, a Statement of Decision was handed down by the Superior Court for the State of California, under which the Company is obliged to settle a total amount of US$48 million (approximately HK$370 million) which includes the aforesaid default judgment amount and the related accrued interest. Such amount was accrued and expensed during the year.

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

39. COMMITMENTS

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

	2011 HK$ million	2010 HK$ million
Land and buildings:		
Not later than one year	**9**	8
Later than one year and not later than five years	**7**	18
	16	26

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years (2010: 3 years) and rentals are fixed for an average of 2 years (2010: 4 years).

	2011 HK$ million	2010 HK$ million
Others:		
Not later than one year	**–**	1

40. BANKING AND OTHER BORROWING FACILITIES

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

		2011 HK$ million	2010 HK$ million
(a)	Legal charges over available-for-sale investments	**–**	30
(b)	Legal charges over plant and machineries	**1**	–
(c)	Pledge of brands and trademarks	**19**	–
(d)	Pledge of listed shares of certain subsidiaries	**122**	312
(e)	Pledge of listed shares of certain associates	**109**	–
(f)	Pledge of bank deposits	**40**	30
		291	372

41. PROVIDENT FUND SCHEMES

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

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

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

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

42. SEGMENT REPORTING

The Group currently organises its operations into the following reportable operating segments. The Group disposed of its OEM manufacturing services business in December 2010 of which formed principally the Electronics Manufacturing Services Division of the Group. The results of Electronics Manufacturing Services Division for the year ended 31 December 2010 are presented as discontinued operations.

SEC is considered as an associate because the Group has lost its control over SEC's financial and operating policies from 1 October 2011. As SEC was the Group's separate major line of business operating in Japan, the results of SEC for the 9-month period ended 30 September 2011 are presented as discontinued operations in 2011. The comparative amounts for 2010 have been restated to conform with the current year's presentation.

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

42. SEGMENT REPORTING (continued)

(a) Segment information

2011	Branded distribution Emerson HK$ million	 Distribution and licensing HK$ million	 Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Revenue:								
Sales of goods to external customers	1,351	10	–	–	1,361	1	–	1,362
Licensing income from external customers	53	70	–	–	123	–	–	123
Total	1,404	80	–	–	1,484	1	–	1,485
Results:								
Segment results	113	52	–		165	(15)		150
Unallocated corporate expenses				(28)	(28)			(28)
					137			122
Gain on disposal of property, plant and equipment	3	–		–	3	–		3
Gain on disposal of available-for-sale investments	6	–		–	6	–		6
Impairment loss recognised in respect of –								
Property, plant and equipment	–	(1)		–	(1)	–		(1)
Brands and trademarks	–	(507)		–	(507)	–		(507)
Interests in associates	–	(2)		–	(2)	–		(2)
Loss on deconsolidation of discontinued operations				–	–	(110)		(110)
Gain on disposal of subsidiaries				6	6	–		6
Allowance for doubtful debts				(16)	(16)	–		(16)
Written back of accrued liabilities and other payables				27	27	–		27
Written back of provision for loss on financial derivatives				12	12	–		12
Provision for legal claims				(370)	(370)	–		(370)
Settlement of court proceedings				(288)	(288)	–		(288)
Interest income				1	1	–		1
Finance costs				(99)	(99)	–		(99)
Share of results of associates				1	1	–		1
Tax				(82)	(82)	–		(82)
Loss for the year					(1,172)	(125)		(1,297)
Assets:								
Segment assets	1,221	3,312	(2,666)	127	1,994	–	–	1,994
Liabilities:								
Segment liabilities	709	3,511	(3,646)	2,932	3,506	–	–	3,506
Other information:								
Revenue from:								
– the first largest customer	696	–	–	–	696	–	–	696
– the second largest customer	511	–	–	–	511	–	–	511
Depreciation and amortisation	7	–	–	–	7	–	–	7
Capital expenditure	2	–	–	–	2	–	–	2

42. SEGMENT REPORTING (continued)

(a) Segment information (continued)

2010 (Restated)	Branded distribution: Emerson HK$ million	Branded distribution: Distribution and licensing HK$ million	Branded distribution: Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Revenue:								
Sales of goods and provision of services to external customers	1,605	36	–	–	1,641	149	–	1,790
Licensing income from external customers	57	66	–	–	123	–	–	123
Total	1,662	102	–	–	1,764	149	–	1,913
Results:								
Segment results	154	57	4		215	(23)		192
Unallocated corporate expenses				(21)	(21)			(21)
					194			171
(Loss)/gain on disposal of property, plant and equipment	(3)	–		1	(2)	(50)		(52)
Gain on disposal of available-for-sale investments	7	–		–	7	–		7
Impairment loss recognised in respect of –								
Property, plant and equipment	–	–		–	–	(13)		(13)
Brands and trademarks	–	(72)		–	(72)	–		(72)
Goodwill				–	–	(516)		(516)
Available-for-sale investments				(1)	(1)	–		(1)
Gain on disposal of subsidiaries				–	–	74		74
Written back/(allowance) for doubtful debts				6	6	(1)		5
Provision for loss on financial derivatives				(18)	(18)	–		(18)
Settlement of court proceedings				(76)	(76)	–		(76)
Interest income				2	2	–		2
Finance costs				(48)	(48)	(49)		(97)
Tax				(36)	(36)	–		(36)
Loss for the year					(44)	(578)		(622)
Assets:								
Segment assets	1,085	1,662	(637)	125	2,235	564	(560)	2,239
Liabilities:								
Segment liabilities	677	3,723	(4,107)	1,834	2,127	21	(12)	2,136
Other information:								
Revenue from:								
– the first largest customer	953	–	–	–	953	–	–	953
– the second largest customer	447	–	–	–	447	–	–	447
Depreciation and amortisation	5	1	–	1	7	47	–	54
Capital expenditure	2	–	–	–	2	1	–	3

42. SEGMENT REPORTING (continued)

(b) Geographical information

	Revenue		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2011	2010	**2011**	2010	**2011**	2010
	HK$ million	HK$ million (Restated)	**HK$ million**	HK$ million (Restated)	**HK$ million**	HK$ million
Asia	**64**	81	**218**	79	**–**	–
North America	**1,413**	1,679	**548**	422	**2**	2
Europe	**7**	4	**–**	–	**–**	–
Unallocated	**–**	–	**1,101**	1,609	**–**	–
	1,484	1,764	**1,867**	2,110	**2**	2

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name	Notes	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2011	2010	Principal activities
Directly held:						
The Grande (Nominees) Limited		British Virgin Islands	US$1	**100%**	100%	Investment holding
Grande N.A.K.S. Ltd		British Virgin Islands	US$10,000	**100%**	100%	Investment holding
Unijoy Limited		British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly held:						
Tomei Kawa Electronics International Limited		British Virgin Islands	US$1	**100%**	100%	Trademarks licensing
Innovative Capital Ltd		British Virgin Islands	US$100	**100%**	100%	Corporate finance and investment holding
Sansui Enterprises Limited		British Virgin Islands	US$1	**100%**	100%	Trademarks licensing

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Notes	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Group 2011	2010	Principal activities
Indirectly held: (continued)						
TWD Industrial Company Limited		British Virgin Islands	US$1	**100%**	100%	Brands and trademarks holding
Sansui Acoustics Research Corporation		British Virgin Islands	US$1,000	**100%**	100%	Brands and trademarks holding
Nakamichi Designs Limited		British Virgin Islands	US$50,000	**100%**	100%	Investment holding
Nakamichi Enterprises Limited		British Virgin Islands	US$10,001	**100%**	100%	Trademarks licensing
Capetronic Display Devices Holdings Limited		British Virgin Islands	US$100	**100%**	100%	Investment holding
Akai Electric Co., Ltd.		Japan	JPY10,000,000	**88%**	88%	Trading of audio and video products
Phenomenon Agents Limited		British Virgin Islands	US$50,000	**88%**	88%	Brands and trademarks holding
Akai Sales Pte. Ltd.		Singapore	S$2	**88%**	88%	Trademarks licensing
S&T International Distribution Limited		British Virgin Islands	US$1	**100%**	100%	Investment holding
Emerson Radio Corp.	(i)	United States of America	US$529,000	**56%**	56%	Distribution of household appliances and products
Hi-Tech Precision Products Ltd		British Virgin Islands	US$1	**100%**	100%	Investment holding
Sansui Electric Co., Ltd.	(ii)	Japan	JPY5,794,263,000	**–**	40%	Investment holding

Notes:

(i) Listed on the NYSE Alternext US

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

44. EVENTS AFTER THE REPORTING PERIOD

The Company is presently in the first stage of the delisting procedures in accordance with Practice Note 17 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at the date of these consolidated financial statements. The Company has submitted a resumption proposal, which was prepared by Sunny Faith Investments Limited (the "Investor") and accepted by the Provisional Liquidators, to the Stock Exchange on 5 March 2012 to address the following:

(a) that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules; and

(b) that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The restructuring proposal submitted by the Investor on 5 March 2012 has been accepted by the Provisional Liquidators on behalf of the Company. On 26 July 2011, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators on behalf of the Company, FTI Consulting (the "Escrow Agent") and the Investor (the "Escrow Agreement"). Pursuant to the Escrow Agreement, the Provisional Liquidators granted the Investor an exclusive right up to nine months to negotiate a legally binding agreement for the implementation of the restructuring proposal. On 26 April 2012, the Provisional Liquidators and the Investor, by way of a side letter, agreed to extend the Exclusivity Period by a further nine-month period until 25 January 2013.

The winding-up petition against the Company was originally scheduled to be heard by the High Court on 3 August 2011. Upon application by the Provisional Liquidators, the High Court adjourned the hearing of winding-up petition against the Company to further date. On 19 March 2012, the High Court had further adjourned the hearing of the petition to 9 July 2012.

45. FINANCIAL INFORMATION OF THE COMPANY

	2011 HK$ million	2010 HK$ million
NON-CURRENT ASSETS		
Amount due from a subsidiary	**1,279**	1,280
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1**	1
CURRENT LIABILITIES		
Amounts due to subsidiaries	**164**	140
Amounts due to related companies	**–**	10
Accrued liabilities and other payables	**2,151**	199
Debenture	**–**	45
	2,315	394
Provision for legal claims/Settlement obligations of court proceedings	**370**	870
	2,685	1,264
NET CURRENT LIABILITIES	**(2,684)**	(1,263)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(1,405)**	17
NON-CURRENT LIABILITIES		
Amounts due to a related company	**–**	671
NET LIABILITIES	**(1,405)**	(654)
CAPITAL AND RESERVES		
Share capital	**46**	46
Share premium	**1,173**	1,173
Reserves	**(2,624)**	(1,873)
DEFICIENCY OF EQUITY	**(1,405)**	(654)

46. COMPARATIVE AMOUNTS

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

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 April 2012.