世達科技(控股)有限公司

World Wide Touch Technology (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1282

Annual Report 2010



Company Profile

World Wide Touch Technology is a leading provider of capacitive touch pads by shipment volume for use in notebook computers. We have engaged in the capacitive touch pad business for over 10 years.

In July 2006, we moved our production facilities from Hong Kong to Heshan City. We believe Heshan is a strategic location for us where can be connected to the rest of China by expressways, a seaport and four airports nearby, enabling us to have easy access to the rest of China as well as connecting us to the overseas markets.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Kwok Fong (Chairman & Chief Executive Officer)
Ms. Ching Pui Yi (Chief Operating Officer)
Mr. Cheung Wing Keung (Chief Technology Officer)
Mr. Tan Hui Kiat (Senior Operations Director)
Mr. Lam Ho Sang *(resigned on 30 September 2010)*
Mr. Cheung To Keung *(resigned on 30 September 2010)*

Independent Non-executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Chan Wai

COMPANY SECRETARY

Mr. Cheung Chi Keung, *FCCA, CPA*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2601–2, 26/F
Tower 2, Nina Tower
8 Yeung Uk Road
TWTL 353
Tsuen Wan
New Territories
Hong Kong

COMPLIANCE ADVISER

CMB International Capital Limited

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

as to Hong Kong law:
Pang & Co. in association with Salans LLP

PRINCIPAL BANKERS

Hang Seng Bank Limited
Head office
83 Des Voeux Road Central
Hong Kong

Bank of China Limited
Jiangmen Heshan sub-branch
No. 228 Xin Cheng Road
Sha Ping
Heshan City
Guangdong, PRC

Industrial and Commercial Bank of China Limited
Jiangmen branch
No. 72 Yuanshi Road,
Jiangmen,
Guangdong, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East,
Wan Chai,
Hong Kong

WEBSITE

www.wwtt.hk

STOCK CODE

01282

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four years, as extracted from the published audited consolidated financial statements and the prospectus of the Company, is set out below.

PROFIT FOR THE YEAR

	For the year ended 31 December			
	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	1,391,647	888,348	749,788	674,293
Profit before income tax	252,067	163,693	96,923	97,401
Income tax expense	(38,400)	(10,563)	(10,878)	(17,775)
Profit for the year	213,667	153,130	86,045	79,626
Profit attributable to:				
Equity holders of the Company	213,667	151,655	86,045	79,626
Non-controlling interests	—	1,475	—	—
	213,667	153,130	86,045	79,626

ASSETS AND LIABILITIES

	As at 31 December			
	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Current assets	1,143,441	487,315	212,679	145,288
Non-current assets	501,794	360,756	248,005	172,917
Current liabilities	591,135	556,964	305,892	235,325
Non-current liabilities	47,776	49,000	2,590	18,860
Net assets	1,006,324	242,107	152,202	64,020
Share capital	287,000	215,250	215,250	215,250
Reserves	719,324	26,857	(63,048)	(151,230)
Total equity	1,006,324	242,107	152,202	64,020

CHAIRMAN'S STATEMENT

Wong Kwok Fong
Chairman

"It is our vision to become a provider of "life-technologies" which would facilitate and improve the daily life of the users by employing cutting-edge technologies in our products."

DEAR SHAREHOLDERS,

On behalf of the board of directors of World Wide Touch Technology (Holdings) Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010. In 2010, we entered the international capital market through our unremitting efforts. We were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 15 December 2010 and met with an enthusiastic reception from institutional investors and the public. Through joining in the global capital market, the Group has not only enhanced its reputation and capital base, but also equipped itself for the forthcoming "Golden Decade" for the industry.

During the reporting period, the Group maintained its long-standing growth momentum and achieved targeted results thanks to the efforts of the entire staff. Turnover of the Group increased by 56.7% to HK$1,391.6 million and profit attributable to the shareholders increased by 40.9% to HK$213.7 million.

Despite the sluggish global economic recovery, the overall smart electronic information technology industry has achieved rapid development and shown resilient growth momentum in 2010. One of the fastest growing industries was the capacitive touch products industry, which focuses on uses in digital consumer products such as smart phones and notebook computers. Apart from the international market, the PRC market was also stimulated by a rapid change in economic development structure and the PRC government has announced that it will fully support the development of emerging strategic industries which includes electronic information technologies and the internet. Correspondingly, the development of notebook and smart phone touch pad industries were also accelerated. According to the prospectus of the Company dated 2 December 2010, the market size of capacitive touch products is estimated to reach approximately US$537 million in 2009 and is expected to grow to approximately US$983 million in 2013, representing a compound annual growth rate of approximately 16.3%.

Being a supplier of capacitive touch pads for notebook computers, the Group also produces capacitive touch screens and multi-media buttons and has started to diversify into the development of non-touch products since 2007.

During the period under review, the number of capacitive touch products delivered by the Group amounted to 99,562.8 thousand units, fingerprint biometric devices amounted to 5,265.5 thousand units and wireless charging devices amounted to 1,741.9 thousands units, while the sales volume of lighting source products (such as plasma projecting devices and plasma street lights) was 39.9 thousand units.

Although projected capacitive touch products have been the major source of our revenue, the Group has evolved into a technology supplier with diversified product mix and stand out among conventional manufacturing service providers by capturing market trends with its keen market insight, outstanding research and development capability and excellent management strategy. With the above four innovative and market-leading high-tech products, the Group has gained confidence and therefore sped up its preparation, planning and development of a few other potential electronic products. We believe the development of such new technologies, coupled with the existing advanced multi-purpose production equipment, will further reduce the operating costs and business risks of the Group.

CHAIRMAN'S STATEMENT

Looking ahead, we will implement a strategic development plan in an effort to enlarge the Group's market share and promote the diversification of our product mix. It is our vision to become a provider of "life-technologies" which would facilitate and improve the daily life of the users by employing cutting-edge technologies in our products.

First of all, the Group will continue its effort on the capacitive touch products so as to maintain the quality and yield rate of our capacitive touch products. Besides, we will also strive to reduce our dependence on one particular product segment by diversifying into the markets of fingerprint biometric devices, wireless charging devices and lighting source products, which we believe to have promising growth potential.

The Group expects that wireless charging products will be well received by the market and will enjoy increasing demand as the number of users expands. As a result, we have utilised our ability in the production of wireless charging devices to provide manufacturing services and other engineering support in respect of wireless charging devices with a view to expanding this business segment.

Last but not least, the increasing global concern over environmental issues and energy-saving has driven up the demand for energy saving products. We firmly believe plasma street light products of the Group will benefit from such trend and our relevant business will grow rapidly and steadily.

In addition to focusing on the development and production of our own products, the Group will also endeavour to enhance our production efficiency through research and development, improving our production equipment and unremittingly perfecting and stringently implementing our quality control system. We will optimise our production by using our in-house capacity or in collaboration with customers and other third parties.

The Group will also establish and optimise its management procedures, reduce production costs in order to strengthen the cooperation with our partners. It will also endeavour to reinforce its leading position in the market through capturing potential acquisition opportunities.

Finally, I would like to express my most sincere gratitude to the members of the board of directors and all the staff for their efforts during the past year. I also thank the shareholders and business partners for their trust in and support to the Group. With our well-established strategies of stressing innovation and ensuring quality, as well as our determination to grow, we will continue to streamline our corporate structure, enhance our core competitive edge and create better economic efficiency.

Wong Kwok Fong
Chairman

Hong Kong, 15 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

A Clear Vision, A Strong Focus ...
Our Mission is what you Dream of ...

OVERVIEW

Despite the sluggish global economic recovery, the global capacitive touch pad market was robust in 2010 as evidenced by the increase in the Group's revenue in touch products by 11.2% to HK$766.9 million from 2009.

Since 2007, the Group has been actively diversifying its products. During 2010, the percentage of capacitive touch products revenue to the total revenue decreased from 77.6% to 55.1% when compared to 2009. The remaining 44.9% revenue mainly came from fingerprint biometric devices, wireless charging devices, lighting source products and other products. These sectors are expected to experience high growth as they grow from a low base and as technological advancements occur. The Group, as an experienced manufacturing solutions provider for capacitive touch products, believes it is now in an excellent position to capture the growth in these sectors.

BUSINESS REVIEW

In the post-financial crisis year 2010, the global economy showed signs of resurgence and underwent restructuring, the progress of which would be crucial to the recovery. The development of emerging industries is likely to be a turning point in the economy. Last year, the long-awaited touch interface technology was one of the eye-catching breakthroughs. Amid favourable market conditions, the Group delivered excellent results in line with expectations of the management of the Group.

The Group as a top brand takes every opportunity to develop new products and heighten its influence. With its strong research and development capability, it had 33 patents and registered designs up to the end of 2010. The Group unveiled at the Consumer Electronics Show (CES) a series of capacitive touch products as well as computer security and solid-state storage solutions, including the G3 fingerprint sensor mouse and a series of fingerprint identification devices, both iF Design Award China winning products. These products attracted the attention of over a thousand of viewers at the CES.

In its quality control system and procedures, the Group has invited its major customers to participate in research and development and i-Manufacturing quality control. The Group also arranged major customers to carry out on-site quality checks to ensure that product requirements were met. The Group has adopted various monitoring programmes for quality assurance throughout its production process, from procurement of raw materials to delivery of products. It has adopted the just-in-time concept in its inventory management for its major vendors located close to its production plant in Heshan.

In light of the above, the turnover of the Group rose by 56.7% from 2009 to HK$1,391.6 million in 2010. Sales from capacitive touch products, fingerprint biometric devices, lighting source products and wireless charging devices went up by 11.2%, 259.1%, 411.6% and 129.3% respectively in 2010 when compared with 2009.

The Group's cost of sales accounted for 73.0% of its total revenue in 2010, up by 2.1% from 2009. This resulted in a decrease in the Group's overall gross profit margin from 29.1% in 2009 to 27.0% in 2010. We believe, however, this gross profit margin was still very competitive for the electronics industry of the PRC.

Profit attributable to equity holders of the Company amounted to HK$213.7 million in 2010, a 40.9% increase compared to the same period in 2009.

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group's revenue amounted to HK$1,391.6 million, up 56.7% from 2009. Profit attributable to equity holders of the Company rose by 40.9% from a year earlier to HK$213.7 million. Earnings per share were HK$0.0977, up 38.6% year-on-year.

For the year ended 31 December 2010 and the same period in 2009, the revenues by product category are shown as follows:

	For the year ended 31 December			
	2010		2009	
	Revenue HK$ million	% of total	Revenue HK$ million	% of total
Capacitive touch products	766.9	55.1	689.3	77.6
Fingerprint biometric devices	151.8	10.9	42.3	4.8
Lighting source products	90.9	6.5	17.8	2.0
Wireless charging devices	234.9	16.9	102.4	11.5
Other segments	147.1	10.6	36.5	4.1
	1,391.6	100.0	888.3	100.0

REVENUE

In 2010, the Group's revenue raised by 56.7% from 2009 to HK$1,391.6 million in 2010.

The revenue from capacitive touch products rose by 11.2% from HK$689.3 million in 2009 to HK$766.9 million in 2010.

The revenue from fingerprint biometric devices increased by 259.1% from HK$42.3 million in previous year to HK$151.8 million in current year.

The revenue from lighting source products increased by 411.6% to HK$90.9 million in 2010 when compared with that of HK$17.8 million last year.

The revenue from wireless charging devices grew by 129.3% from HK$102.4 million last year to HK$234.9 million in 2010.

It is worth highlighting that the revenue contribution from capacitive touch products has reduced from 77.6% of total sales revenue in 2009 to 55.1% in 2010, an indication of the Group's success in reducing its reliance on one particular product segment.

Meanwhile, as mentioned above, the revenue from other non-touch products increased rapidly by 214.0% to HK$624.7 million in 2010. This was mainly due to the fact that certain new products were launched to the market in the second half of 2009. In 2010, the promotion of such products came to an advanced stage and thus the market demand for these new products experienced strong growth in 2010.

COST OF SALES

The cost of sales of the Group increased by 61.2% from HK$629.8 million for the year ended 31 December 2009 to HK$1,015.3 million for the year ended 31 December 2010. Such increase was primarily attributable to the sharp rise in volume of production as evidenced by the sharp rise in revenue from HK$888.3 million in 2009 to HK$1,391.6 million in 2010. The overall cost structure of the Group remained relatively stable in 2010 when compared with 2009 with direct materials amounted to 59.2% of revenue, direct labour 9.9%, depreciation 2.7% and factory overhead 1.8%.

GROSS PROFIT AND MARGIN

The gross profit of the Group increased by 45.6% from HK$258.5 million in 2009 to HK$376.4 million in 2010. This was mainly due to the additional revenue contribution from the non-touch products as mentioned above.

The fall in the overall gross profit margin to 27.0% in 2010 from 29.1% in 2009 was mainly due to the changes in products mix, in particular in two revenue segments, (i) capacitive touch products and (ii) other segments.

For capacitive touch products, the gross profit margin decreased from 27.6% in 2009 to 24.0% in 2010. This was mainly because more single-touch capacitive products, largely used in netbook computers, were sold in 2009 when compared to 2010, which enjoyed a higher gross profit margin than other capacitive touch products mainly used in notebook computers.

Likewise, the gross profit margin of the other segments also experience a decrease from 35.2% in 2009 to 24.4% in 2010. This is because automotive related products and amplifiers, which had a lower gross profit margin, contributed a larger portion to the revenue under this segment in 2010 than in 2009.

OTHER INCOME — NET

The net other income for the year ended 31 December 2010 was HK$1.3 million, compared to a net income of HK$1.2 million for the year ended 31 December 2009.

DISTRIBUTION COSTS

The distribution costs increased by 66.1%, from HK$6.1 million for the year ended 31 December 2009 to HK$10.2 million for the year ended 31 December 2010 and the increase was mainly due to the increase in freight and transportation costs in line with increased sale volume.

ADMINISTRATIVE EXPENSES

The administrative expenses increased by 29.0%, from HK$81.7 million for the year ended 31 December 2009 to HK$105.4 million for the year ended 31 December 2010, mainly due to the recruitment of more administrative staff in anticipation of the Group’s expansion and the amortisation of intangible assets.

FINANCE COSTS

The finance costs increased by 19.6%, from HK$8.5 million for the year ended 31 December 2009 to HK$10.1 million for the year ended 31 December 2010, primarily resulted from an increase in trust receipt loan facilities, partly offset by slight decrease in interest rate.

INCOME TAX EXPENSE

Income tax expense increased by 263.5%, from HK$10.6 million for the year ended 31 December 2009 to HK$38.4 million for the year ended 31 December 2010 and the increase was caused by the lapse of the two-year exemption period for enterprise income tax in the PRC; after which the Group's subsidiary in the PRC is eligible for a 50% reduction in enterprise income tax for three years effective from 2010.

PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the year increased by 39.5%, from HK$153.1 million for the year ended 31 December 2009 to HK$213.7 million for the year ended 31 December 2010. The net profit margin decreased from 17.2% for the year ended 31 December 2009 to 15.4% for the year ended 31 December 2010.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company increased by 40.9% from HK$151.7 million for the year ended 31 December 2009 to HK$213.7 million for the year ended 31 December 2010.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Capital Resources

As at 31 December 2010, the Group's total debts to total assets ratio was 18.6% (31 December 2009: 34.3%). The gearing structure is set out below:

	As at 31 December 2010	As at 31 December 2009
Total debts (HK$ million) *(note)*	305.5	290.6
Net debts (HK$ million) *(note)*	0	171.1
Total assets (HK$ million)	1,645.2	848.1
Equity attributable to the owners of the Company (HK$ million)	1,006.3	242.1
Current assets/current liabilities	1.9	0.9
Net debt/equity attributable to the owners of the Company	0%	70.7%

Note: Total debts represent the total interest-bearing borrowings. "Net debts" is defined as total debts less bank balance and cash. A zero balance of net debts represent that the bank balances and cash exceeded total debts at the end of the reporting period.

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principal of prudent financial management in order to minimise financial and operational risks.

The Group mainly utilises its internally generated funds and bank borrowings to finance its operations and expansion. The net proceeds of HK$589.0 million raised from the listing of the Company has enlarged the capital base of the Group and strengthened the Group's financial position.

As at 31 December 2010, the Group had cash and cash equivalents and pledged bank deposits of HK$626.1 million (31 December 2009: HK$119.5 million) while bank borrowings and finance lease obligations amounted to HK$305.5 million (31 December 2009: HK$290.6 million). The Group's total current assets increased from HK$487.3 million as at 31 December 2009 to HK$1,143.4 million as at 31 December 2010, while total current liabilities increased from HK$557.0 million as at 31 December 2009 to HK$591.1 million as at 31 December 2010. As a result, the current ratio improved from 0.9 as at 31 December 2009 to 1.9 as at 31 December 2010.

Bank borrowings are secured by buildings, land use rights, financial assets at fair value through profit or loss, corporate guarantees provided by the Company, personal guarantees and pledges of properties provided and owned by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, directors of the Company.

CONTINGENT LIABILITIES

In April 2010, World Fair International Limited ("WFHK"), a subsidiary of the Company, received an additional assessment dated 30 March 2010 from the Hong Kong Inland Revenue Department ("IRD") demanding an additional profits tax in the amount of HK$1,750,000 for the year of assessment 2003/04. This subsidiary also received a notice from the IRD of even date requesting an interview in relation to the tax audit of its tax affairs for the years of assessment 2003/04 to 2008/09.

The directors of the Company believe that the additional assessment is of a protective nature and is issued to keep the year of assessment 2003/04 technically open in view of the statutory time bar. An objection against the above additional assessment was lodged on 20 April 2010 and by a letter dated 7 May 2010 issued by the IRD an unconditional holdover of the above additional profits tax has been granted by the IRD.

A meeting between WFHK and the IRD in relation to the tax audit was held in June 2010. On 17 September 2010, a settlement proposal was submitted to the IRD for consideration but the settlement of the tax audit is still under negotiation with the IRD. As part of the settlement proposal, a deposit of HK$3,000,000 has been placed with the IRD. As the final outcome of the tax audit is still uncertain, the directors of the Company are of the view that except for those which have already been provided for in the accounts based on the Company's best estimate as prepared in the settlement proposal, there is no reliable basis for estimating and making additional provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at 31 December 2010, which may arise from tax adjustments made as a result of the above tax audit. Mr. Wong Kwok Fong and Ms. Ching Pui Yi have agreed to indemnify the Group in respect of any costs or liabilities arising out of additional assessment for which the Group may be liable.

SUBSEQUENT EVENTS

In January 2011, the over-allotment option as detailed in the prospectus of the Company dated 2 December 2010 was partially exercised and the Company allotted and issued 57,084,000 shares at the final offer price, being HK$0.95 per share, raising gross proceeds of HK$54.2 million.

In February 2011, all personal guarantees provided by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, directors of the Company, in respect of the Group's borrowings were released and have since then been replaced by corporate guarantees provided by the Company.

FUTURE PLANS

Emerging industries are expected to be a strong driver of the global economy in 2011. In order to meet market demand, the Group will take advantage of the favourable momentum to expand its output capacity of capacitive touch screens and wireless charging devices, maintain its competitiveness in the industry and expand its market share. As part of its expansion plan, the Group will seek more collaborations to enhance its capacity and presence, and diversify its business in "life-technology".

FUTURE STRATEGIES

Capacitive touch products have been a major revenue driver of the Group. The Group will continue to focus on the development of such products, especially capacitive touch screen modules, to maintain the Group's leading position in the sector. The Group will also exert efforts in products with growth potential such as fingerprint biometric devices, wireless charging devices and lighting source products with a vision to become a "life-technology" provider in these markets.

Continue our focus on the capacitive touch product market with an increasing emphasis on the production of capacitive touch screen modules

The Group sees promising growth potential in the global capacitive touch product market for notebook computers, portable music and media players, and mobile and smart phones as the markets for these consumer electronics are expected to continue their growth. To capture growth opportunities in capacitive touch products and further explore the market, the Group plans to upgrade such products, especially capacitive touch screen modules by engaging in the lens and lumination production.

Capitalise on growth opportunities in fingerprint biometrics technology

There is an increasing demand for data security and biometric authentication in personal computers, computer peripherals, consumer electronics and other applications generally used in day-to-day life and the Group sees considerable room for expansion into this market with fingerprint biometric devices and thus plans to roll out a series of fingerprint biometric products under its "C-touch" brand and commercialise fingerprint security applications in daily life.

Combine capacitive touch and fingerprint technologies to create new applications

Leveraging its experience in capacitive touch products and fingerprint biometrics devices, the Group will combine capacitive touch and fingerprint technologies to create new applications. The Group has developed a fingerprint keyboard comprising a SecuButton™ and a fingerprint sensor, which simplifies computer security controls. The Group plans to further develop and commercialise this combined application for use in notebook computers.

Diversify into life-technology with research and development capability and technology partnerships

The Group will adhere to its diversification plan to strengthen its in-house research and development capability by adding designs as well as applications to the existing portfolio, and to expand the range of products and solutions the Group currently offers. The Group will also maintain close relationships with customers and strategic partners, and partnerships with academic institutions to diversify into life-technology by supplying products, applications and technologies which enhance the quality of life of consumers at large.

Enhance the position in wireless charging market

As there is a growing future demand for wireless charging devices, the Group will leverage its technical know-how in battery design as well as capability to produce wireless charging devices and provide related engineering support to develop this business segment, increase marketing efforts in this market and explore opportunities in Asia as part of the Group's diversification plan.

Expand sales of plasma street lamps

The Group started the production of plasma street lamps in 2009 and the sales increased by over 400% during the year under review. The Group is in the process of negotiating with various potential customers both in PRC and overseas.

By order of the Board
Wong Kwok Fong
Chairman and Chief Executive Officer

Hong Kong, 15 March 2011

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Kwok Fong (王國芳), aged 47, is the Group's co-founder, Chairman, Chief Executive Officer and was appointed as the Group's Executive Director on 17 July 2009. He is also the Chairman of the Remuneration Committee, Nomination Committee and a member of the Strategic Intellectual Property and Technology Committee of the Company. Mr. Wong established the business of the Group in 1997. He is the spouse of Ms. Ching Pui Yi, the Chief Operating Officer and executive Director of the Group. Mr. Wong has also been a director of World Fair International Limited and Cybertouch-Tech Company Limited since July 2002 and November 2002 respectively. Since the establishment of the Group's business in 1997, Mr. Wong played a significant part in the substantial growth of business of the Group. Mr. Wong has over 12 years of senior management experience in manufacturing, supply chain and marketing functions in electronics and technology industries from the Group. He was responsible for setting up the Group's manufacturing plants in Hong Kong and China. Mr. Wong has established the Group's extensive network in the electronics and technology industry.

He is currently the legal representative of Heshan World Fair Electronics Technology Ltd. Mr. Wong is primarily responsible for the overall corporate strategies, planning, management and business development of the Group. Mr. Wong is a standing committee member of the 8th Session of the Chinese People's Political Consultative Conference, Heshan, and the vice president and the president of the Association of Information Industry and the Manufacturing Branch Association of Information Industry of Jiangmen City respectively. He is also an Honorary Citizen of Jiangmen City. Mr. Wong obtained a higher certificate in Accountancy from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學), in October 1992. He has not held any directorships in other listed companies in the last three years.

Ms. Ching Pui Yi (程佩儀), aged 41, is the Group's co-founder, Chief Operating Officer and was appointed as the Group's Executive Director on 17 July 2009. She is the spouse of Mr. Wong Kwok Fong, the Chairman Chief Executive Officer and executive Director of the Group. Ms. Ching has also been a director of World Fair International Limited since March 2004 and a director of Cybertouch-Tech Company Limited since August 2009. Ms. Ching is primarily responsible for the overall strategic implementation, business development, daily operations and management of the Group and she has been dedicated to the development, design, operation and improvement of the Group's systems of production. She has gained substantial experience in the Group's industry through the development of the Group's business. Ms. Ching has over 16 years of experience in the electronics sector. Ms. Ching obtained a higher certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學), in 1994. She has not held any directorships in other listed public companies in the last three years.

Mr. Cheung Wing Keung, Ricky (張永強), aged 50, is the Group's Chief Technology Officer, Chairman of the Strategic Intellectual Property and Technology Committee of the Company and was appointed as the Group's Executive Director on 30 September 2010. Mr. Cheung is responsible for product research and development. Mr. Cheung has over 23 years of experience in electronical engineering industry, including research & development of electronical products, general management of technology companies in Singapore and Hong Kong. Mr. Cheung obtained a degree of bachelor of science in Electronics from The Chinese University of Hong Kong in 1986. He has not held any directorships in other listed public companies in the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Hui Kiat (陳輝傑), aged 49, is the Group's Senior Operations Director and was appointed as the Group's Executive Director on 28 November 2009. He joined the Group in September 2005. Mr. Tan is responsible for the Group's program management and interface with customers as well as being in charge of Group's materials division, including procurement, purchasing, PMC, logistics and warehousing in the Group's production facilities in Heshan City, the PRC. Mr. Tan has over 17 years of experience in operations in the electronics sector since January 1991. Mr. Tan obtained a technician diploma in Electronics and Communication Engineering from the Singapore Polytechnic (新加坡理工學院) in 1981. He later obtained a certificate and a diploma in Industrial Management from the same polytechnic in 1986 and 1989, respectively. He has not held any directorships in other listed public companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Bong (王振邦), aged 52, was appointed as an Independent Non-executive Director of the Company on 28 November 2009. Mr. Wong has over 25 years held a range of positions relating to the provision of assurance, taxation, accounting and financial management services, which the Company believe will benefit the Board in the overall financial control and management of the Group. Mr. Wong holds a higher diploma in Accountancy from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學). Mr. Wong is currently the managing partner of a firm of certified public accountants in Hong Kong. He is the ex-chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, respectively. Mr. Wong is also an associate of the Institute of Chartered Accountants in England and Wales. He is currently an independent non-executive director of QPL International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0243).

Professor Lee Kwok On, Matthew (李國安), aged 51, Ph.D., was appointed as an Independent Non-executive Director on 28 November 2009. He is the associate dean (Research, Postgraduate and Executive Education) and chair professor of Information Systems & E-Commerce at the College of Business of the City University of Hong Kong (香港城市大學). He is also the Director of the Communications & Public Relations Office of the City University of Hong Kong. Prof. Lee is also the founding director of the CityU DBA Programme. He is currently a member of the Hong Kong Research Grant Council (RGC) Business Studies Panel. He is an independent non-executive director of Computer And Technologies Holdings Limited (科聯系統集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 0046). Prof. Lee holds a first class honours bachelor's degree in electronic engineering from the University of Sheffield, a master's degree in science from the University of Oxford, a Ph.D. from the University of Manchester, a master's degree in business administration from the University of Sheffield and a law degree from the University of London. He has been a chartered engineer of the UK Engineering Council since October 1995 through his membership as a professional member of the British Computer Society since May 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wai (陳偉), aged 41, was appointed as an Independent Non-executive Director on 28 November 2009. Mr. Chan is currently the financial controller of Doxen Energy Group Limited (東星能源集團有限公司) (stock code: 668 (Main Board) since October 2009. Mr. Chan has over 17 years of experience in professional accounting, including over six years of experience in financial control with companies listed on the Main Board or Growth Enterprise Market (GEM) of the Stock Exchange, which the Company believe will benefit the Group's Board in the overall financial control and management of the Group. Mr. Chan obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University (香港理工大學) in 2004. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 1997 and a fellow of the Association of Chartered Certified Accountants since December 2002. Mr. Chan has also been an associate member of the Institute of Chartered Accountants in England & Wales since March 2007.

SENIOR MANAGEMENT

Mr. Cheung Chi Keung (張志強), FCCA, CPA, is the Group's Chief Financial Officer and Company Secretary. He joined the Group in July 2008 and was appointed as Company Secretary on 28 November 2009. Mr. Cheung is responsible for overseeing the investment and financial affairs, and general business development of the Group. Mr. Cheung has over 19 years of experience in the accounting sector and over 11 years in the finance sector. Prior to joining the Group, Mr. Cheung was the vice president (finance) of Pier 16 — Management Limited. He became a fellow of the Chartered Association of Certified Accountants, currently known as the Association of Chartered Certified Accountants, in the United Kingdom in 1991 and a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in 1989. Mr. Cheung obtained a bachelor's degree in Social Science from the University of Hong Kong (香港大學) in 1983 and a master's degree in Business Administration (MBA) from the Brunel University in the United Kingdom in 1997.

Mr. Tseng Yin Hoong, Allen (曾元宏), is the Group's Chief Information Officer. He joined the Group in June 2009. Mr. Tseng is responsible for the information technology and computer systems at all levels in the Group. Mr. Tseng has extensive experience in the information technology and electronics manufacturing sectors. Mr. Tseng obtained a bachelor's degree of Science from the State University of New York at Buffalo in the U.S. in 1988.

Mr. Quek Siew Chye (郭修財), is the Group's Senior Manufacturing Director. He joined the Group in April 2005. Mr. Quek is responsible for the control and implementation of the strategic, tactical and day-to-day manufacturing activities at the Group's production facilities in Heshan City, the PRC. Mr. Quek has eight years of quality assurance experience in the manufacturing sector. Mr. Quek obtained a bachelor's degree in Information Technology from the University of Southern Queensland in Australia in 1996.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Wai Man (李偉文), is the Group's Senior Marketing and Business Director. He joined the Group in November 2007. Mr. Lee is responsible for the implementation of the Group's marketing solutions and he plays an instrumental role in driving the Group's demand generation worldwide. Mr. Lee has over 15 years of experience in sales and marketing, including over eight years of sales and marketing experience in the electronics sector. Mr. Lee obtained a bachelor's degree in Business Administration from the Brooklyn College of the City University of New York in the U.S. in 1996.

Mr. Decena, Joel Tongo, is the Group's Test Director. He joined the Group in August 1998. Mr. Decena is responsible for the creation, implementation and monitoring of testing strategies for the development of test software, hardware and procedures. Mr. Decena has over 11 years of experience in the assembly and testing of electronic products, and he has worked for the Group for over 11 years. He obtained a bachelor' degree in Electronics and Communication Engineering from the University of Santo Tomas in the Philippines in 1990.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of World Wide Touch Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principle subsidiaries are set out in note 10 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 43 to 114.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past four financial years, as extracted from the consolidated financial statements, and restated as appropriate, is set out on pages 4 to 5. This summary does not form part of the consolidated financial statements.

ANNUAL GENERAL MEETING

The 2010 annual general meeting of the Company ("2010 AGM") will be held on Thursday, 21 April 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2010 are set out in Note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

During the year ended 31 December 2010, there were no charitable and other donations (2009: Nil) made by the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 15 December 2010 (being the date on which the Company became listed on the Main Board of the Stock Exchange of Hong Kong Limited) to 31 December 2010.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2010, the Group employed approximately 5,000 (2009: 4,300) full time managerial and skilled staff principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonus and other individual performance bonus are awarded to staff based on the financial performance of the Group and performance of individual staff.

In addition, share options would be granted to eligible employees in accordance with the terms of the Company's share option scheme (as detailed in the paragraph headed "Share Option Scheme" below).

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 25 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme ("Scheme"), which was adopted pursuant to a resolution in writing passed by the shareholders of the Company on 24 November 2010, for the purpose of provide incentive or reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company and to enable to the Group to recruit and retain employees of high calibre. The Scheme became effective on 24 November 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) Full-time or part-time employees; and

(ii) Full-time or part-time independent non-executive directors of any member of the Group.

As at the date of this report, the total number of shares of the Company available for issue under the Scheme and any other share option scheme of the Group is 287,000,000, representing 9.8% of the issued share capital of the Company as at the date of this report.

The total number of shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible person, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such eligible persons and his associates abstaining from voting and other requirements prescribed under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") from time to time.

Any grant of options to a Director, chief executive of the Company or to a substantial shareholder or any of their respective associates is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue on the date of the offer;

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Company's shares at the date of such grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

The offer of a grant of share options may be accepted by the date specified in the offer letter, upon payment of a nominal consideration of HK$1 by the grantee.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

Upon acceptance, the date of grant of any particular option is deemed to be the date of the Board resolution approving the grant in accordance with the Scheme. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination in accordance with the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Scheme by the shareholders.

As of the date of this annual report, no option has been granted or agreed to be granted under the Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 17 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$552.7 million (2009: HK$34.7 million), of which nil dividend has been proposed for the year. Under the Companies Law, the share premium account of the Company of approximately HK$517.3 million as at 31 December 2010 (2009: Nil) is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 87.9% of the Group's turnover and 40.8% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively.

56.0% of the Group's turnover and 16.5% of the Group's purchases were attributable to the Group's largest customer and supplier, respectively.

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Wong Kwok Fong
Ms. Ching Pui Yi
Mr. Cheung Wing Keung
Mr. Tan Hui Kiat
Mr. Lam Ho Sang *(resigned on 30 September 2010)*
Mr. Cheung To Keung *(resigned on 30 September 2010)*

Independent Non-executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Chan Wai

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors to be independent.

THE BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out on pages 18 to 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Kwok Fong, Ms. Ching Pui Yi, Mr. Cheung Wing Keung and Mr. Tam Hui Kiat have entered into service contracts with the Company for a term of 3 years which commenced on 15 December 2010.

Mr. Wong Chun Bong, Professor Lee Kwok On and Mr. Chan Wai have entered into appointment with the Company for a term of 3 years which commenced on 28 November 2009.

DIRECTORS' REMUNERATION

Details of the emoluments of the Directors and the five highest paid employees are set out in Note 26 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company:

	Number of shares held, capacity and nature of interest		
Name of director	Capacity/Nature of Interest	`Number of Shares	Approximate Percentage of Shareholding
Mr. Wong Kwok Fong (Note)	Settlor of The KW Trust	1,927,778,827	67.0%
	Interest of spouse	28,700,061	1.0%
Ms. Ching Pui Yi (Note)	Beneficiary of The KW Trust	1,927,778,827	67.0%
	Registered owner	28,700,061	1.0%
Mr. Tan Hui Kiat	Registered owner	8,036,017	0.3%

Notes:

The entire issued share capital of Soar Plan Holdings Limited is held by Swan Hills Holdings Limited which is in turn ultimately held by the Credit Suisse Trust Limited as the trustee of The KW Trust. The KW Trust is a discretionary trust established by Mr. Wong Kwok Fong as settlor and the Credit Suisse Trust Limited as trustee on 1 December 2009. The beneficiaries of The KW Trust include family members of Mr. Wong Kwok Fong and Ms. Ching Pui Yi. Mr. Wong Kwok Fong and Ms. Ching Pui Yi are deemed to be interested in the 1,927,778,827 Shares held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited pursuant to Part XV of the Securities and Futures Ordinance and their respective interests duplicate the interests held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which had been recorded in the register kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the year ended 31 December 2010.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executive of the Company as at 31 December 2010, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in shares and underlying shares:

	Number of shares held, capacity and nature of interest		
Name of substantial Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Credit Suisse Trust Limited *(Note)*	Interest in a controlled corporation	1,927,778,827	67.0%
Swan Hills Holdings Limited *(Note)*	Interest in a controlled corporation	1,927,778,827	67.0%
Soar Plan Holdings Limited *(Note)*	Registered owner	1,927,778,827	67.0%

Notes:

The entire issued share capital of Soar Plan Holdings Limited is held by Swan Hills Holdings Limited which is in turn ultimately held by the Credit Suisse Trust Limited as the trustee of The KW Trust. The KW Trust is a discretionary trust established by Mr. Wong Kwok Fong as settlor and the Credit Suisse Trust Limited as trustee on 1 December 2009. The beneficiaries of The KW Trust include family members of Mr. Wong Kwok Fong and Ms. Ching Pui Yi. Mr. Wong Kwok Fong and Ms. Ching Pui Yi are deemed to be interested in the 1,927,778,827 Shares held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited pursuant to Part XV of the Securities and Futures Ordinance and their respective interests duplicate the interests held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited.

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any interests or short positions in the Shares or underlying Shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the Securities and Futures Ordinance.

CONNECTED TRANSACTIONS

Heshan World Fair Electronics Technology Limited ("World Fair Heshan"), an indirect wholly-owned subsidiary of the Company, has entered into a transaction with Mr. Wong, a connected person of the Company and such transaction will, upon Listing, constitute a continuing connected transaction of the Company under the Listing Rules.

World Fair Heshan entered into a residential premises lease agreement with Mr. Wong Kwok Fong on 16 November 2009, pursuant to which World Fair Heshan has agreed to lease from Mr. Wong Kwok Fong 28 Residential premises in Jiangmen, the PRC (the "Premises"), as residences in Jiangmen for the senior management and other personnel (the "Lease"). The term of the Lease is three years effective on 15 December 2010. The yearly rent is RMB1,044,000, exclusive of management fees, water and electricity charges, and is fixed throughout the term of the Lease. The Directors estimate that the annual rent payable by World Fair Heshan to Mr. Wong Kwok Fong for each of the three years commencing on 15 December 2010 will not exceed the annual cap of HK$1.2 million (which is equivalent to the annual rent of RMB1,044,000). The Lease is renewable at the option of World Fair Heshan by giving three months' notice to Mr. Wong Kwok Fong prior to the expiry of the Lease. In the event the Company renew the term of the Lease, the Company shall comply with Chapter 14A of the Listing Rules, if applicable.

As each of the applicable percentage ratios (other than the profits ratio) on an annual basis is expected to be less than 5% based on the consolidated financial statements of the Group and as a result of which, in the absence of any waiver granted by the Stock Exchange, the Company would be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent Non-executive Directors) confirm that the continuing connected transaction with respect to and contemplated under the Lease will be carried out in the ordinary and usual course of business of the Group and is on normal commercial terms, and the terms and the proposed annual cap amount of such transaction are fair and reasonable as far as the Company is concerned and are in the interests of the shareholders as a whole.

Other than the aforementioned continuing connected transactions, the related party transactions disclosed in Note 34 to the financial statements are either exempted connected continuing transactions or non-exempt continuing connected transaction which have complied with the requirement of Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Each of the Group's executive Directors and Independent Non-executive Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its Shares on the Stock Exchange on 15 December 2010.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 28 November 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control systems.

At present, the Audit Committee comprises three Independent Non-executive Directors, being Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai, of which Mr. Wong Chun Bong is the chairman. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2010. The consolidated financial statements for the year ended 31 December 2010 have been audited by the Company's independent auditor, PricewaterhouseCoopers.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the balance sheet date are set out in Note 36 to the financial statements.

AUDITOR

PricewaterhouseCoopers, the independent auditor of the Company, will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint them as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Wong Kwok Fong
Chairman

Hong Kong, 15 March 2011

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance. The Board believes that sound corporate governance principles, increased transparency and independence of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Company and enhance the shareholder value.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period from 15 December 2010 (being the date on which the Company became listed on the Stock Exchange) to 31 December 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code"), and where appropriate, met the recommended best practices in the CG Code except for the following deviation.

Under code provision A.2.1 in the CG Code, the roles of the chairman and the chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Mr. Wong Kwok Fong is the Chairman and the Chief Executive Officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring effective and efficient decision making and management control. Furthermore, the Company's present management structure comprises sufficient number of independent non-executive directors, and thus the Board believes that a balance of power and authority have been and will be maintained.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of the directors of the Company. All Directors have confirmed that throughout the period from 15 December 2010 (being the date on which the Company became listed on the Stock Exchange) to 31 December 2010, they have complied with the provisions of such Model Code.

THE BOARD

The Board provides leadership and guidance to the Group's activities, overseeing the Group's businesses, strategic decisions and financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

The Board met 2 times during the year ended 31 December 2010, composition and the attendance of individual directors at these board meetings were as follows:

Name of Directors	Number of meetings attended/held
Executive Directors:	
Mr. Wong Kwok Fong *(Note)*	2/2
Ms. Ching Pui Yi *(Note)*	2/2
Mr. Cheung Wing Keung	2/2
Mr. Tan Hui Kiat	2/2
Mr. Lam Ho San *(resigned on 30 September 2010)*	1/2
Mr. Cheung To Keung *(resigned on 30 September 2010)*	1/2
Independent Non-executive Directors:	
Mr. Wong Chun Bong	2/2
Professor Lee Kwok On, Matthew	2/2
Mr. Chan Wai	2/2

Note: Ms. Ching Pui Yi is the spouse of Mr. Wong Kwok Fong.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Kwok Fong is the Chairman and the Chief Executive Officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development. The CG Code recommends that the role of the Chairman and that of the Chief Executive Officer should be separated and should not be performed by the same individual. The Company deviates from this provision of the CG Code with Mr. Wong Kwok Fong being the Chairman and the Chief Executive Officer of the Company concurrently. The Board considers this arrangement appropriate as it allows for efficient discharge of the executive functions of the Chief Executive Officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals including three Independent Non-executive Directors offering independent and different perspectives. In addition, all major decisions are made in full consultation with the Board and appropriate Board Committees, as well as senior management. The Board is therefore of the view that there is adequate balance and safeguards in place.

BOARD COMMITTEE

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a strategic intellectual property and technology committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Audit Committee

The Group established an Audit Committee on 28 November 2009, with written terms of reference as suggested under the CG Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting processes and internal control system. At present, the Audit Committee consists of three Independent Non-executive Directors, being Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai, of which Mr. Wong Chun Bong is the chairman.

During the period from 15 December 2010 (being the date of Listing of the Shares on the Stock Exchange of Hong Kong Limited to 31 December 2010), no meeting for the Audit Committee was held.

Remuneration Committee

The Group established a Remuneration Committee on 28 November 2009, with written terms of reference as suggested under the CG Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Group's Directors and senior management. At present, the Remuneration Committee consists of three members, being Mr. Wong Kwok Fong, Mr. Wong Chun Bong and Mr. Chan Wai, of which Mr. Wong Kwok Fong is the chairman. Under the Group's Remuneration Committee's terms of reference, a member of the Remuneration Committee with a personal interest in any matter presented in a meeting of the Group's Remuneration Committee shall abstain from attending the relevant meeting.

During the period from 15 December 2010 (being the date of listing of the Shares on the Stock Exchange of Hong Kong Limited to 31 December 2010), no meeting for the Remuneration Committee was held.

Nomination Committee

The Group established a Nomination Committee on 28 November 2009 in compliance with the CG Code as set out in Appendix 14 of the Listing Rules.

The primary duties of the Nomination Committee are to consider and recommend to the Board on the appointment of Executive Directors and senior management staff. At present, the Group's Nomination Committee comprises three members, being Mr. Wong Kwok Fong, Mr. Wong Chun Bong and Mr. Chan Wai, of which Mr. Wong Kwok Fong is the chairman.

During the period from 15 December 2010 (being the date of listing of the Shares on the Stock Exchange of Hong Kong Limited) to 31 December 2010, no meeting for the Nomination Committee was held.

Strategic Intellectual Property and Technology Committee

The Group established a Strategic Intellectual Property and Technology Committee on 28 November 2009. The primary duties of the Strategic Intellectual Property and Technology Committee are to monitor the applications and protection of all the intellectual property rights of the Group and to consider and recommend to the Board on the Group's R&D development. At present, the Strategic Intellectual Property and Technology Committee comprises three members, being Mr. Wong Kwok Fong, Mr. Cheung Wing Keung and Professor Lee Kwok On, Matthew, of which Mr. Cheung Wing Keung is the chairman.

During the period from 15 December 2010 (being the date of listing of Shares on the Stock Exchange of Hong Kong Limited) to 31 December 2010, no meeting for the Strategic Intellectual Property and Technology Committee was held.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors has been appointed for an initial term of 3 years commencing from 28 November 2009. Upon the expiry of the aforesaid term of 3 years, the appointment shall be subject to the approval by the Board of the Company. The term of appointment shall be terminable by either the Independent Non-executive Director or the Company by giving the other party not less than 3 months' prior notice in writing.

DIRECTORS' REMUNERATION

During the year ended 31 December 2010, the Directors' remuneration is as follows:

	2010 HK$'000	2009 HK$'000
Fees	1,779	960
Other emoluments:		
Salaries, allowances and benefits in kind	4,311	6,171
Performance related bonuses	—	1,980
Pension scheme contributions	37	41
	6,127	9,152

There was no bonuses payable to the executive Directors for the year ended 31 December 2010 (2009: HK$1,980,000).

(a) Independent Non-executive Directors

The fees paid to Independent Non-executive Directors during the year ended on 31 December 2010 were as follows:

	2010 HK$'000	2009 HK$'000
Mr. Wong Chun Bong	240	—
Professor Lee Kwok On, Matthew	180	—
Mr. Chan Wai	210	—
	630	—

(b) Executive Directors

The fees paid to Executive Directors during the year ended on 31 December 2010 were as follows:

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based compensation HK$'000	Pension Scheme HK$'000	Total Remuneration HK$'000
2010 Executive Directors:					
Mr. Wong Kwok Fong	2,669	–	–	12	2,681
Ms. Ching Pui Yi	1,200	–	–	12	1,212
Mr. Cheung Wing Keung	106	–	–	3	109
Mr. Tan Hui Kiat	692	–	–	–	692
Mr. Lam Ho Sang*	681	–	–	9	690
Mr. Cheung To Keung*	112	–	–	1	113

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based compensation HK$'000	Pension Scheme HK$'000	Total Remuneration HK$'000
2009 Executive Directors:					
Mr. Wong Kwok Fong	1,232	1,440	–	12	2,684
Ms. Ching Pui Yi	660	540	2,014	12	3,226
Mr. Cheung Wing Keung	–	–	–	–	–
Mr. Tan Hui Kiat	631	–	564	–	1,195
Mr. Lam Ho Sang*	800	–	564	12	1,376
Mr. Cheung To Keung*	666	–	–	5	671

* *resigned on 30 September 2010*

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Group; and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board is committed to improving the Group's internal control system on an ongoing basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the Relevant Period.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2010, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standard, made judgment and estimates that are appropriate, and prepared the accounts on the going concern basis.

The Group has announced its annual result in a timely manner within the limits of three months after the end of the relevant period, as laid down in the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December, 2010, approximately HK$1,100,000 was incurred as remuneration to PricewaterhouseCoopers for the provision of audit services and approximately HK$18,000 was paid to Jiangmen City Yuanyang C.P.A. Partnership for the provision of audit services of the subsidiary of the Company incorporated in Mainland China. During the Year, the following amounts were paid as remuneration to PricewaterhouseCoopers for the provision of non-audit related services to the Group.

	HK$'000
Taxation	130
Others	238
Total	368

COMMUNICATION WITH SHAREHOLDERS

The Group establishes and maintains different communication channels with its shareholders through the publication of annual report, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports to the shareholders twice a year and maintains a regular dialogue with investors.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2010.

The auditor of the Company acknowledge their reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2010.

The Directors present their report and the consolidated financial statements of the Company for the year ended 31 December 2010.

ON BEHALF OF THE BOARD

Wong Kwok Fong
Chairman
Hong Kong, 15 March 2011

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF WORLD WIDE TOUCH TECHNOLOGY (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of World Wide Touch Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 114, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2011

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	462,232	340,526
Land use right	7	5,154	5,270
Intangible assets	8	27,421	11,383
Deferred income tax assets	20	104	278
Prepayments	12	6,883	3,299
		501,794	360,756
Current assets			
Inventories	9	193,692	105,691
Trade receivables	11	225,549	227,932
Prepayments, deposits and other receivables	12	96,806	32,801
Financial assets at fair value through profit or loss	13	1,251	1,403
Pledged bank deposits	15(a)	75,832	83,431
Cash and cash equivalents	15(b)	550,311	36,057
		1,143,441	487,315
Total assets		1,645,235	848,071
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	16	287,000	215,250
Share premium	17	517,267	—
Other reserves	17	202,057	26,857
		1,006,324	242,107

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	44,000	49,000
Deferred income tax liabilities	20	3,776	—
		47,776	49,000
Current liabilities			
Trade and bills payables	21	210,917	248,425
Accruals and other payables	22	95,835	52,211
Bank borrowings	18	223,181	186,577
Finance lease obligations	19	38,291	54,976
Current income tax liabilities		22,911	14,161
Amounts due to directors	14	—	614
		591,135	556,964
Total liabilities		638,911	605,964
Total equity and liabilities		1,645,235	848,071
Net current assets/(liabilities)		552,306	(69,649)
Total assets less current liabilities		1,054,100	291,107

The consolidated financial statements were approved by the Board of Directors on 15 March 2011 and were signed on its behalf.

Wong Kwok Fong
Chairman

Ching Pui Yi
Director

The notes on pages 50 to 114 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	250,000	250,000
Current assets			
Other receivables	12	47,152	—
Amounts due from subsidiaries	14	40,310	—
Cash and cash equivalents	15(b)	529,420	—
		616,882	—
Total assets		866,882	250,000

BALANCE SHEET (CONTINUED)

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	16	287,000	215,250
Share premium	17	517,267	—
Other reserves	17	35,480	34,700
		839,747	249,950
LIABILITIES			
Current liabilities			
Accrual and other payables	22	27,135	—
Amount due to a subsidiary	14	—	50
		27,135	50
Total equity and liabilities		866,882	250,000
Net current assets/(liabilities)		589,747	(50)
Total assets less current liabilities		839,747	249,950

The financial statements were approved by the Board of Directors on 15 March 2011 and were signed on its behalf.

Wong Kwok Fong
Chairman

Ching Pui Yi
Director

The notes on pages 50 to 114 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT — BY FUNCTION OF EXPENSE

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	1,391,647	888,348
Cost of sales	24	(1,015,281)	(629,802)
Gross profit		376,366	258,546
Other income — net	23	1,273	1,198
Distribution costs	24	(10,190)	(6,135)
Administrative expenses	24	(105,380)	(81,727)
Operating profit		262,069	171,882
Finance income	27	105	265
Finance costs	27	(10,107)	(8,454)
Finance costs — net	27	(10,002)	(8,189)
Profit before income tax		252,067	163,693
Income tax expense	28	(38,400)	(10,563)
Profit for the year		213,667	153,130
Attributable to:			
Equity holders of the Company		213,667	151,655
Non-controlling interests		—	1,475
		213,667	153,130
Earnings per share for profit attributable to equity holders of the Company			
— basic (expressed in HK cents per share)	29	9.77	7.05
— diluted (expressed in HK cents per share)	29	N/A	N/A

No statement of comprehensive income is presented as there is no other comprehensive income during the year (2009: Same).

The notes on pages 50 to 114 are an integral part of these consolidated financial statements.

Dividends	30	56,391	51,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to the equity holders of the Company									
	Share capital (Note 16) HK$'000	Share premium HK$'000	Merger reserve (Note 17) HK$'000	Capital reserve (Note 17) HK$'000	Share issuance cost HK$'000	Share-based compensation reserve (Note 25) HK$'000	Statutory reserve (Note 17) HK$'000	Retained earnings HK$'000	Non controlling interests HK$'000	Total HK$'000
For the year ended 31 December 2010										
At 1 January 2010	215,250	–	(215,150)	12,411	(17,924)	–	12,578	234,942	–	242,107
Profit for the year	–	–	–	–	–	–	–	213,667	–	213,667
Issuance of shares pursuant to the Global Offering	71,750	609,875	–	–	–	–	–	–	–	681,625
Professional fees in relation to the Global Offering	–	–	–	–	(74,684)	–	–	–	–	(74,684)
Transfer to share premium	–	(92,608)	–	–	92,608	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	10,471	(10,471)	–	–
Dividends	–	–	–	–	–	–	–	(56,391)	–	(56,391)
At 31 December 2010	287,000	517,267	(215,150)	12,411	–	–	23,049	381,747	–	1,006,324
For the year ended 31 December 2009										
At 1 January 2009	215,250	–	(215,150)	–	–	2,137	5,756	144,209	–	152,202
Profit for the year	–	–	–	–	–	–	–	151,655	1,475	153,130
Share of net asset value by non-controlling shareholders	–	–	–	–	–	–	–	(3,100)	3,100	–
Professional fees in relation to the Global Offering	–	–	–	–	(17,924)	–	–	–	–	(17,924)
Share-based compensation	–	–	–	–	–	5,699	–	–	–	5,699
Release of share-based compensation reserve to capital reserve	–	–	–	7,836	–	(7,836)	–	–	–	–
Deemed contribution from equity holders upon Reorganisation	–	–	–	4,575	–	–	–	–	(4,575)	–
Transfer to statutory reserve	–	–	–	–	–	–	6,822	(6,822)	–	–
Dividends	–	–	–	–	–	–	–	(51,000)	–	(51,000)
At 31 December 2009	215,250	–	(215,150)	12,411	(17,924)	–	12,578	234,942	–	242,107

The notes on pages 50 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flow from operating activities			
Cash generated from operations	31	188,725	124,702
Interest paid		(15,629)	(8,454)
Hong Kong profits tax paid		(22,621)	(14,198)
PRC taxation paid		(3,079)	—
Net cash generated from operating activities		147,396	102,050
Cash flows from investing activities			
Purchase of property, plant and equipment		(154,714)	(95,147)
Additions of intangible assets		(25,250)	(12,824)
Proceed received on disposal of property, plant and equipment		180	—
Interest received		105	265
Decrease/(increase) in pledged bank deposits		7,599	(27,008)
Net cash used in investing activities		(172,080)	(134,714)
Cash flows from financing activities			
New bank borrowings		270,035	354,646
Repayments of bank borrowings		(233,829)	(204,751)
Increase in finance lease obligations		830	2,250
Capital repayment of finance lease obligations		(24,332)	(23,146)
Proceeds from issuance of ordinary shares pursuant to the Global Offering		634,680	—
Payment for share issuance costs		(45,618)	(17,924)
Repayment of amount due to a related company		—	(10,421)
Dividends paid		(56,391)	(51,000)
Net cash generated from financing activities		545,375	49,654
Net increase in cash and cash equivalents		520,691	16,990
Cash and cash equivalents at beginning of the year		29,620	12,630
Cash and cash equivalents at end of the year		550,311	29,620
Analysis of the balance of cash and cash equivalents			
Cash at banks and on hand		550,311	36,057
Bank overdrafts		—	(6,437)
		550,311	29,620

The notes on pages 50 to 114 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANISATION

World Wide Touch Technology (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 17 July 2009 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the trading and manufacturing of electronic products.

Pursuant to a group reorganisation, which was completed on 27 November 2009 (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group. Prior to the completion of the Reorganisation, the business of the Group was carried out by World Fair International Limited (a Hong Kong incorporated company) and its subsidiaries. Before the completion of the Reorganisation, World Fair International Limited was beneficially wholly owned by Mr. Wong Kwok Fong and Ms. Ching Pui Yi (together, the "Controlling Shareholders").

On 2 December 2010, the Company issued a prospectus (the "Prospectus") and launched a global offering of 861,000,000 ordinary shares, comprising 717,500,000 new shares issued by the Company and 143,500,000 shares offered by one of the Controlling Shareholders (the "Global Offering"), at an offer price of HK$0.95 per share (the "Offer Price"). The over-allotment option as detailed in the Prospectus was exercised on 4 January 2011 and 7 January 2011, and the Company allotted and issued 54,000,000 and 3,084,000 additional shares, respectively, at the Offer Price. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2010.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reorganisation was accounted for as a reorganisation of business under common control using the principle of merger accounting as presented in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Accordingly, the consolidated financial statements have been prepared as if the group structure had been in existence as at all dates during the years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

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

2.1.2 Changes in accounting policy and disclosures

(a) Standards, amendments and interpretations effective in 2010

- HKAS 1 (amendment), "Presentation of financial statements", effective 1 January 2010. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

(a) *Standards, amendments and interpretations effective in 2010* ***(continued)***

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- HKAS 36 (amendment), "Impairment of assets", effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, "Operating segments" (that is, before the aggregation of segments with similar economic characteristics).

- HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". The Interpretation requires that the amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet, as the borrower under such an agreement does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Similarly, in the contractual maturity analysis disclosed by the borrower in accordance with HKFRS 7 "Financial Instruments: Disclosures", amounts repayable under such loan agreement shall be classified in the earliest time bracket.

- HKFRS 2 (amendments), "Group cash-settled share-based payment transactions", effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, "Scope of HKFRS 2", and HK(IFRIC) 11, "HKFRS 2 — Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

(a) Standards, amendments and interpretations effective in 2010 *(continued)*

- HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard has had no impact on the current year as there is no business combination.

- HKFRS 5 (amendment), "Non-current assets held for sale and discontinued operations". The amendment clarificaties that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

- HK(IFRIC) 9 (amendment), "Reassessment of embedded derivatives" and HKAS 39, (amendment) "Financial instruments: Recognition and measurement", effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the "fair value through profit or loss" category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

(a) *Standards, amendments and interpretations effective in 2010* ***(continued)***

- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation" effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. HKAS 38 (amendment), "Intangible assets", effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HK(IFRIC) 17, "Distribution of non-cash assets to owners" (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

(b) *Standards, amendments and interpretations to existing standards have been published but are not yet effective*

- HKAS 12 (amendment), "Deferred tax on investment properties at fair value", which provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

- HKAS 24 (revised), "Related party disclosures", issued in November 2009. It supersedes HKAS 24, "Related party disclosures", issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates.

- HKAS 32 (amendment) "Classification of rights issues", issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 "Accounting policies, changes in accounting estimates and errors".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

(b) *Standards, amendments and interpretations to existing standards have been published but are not yet effective* ***(continued)***

- HKFRS 1 (amendment), "Limited exemption from comparative HKFRS 7 disclosures for first-time adopter". A first-time adopter may apply the transition provisions in paragraph 44G of HKFRS 7.

- HKFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace HKAS 39, "Financial instruments: recognition and measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

- HK (IFRIC) — Int 14 (amendments), "Prepayments of a minimum funding requirement". The amendments correct an unintended consequence of HK (IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- HK (IFRIC) — Int 19, "Extinguishing financial liabilities with equity instruments", effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

(b) Standards, amendments and interpretations to existing standards have been published but are not yet effective ***(continued)***

- HKICPA's improvements to HKFRS

  Annual improvements project to HKFRS have been published in May 2010. These improvements to HKFRS have introduced certain amendments to those standards set out below.

  - HKFRS 3 (revised) (amendment), "Business Combinations"
  - HKFRS 1 (amendment), "First-time Adoption of Hong Kong Financials Reporting Standards"
  - HKFRS 7 (amendment), "Financial Instruments: Disclosures"
  - HKAS 1 (amendment), "Presentation of Financial Statements"
  - HKAS 27 (revised) (amendment), "Consolidated and Separate Financial Statements"
  - HKAS 34 (amendment), "Interim Financial Reporting"
  - HK (IFRIC) Int 13 (amendment), "Customer Loyalty programmes"

The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2.2 Consolidation

(a) Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries* *(continued)*

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

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

(b) *Transactions with non-controlling interests*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) Transactions with non-controlling interests *(continued)*

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States ("US") dollar. The consolidated financial statements are presented in Hong Kong dollar.

(b) Transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

— all resulting exchange differences are recognised as a separate component of equity.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Buildings	2.5%
Leasehold improvements, furniture and fixtures and office equipment	10 to 50%
Machinery and factory equipment	10 to 50%
Computer equipment	20 to 50%
Motor vehicles	10 to 25%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Property, plant and equipment *(continued)*

Construction-in-progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Land use right

The up-front prepayments made for land use right are accounted for as operating leases. They are expensed in the consolidated income statement on a straight-line basis over the periods of lease, or when there is impairment, the impairment is expensed in the consolidated income statement.

2.7 Intangible assets

(a) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets *(continued)*

(b) Research and developments costs

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the product so that it will be available for use;
— management intends to complete the product and use or sell it;
— there is an ability to use or sell the product;
— it can be demonstrated how the product will generate probable future economic benefits;
— adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
— the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are recognised as part of the product include the product development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product development costs recognised as assets are amortised over their estimated useful lives of three years.

2.8 Impairment of investments in subsidiaries and non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets

2.9.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, receivables due from related parties and cash and cash equivalents.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

2.9.3 Assets carried at amortised cost

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

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

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

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial assets *(continued)*

2.9.3 Assets carried at amortised cost *(continued)*

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

Impairment testing of trade and other receivables is described in Note 2.11.

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

2.10 Inventories

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

2.11 Trade and other receivables

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

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

2.12 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts in the consolidated balance sheet. Bank overdrafts are shown within borrowings in current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Share capital

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

2.14 Trade and other payables

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

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

2.15 Borrowings

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

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

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

2.16 Current and deferred income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Current and deferred income tax *(continued)*

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

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

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

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

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

2.17 Employee benefits

(a) Pension obligations

The Group maintains defined contribution plans in both Hong Kong and the People's Republic of China ("PRC"). A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Under the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits *(continued)*

(b) Bonus plan

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a legal or construction obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Share-based compensation expenses

Pursuant to an equity-settled share incentive scheme (details of which are set out in Note 25 (iii) to the consolidated financial statements), under which the Group receives services from employees as consideration for equity instruments of a subsidiary of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market performance and service vesting conditions. Non-market performance and service vesting conditions are included in the assumptions of the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

2.18 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

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

(c) Sundry income

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

2.20 Leases (as the lessee)

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases (as the lessee) *(continued)*

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

2.21 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.22 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group under policies approved by the directors of the Company.

(a) Market risk

Foreign exchange risk

The Group operates principally in Hong Kong and in the PRC. It is exposed to foreign exchange risk primarily with respect to Hong Kong dollar and Chinese Renminbi ("RMB") denominated transactions. Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in currency that is not the Company's functional currency. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2010 and 2009, the Group's borrowings are denominated in Hong Kong dollar, US dollar or RMB. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As at 31 December 2010, if RMB had strengthened/weakened by 5% with all other variables held constant, the post tax profit for the year would have been HK$1,153,000 (2009: HK$1,452,000) lower/higher, mainly as a result of foreign exchange losses/gains on revaluation of RMB denominated receivables, payables and bank borrowings.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of suppliers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

Price risk

The Group is exposed to equity price change arising from its financial assets at fair value through profit or loss. The Group's financial instruments are equity securities and equity linked structure notes which are subject to change in market prices of the securities or the underlying listed securities. The Group is not exposed to significant equity price risk as the amounts of financial assets at fair value through profit or loss as at 31 December 2010 are not significant.

The Group does not expose to significant commodity price risk as at 31 December 2010 (2009: Same).

Interest rate risk

Except for the cash held at bank and pledged bank deposits, the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2010, if interest rates on cash held at banks and pledged bank deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$1,354,000 (2009: HK$908,000) higher/lower, mainly as a result of higher/lower interest income on cash at banks and pledged bank deposits.

The Group's interest rate risk arises from bank borrowings which are interest bearing at floating rates and are repayable based on the bank repayment schedule. Borrowings issued at floating rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2010, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$2,614,000 (2009: HK$2,426,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group does not expose to any fair value interest-rate risk as the Group does not have any fixed rates borrowings as at 31 December 2010 (2009: Same).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

Credit risk mainly arises from trade and other receivables, financial assets at fair value through profit or loss, amounts due from related parties, pledged bank deposits and cash and cash equivalents.

As at 31 December 2010, trade receivables from one customer accounted for approximately 12% (2009: 54%) of the Group's trade receivables. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and requires them, and other customers with credit histories that the management is not satisfied with, to pay a deposit of on average of 30% of the sales amount, or to provide the Group with a letter of credit when placing orders. In order to minimise the credit risk of the Group, the management has implemented internal control 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 debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

Based on the Group's historical experience in collection of trade and other receivables and amounts due from related parties, the directors and the management are of opinion that adequate provision has been made for uncollectible receivables.

The financial assets at fair value through profit or loss of the Group are placed in a financial institution which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this financial institution as it has no default history in the past.

Cash and cash equivalents and pledged bank deposits were deposited in over ten financial institutions, which management believes are reputable and without significant credit risk.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flow. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) ***Liquidity risk*** *(continued)*

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Group:					
At 31 December 2010					
Trade and bills payables	–	210,917	–	–	210,917
Accruals and other payables	–	75,655	–	–	75,655
Bank borrowings	232,322	–	22,519	24,482	279,323
Finance lease obligations	40,617	–	–	–	40,617
	272,939	286,572	22,519	24,482	606,512
At 31 December 2009					
Trade and bills payables	–	248,425	–	–	248,425
Accruals and other payables	–	52,111	–	–	52,111
Bank borrowings	191,129	–	27,481	22,391	241,001
Finance lease obligations	59,122	–	–	–	59,122
Amounts due to directors	614	–	–	–	614
	250,865	300,536	27,481	22,391	601,273

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Company:				
At 31 December 2010				
Financial guarantee contract to a subsidiary	93,244	–	–	93,244
At 31 December 2009				
Financial guarantee contract to a subsidiary	15,646	–	–	15,646

3.2 Capital risk management

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

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

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. Management considers a net gearing ratio of not more than 100% to be appropriate. The table below analyses the Group's capital structure at 31 December 2010 and 2009 as follows:

	2010 HK$'000	2009 HK$'000
Total bank borrowings	267,181	235,577
Total finance lease obligations	38,291	54,976
Less: Cash and cash equivalents and pledged bank deposits	(626,143)	(119,488)
Net (cash)/debt	(320,671)	171,065
Total equity	1,006,324	242,107
Net gearing ratio	N/A	71%

There is a significant increase in the Group's cash and cash equivalents at 31 December 2010 mainly due to the proceeds received from the Global Offering of the Company's shares in December 2010.

3.3 Fair value estimation

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated balance sheet are disclosed by level of the following fair value measurement hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed shares classified as financial assets at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. None of financial instruments of the Group is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. None of financial instruments of the Group is included in level 3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each balance sheet date.

(b) Impairment of property, plant and equipment, land use right and intangible assets

Property, plant and equipment, land use right and intangible assets are reviewed for impairment whenever events or change in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Impairment of property, plant and equipment, land use right and intangible assets *(continued)*

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(c) Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or writedown technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

(d) Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(e) Income taxes

The Group is subject to income taxes in jurisdictions in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(e) Income taxes *(continued)*

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(f) Research and development costs

Critical judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group's management.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (the "CEO") that are used to make strategic decisions.

The CEO considers the business from a product perspective.

The reportable operating segments derive their revenue primarily from the manufacturing and sale of capacitive touch products, fingerprint biometric devices, lighting source products and wireless charging devices.

Other products include automotive devices, medical equipment products and mining and drilling machine system products. These are not qualified as reportable segment as these segments do not meet the quantitative threshold required by HKFRS 8 and accordingly, the segment information of these operations are included in "other segments".

5 SEGMENT INFORMATION *(continued)*

Reportable segment information is reconciled to profit before income tax as follows:

	2010 HK$'000	2009 HK$'000
Revenue from external customers		
Capacitive touch products	766,907	689,364
Fingerprint biometric devices	151,849	42,281
Lighting source	90,929	17,775
Wireless charging devices	234,860	102,431
Other segments	147,102	36,497
Segment revenue for reportable and other segments	1,391,647	888,348
Segment gross profit		
Capacitive touch products	183,769	190,593
Fingerprint biometric devices	54,564	17,820
Lighting source	33,436	6,744
Wireless charging devices	68,647	30,525
Other segments	35,950	12,864
Segment gross profit for reportable and other segments	376,366	258,546
Other segment item — amortisation charge of intangible assets		
Fingerprint biometric devices	(5,795)	(1,167)
Lighting source	(1,372)	(274)
Wireless charging devices	(448)	—
Other segments	(1,597)	—
	(9,212)	(1,441)
Unallocated:		
Depreciation shared by various reportable segments	(9,688)	(6,240)
Amortisation of land use right	(116)	(115)
Share-based compensation expenses	—	(5,699)
Other income — net	1,273	1,198
Other distribution costs and administrative expenses	(96,554)	(74,367)
Finance costs — net	(10,002)	(8,189)
	(115,087)	(93,412)
Profit before income tax	252,067	163,693

5 SEGMENT INFORMATION *(continued)*

The revenue from external parties reported to the CEO is measured in a manner consistent with that in the consolidated financial statements.

The CEO assesses the performance of the operating segments based on a measure of gross profit margin, which are in a manner consistent with that of the consolidated financial statements.

Other income-net, distribution and administrative expenses are not allocated to segments, as they are inseparable for each product and not attributable to particular reportable segments.

Finance income and expenses are not allocated to segments, as this type of activities are managed by the central finance and accounting function, which manages the working capital of the Group.

Reportable segments' assets are reconciled to total assets as follows:

	2010 HK$'000	2009 HK$'000
Segment assets		
Capacitive touch products	218,726	295,690
Fingerprint biometric devices	83,750	48,684
Lighting source	85,324	21,973
Wireless charging devices	115,180	74,508
Other segments	63,947	18,787
Segment assets for reportable and other segments	566,927	459,642
Other segment item — intangible assets		
Fingerprint biometric devices	15,184	8,690
Lighting source	3,999	1,802
Wireless charging devices	2,087	—
Other segments	6,151	891
	27,421	11,383

5 SEGMENT INFORMATION *(continued)*

	2010 HK$'000	2009 HK$'000
Unallocated:		
Property, plant and equipment shared by various reportable segments	205,702	144,038
Land use right	5,154	5,270
Deferred income tax assets	104	278
Inventories shared by various reportable segments	108,844	70,469
Prepayments, deposits and other receivables	103,689	36,100
Financial assets at fair value through profit or loss	1,251	1,403
Pledged bank deposits	75,832	83,431
Cash and cash equivalents	550,311	36,057
	1,050,887	377,046
Total assets	1,645,235	848,071

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets represented property, plant and equipment attributable to various reportable segments, trade receivables and inventories attributable to various reportable segments.

Unallocated segment assets comprise property, plant and equipment and inventories shared by various reportable segments, land use right, deferred income tax assets, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, pledged bank deposits and cash and cash equivalents which are inseparable for each product and are not attributable to particular reportable segments.

5 SEGMENT INFORMATION *(continued)*

Reportable segments liabilities are reconciled to total liabilities as follows:

	2010 HK$'000	2009 HK$'000
Segment liabilities		
Capacitive touch products	116,232	192,779
Fingerprint biometric devices	23,014	11,824
Lighting source	13,781	4,971
Wireless charging devices	35,595	28,645
Other segments	22,295	10,206
Segment liabilities for reportable and other segments	210,917	248,425
Unallocated:		
Accruals and other payables	95,835	52,211
Bank borrowings	267,181	235,577
Finance leases obligations	38,291	54,976
Current income tax liabilities	22,911	14,161
Deferred income tax liabilities	3,776	—
Amounts due to directors	—	614
Total liabilities	638,911	605,964

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. Segment liabilities represented trade payables which are allocated based on the operations of the segment.

Unallocated segment liabilities comprise, accruals and other payables, interest-bearing liabilities, current income tax liabilities, deferred income tax liabilities, amounts due to directors which are inseparable for each product and not attributable to particular reportable segments.

Revenues from external customers are derived from the sales of goods net of returns and rebates.

The Group's entities are mainly domiciled in Hong Kong and the PRC while its major customers are mainly located in the United States of America.

The result of its revenue from external customers located in the United States of America is HK$992,740,000 (2009: HK$704,670,000), while the remaining revenue are derived from customers located in other countries.

The total of non-current assets other than deferred income tax assets located in the PRC is HK$475,508,000, (2009: HK$351,571,000), and the total of these non-current assets located in other countries is HK$26,182,000 (2009: HK$8,907,000).

During the year ended 31 December 2010, sale made to a customer in the capacitive touch products segment and a customer in the wireless charging devices against accounted for 56% (2009: 79%) and 15% (2009: 12%) of the total revenue of the Group respectively.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2009							
Cost	66,800	21,644	214,068	9,431	7,576	15,089	334,608
Accumulated depreciation	(4,057)	(13,869)	(67,381)	(5,976)	(3,139)	—	(94,422)
Net book amount	62,743	7,775	146,687	3,455	4,437	15,089	240,186
For the year ended 31 December 2009							
Opening net book amount	62,743	7,775	146,687	3,455	4,437	15,089	240,186
Additions	3,667	11,737	76,516	3,962	1,039	36,374	133,295
Transfers	7,451	—	—	—	—	(7,451)	—
Depreciation	(1,667)	(2,752)	(26,715)	(1,233)	(588)	—	(32,955)
Closing net book amount	72,194	16,760	196,488	6,184	4,888	44,012	340,526
At 31 December 2009							
Cost	77,918	26,974	290,584	13,393	8,615	44,012	461,496
Accumulated depreciation	(5,724)	(10,214)	(94,096)	(7,209)	(3,727)	—	(120,970)
Net book amount	72,194	16,760	196,488	6,184	4,888	44,012	340,526
For the year ended 31 December 2010							
Opening net book amount	72,194	16,760	196,488	6,184	4,888	44,012	340,526
Additions	11,609	6,671	89,240	4,849	—	56,519	168,888
Transfers	41,604	41	8,296	—	—	(49,941)	—
Depreciation	(2,136)	(4,554)	(37,494)	(2,292)	(706)	—	(47,182)
Closing net book amount	123,271	18,918	256,530	8,741	4,182	50,590	462,232
At 31 December 2010							
Cost	131,131	33,686	388,120	18,242	7,297	50,590	629,066
Accumulated depreciation	(7,860)	(14,768)	(131,590)	(9,501)	(3,115)	—	(166,834)
Net book amount	123,271	18,918	256,530	8,741	4,182	50,590	462,232

Depreciation expense of HK$37,494,000 (2009: HK$26,715,000) has been charged to cost of sales and HK$9,688,000 (2009: HK$6,240,000) has been charged to administrative expenses, respectively.

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's buildings are situated outside Hong Kong under medium term leases, and are pledged as collateral for the Group's banking facilities.

Machinery with a carrying amount of HK$70,782,000 (2009: HK$84,773,000) is held under finance leases.

The Group is in the process of applying for real estate ownership certificates of certain factory buildings and the carrying amounts of such construction-in-progress and buildings amounted to HK$87,422,000 (2009: HK$38,630,000) as at 31 December 2010.

7 LAND USE RIGHT

The Group's interest in land use right represent prepaid operating lease payments and its net book amount is analysed as follows:

	2010 HK$'000	2009 HK$'000
In the PRC held on:		
Lease between 10 and 50 years	5,154	5,270

Movements during the year are as follows:

	2010 HK$'000	2009 HK$'000
At beginning of year	5,270	5,385
Amortisation	(116)	(115)
At end of year	5,154	5,270

The Group's land use right is pledged as a collateral for the Group's banking facilities.

Amortisation expense of HK$116,000 (2009: HK$115,000) has been charged to administrative expenses.

8 INTANGIBLE ASSETS

	Trademarks and patents HK$'000	Development costs HK$'000	Total HK$'000
For the year ended 31 December 2009			
Opening net book amount	—	—	—
Additions	1,591	11,233	12,824
Amortisation	(318)	(1,123)	(1,441)
Closing net book amount	1,273	10,110	11,383
At 31 December 2009			
Cost	1,591	11,233	12,824
Accumulated amortisation	(318)	(1,123)	(1,441)
Net book amount	1,273	10,110	11,383
For the year ended 31 December 2010			
Opening net book amount	1,273	10,110	11,383
Additions	2,783	22,467	25,250
Amortisation	(1,214)	(7,998)	(9,212)
Closing net book amount	2,842	24,579	27,421
At 31 December 2010			
Cost	4,374	33,700	38,074
Accumulated amortisation	(1,532)	(9,121)	(10,653)
Net book amount	2,842	24,579	27,421

Development costs were recognised as intangibles assets and are amortised over three years on a straight-line basis. Amortisation expense of HK$9,212,000 (2009: HK$1,441,000) has been charged in administration expenses.

9 INVENTORIES

	2010 HK$'000	2009 HK$'000
Raw materials	108,844	70,469
Work in progress	26,054	17,504
Finished goods	58,794	17,718
	193,692	105,691

Cost of inventories of HK$824,135,000 (2009: HK$486,387,000) has been included in cost of sales.

10 INVESTMENTS IN SUBSIDIARIES

	2010 HK$'000	2009 HK$'000
The Company		
Investment in unlisted subsidiaries, at cost	250,000	250,000

10 INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries of the Company are set out as follows.

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective interest held by the Group	Principal activities
Directly held:					
Success Charm Holdings Limited	11 May 2009	British Virgin Islands	27,774,264 shares of US$1 each	100%	Investment holding
Indirectly held:					
Charming Lion Limited	6 May 2009	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
Cherry Light Limited	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Cybertouch-Tech Company Limited	13 October 2000	Hong Kong	10,000 shares of HK$1 each	99.99%	Inactive
Cyber Energy Limited	18 December 2009	Hong Kong	1 share of HK$1 each	100%	Inactive
Ever Firm Limited	6 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Shining Union Limited	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Investment holding and management and holding of patents, trademarks and designs
Silkray Limited	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Up Castle Limited	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Investment holding and research and development
World Design Technology Limited	4 November 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
He Shan World Fair Electronics Technology Ltd.	18 November 2004	The PRC	US$57,250,000	100%	Manufacturing of printed circuit board touch pad
World Fair International Limited	27 December 1996	Hong Kong	100,000 shares of HK$1 each	100%	Trading of electronic products

11 TRADE RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables	225,549	227,932
Less: Provision for impairment of receivables	—	—
Trade receivables — net	225,549	227,932

The carrying amounts of trade receivables approximate their fair values.

The Group generally grants a credit period of 30 to 90 days to its customers. The ageing analysis of trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
0 to 30 days	102,177	147,400
31 to 60 days	74,311	73,208
61 to 90 days	21,511	6,715
91 to 120 days	9,849	598
Over 120 days	17,701	11
	225,549	227,932

As at 31 December 2010, trade receivables of HK$187,911,000 (2009: HK$218,181,000) are neither past due nor impaired. These relate to customers for whom there is no recent history of default.

As at 31 December 2010, trade receivables of HK$37,638,000 (2009: HK$9,751,000) were past due but not impaired. No provision has been made against these balances as the directors consider the amounts being recoverable and there is no recent history of default. The ageing analysis of these debtors is as follows:

	2010 HK$'000	2009 HK$'000
0 to 30 days	—	63
31 to 60 days	6,295	3,619
61 to 90 days	3,793	5,460
91 to 120 days	9,849	598
Over 120 days	17,701	11
	37,638	9,751

11 TRADE RECEIVABLES *(continued)*

As at the date of these financial statements, approximately 93% of the above past due balances as at 31 December 2010 has been settled.

Trade receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
US dollar	162,352	222,499
Hong Kong dollar	11	29
RMB	63,186	5,404
	225,549	227,932

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral in respective of these balances.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Current				
Prepayments for purchase of inventories	15,796	11,670	—	—
Utility and other deposits	3,012	4,272	—	—
Value-added tax recoverable	20,431	10,870	—	—
Receivable in relation to the Global Offering	46,945	—	46,945	—
Others	10,622	5,989	207	—
	96,806	32,801	47,152	—
Non-current				
Prepayments for purchase of property, plant and equipment	6,883	3,299	—	—

The directors consider the balances of prepayments, deposits and other receivables are recoverable by reference to the nature of these balances and credit history of counterparties where applicable. The receivable in relation to the Global Offering has been fully settled subsequent to 31 December 2010.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 HK$'000	2009 HK$'000
Listed shares	1,251	1,403

The Group's financial assets at fair value through profit or loss are denominated in Hong Kong dollar.

The fair values of listed shares are determined by using valuation techniques and current bid prices in an active market respectively. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income — net in the consolidated income statement. Financial assets at fair value through profit or loss are presented within 'investing activities' in the consolidated cash flow statement.

As at 31 December 2010, the Group's listed shares are pledged as collateral for the Group's banking facilities (2009: Same).

14 BALANCES WITH RELATED PARTIES

Details of the balances with related parties are as follows:

	2010 HK$'000	2009 HK$'000
The Group:		
Amounts due to directors		
Mr. Wong Kwok Fong	—	(369)
Ms. Ching Pui Yi	—	(245)
	—	(614)
The Company:		
Amounts due from/(to) subsidiaries		
World Fair International Limited	35,310	(50)
Success Charm Holdings Limited	5,000	—
	40,310	(50)

The above balances are denominated in Hong Kong dollar, unsecured, interest-free and repayable on demand.

15 CASH AND BANK BALANCES

(a) Pledged bank deposits

All pledged bank deposits were pledged for the Group's banking facilities. The weighted average interest rate on pledged bank deposits was 0.07% (2009: 0.06%) per annum.

Pledged bank deposits were denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
US dollar	33,335	42,609
Hong Kong dollar	42,497	40,822
	75,832	83,431

(b) Cash and cash equivalents

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash in hand	304	251	—	—
Cash at banks	550,007	35,806	529,420	—
	550,311	36,057	529,420	—

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
RMB	2,481	3,242	—	—
US dollar	6,481	26,050	—	—
Hong Kong dollar	541,217	6,538	529,420	—
Others	132	227	—	—
	550,311	36,057	529,420	—

15 CASH AND BANK BALANCES *(continued)*

(b) Cash and cash equivalents *(continued)*

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

	2010 HK$'000	2009 HK$'000
Cash and cash equivalents	550,311	36,057
Bank overdrafts (Note 18)	—	(6,437)
	550,311	29,620

16 SHARE CAPITAL

	2010 HK$'000	2009 HK$'000
Authorised capital:		
3,500,000,000 shares of HK$0.1 each	350,000	350,000
Issued capital:		
At 1 January 2010/17 July 2009 (date of incorporation) (Note a)	215,250	1
Shares issued pursuant to the Reorganisation (Note b)	—	215,249
Shares issued pursuant to the Global Offering (Note c)	71,750	—
At 31 December	287,000	215,250

Notes:

(a) The Company was incorporated on 17 July 2009, with an authorised share capital of 3,500,000,000 shares of HK$0.1 each and on the same date, 10,000 shares of HK$0.1 each were issued for cash.

(b) On 27 November 2009, the Company issued 2,152,490,000 shares of HK$0.1 each pursuant to the Reorganisation.

(c) On 15 December 2010, the Company issued 717,500,000 shares of HK$0.1 each pursuant to the Global Offering as described in Note 1. The excess of issue price over the par value of the ordinary shares was credited to the share premium.

(d) In January 2011, the Company issued 57,084,000 shares of HK$0.1 each upon the exercise of the over-allotment option of the Global Offering.

17 RESERVES

The Group:

	Attributable to the equity holders of the Company								
	Share premium HK$'000	Merger reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Share issuance cost HK$'000	Share-based compensation reserve (Note 25) HK$'000	Statutory reserve (Note d) HK$'000	Retained earnings HK$'000	Non controlling interests HK$'000	Total HK$'000
For the year ended 31 December 2010									
At 1 January 2010	–	(215,150)	12,411	(17,924)	–	12,578	234,942	–	26,857
Profit for the year	–	–	–	–	–	–	213,667	–	213,667
Issuance of shares pursuant to the Global Offering	609,875	–	–	–	–	–	–	–	609,875
Professional fees in relation to the Global Offering	–	–	–	(74,684)	–	–	–	–	(74,684)
Transfer to share premium	(92,608)	–	–	92,608	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	10,471	(10,471)	–	–
Dividends	–	–	–	–	–	–	(56,391)	–	(56,391)
At 31 December 2010	517,267	(215,150)	12,411	–	–	23,049	381,747	–	719,324
For the year ended 31 December 2009									
At 1 January 2009	–	(215,150)	–	–	2,137	5,756	144,209	–	(63,048)
Profit for the year	–	–	–	–	–	–	151,655	1,475	153,130
Share of net asset value by non-controlling shareholders	–	–	–	–	–	–	(3,100)	3,100	–
Professional fees in relation to the Global Offering	–	–	–	(17,924)	–	–	–	–	(17,924)
Share-based compensation	–	–	–	–	5,699	–	–	–	5,699
Release of share-based compensation reserve to capital reserve	–	–	7,836	–	(7,836)	–	–	–	–
Deemed contribution from equity holders upon Reorganisation	–	–	4,575	–	–	–	–	(4,575)	–
Transfer to statutory reserve	–	–	–	–	–	6,822	(6,822)	–	–
Dividends	–	–	–	–	–	–	(51,000)	–	(51,000)
At 31 December 2009	–	(215,150)	12,411	(17,924)	–	12,578	234,942	–	26,857

17 RESERVES *(continued)*

The Company:

	Share premium HK$'000	Capital reserve (Note c) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	—	—	(50)	(50)
Capital reserve arising from Reorganisation	—	34,750	—	34,750
At 31 December 2009	—	34,750	(50)	34,700
At 1 January 2010	—	34,750	(50)	34,700
Issuance of shares pursuant to the Global Offering	609,875	—	—	609,875
Professional fees in relation to the Global Offering	(92,608)	—	—	(92,608)
Profit for the year	—	—	57,171	57,171
Dividends			(56,391)	(56,391)
At 31 December 2010	517,267	34,750	730	552,747

(a) Merger reserve represents the difference between the share capital of the Company and the combined share capital of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Reorganisation.

(b) Capital reserve of the Group represents the net assets attributable to non-controlling shareholders which were acquired pursuant to the Reorganisation, and is treated as a deemed contribution from equity holders and the release of share-based compensation reserve upon the incentive shares.

(c) Capital reserve of the Company arising from Reorganisation represents the difference between the nominal value of shares issued by the Company pursuant to the Reorganisation and the aggregated net assets values of subsidiaries acquired.

17 RESERVES *(continued)*

(d) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

18 BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Non-current		
Bank loans	44,000	49,000
Current		
Bank loans	131,860	151,861
Bank overdrafts	—	6,437
Trust receipts loans	91,321	28,279
	223,181	186,577
Total bank borrowings	267,181	235,577

18 BANK BORROWINGS *(continued)*

The Group's borrowings at the balance sheet date were repayable as follows:

	2010 HK$'000	2009 HK$'000
Within one year	223,181	186,577
Between one and two years	22,000	27,000
Between two and five years	22,000	22,000
	44,000	49,000
	267,181	235,577

The effective interest rates per annum were as follows:

	2010			2009		
	RMB	HK$	US$	RMB	HK$	US$
Bank loans	4.78%	3.36%	—	5.31%	3.50%	—
Bank overdrafts	—	—	—	—	5.69%	—
Trust receipt loans	4.59%	4.44%	4.29%	—	4.92%	4.01%

Bank borrowings are secured by buildings (Note 6), land use right (Note 7), financial assets at fair value through profit or loss (Note 13), corporate guarantees provided by the Company, personal guarantees and pledge of properties provided and owned by the Mr. Wong Kwok Fong and Ms. Ching Pui Yi, directors of the Company. In addition, bank borrowings of HK$196,819,000 (2009: HK$16,425,000) for the Company's subsidiaries are secured by corporate guarantees provided by the Company and a subsidiary.

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings, are determined by discounting the future cash flows at the current market interest rate available to the Group.

18 BANK BORROWINGS *(continued)*

Bank borrowings are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
US dollar	73,364	75,103
Hong Kong dollar	165,561	154,796
RMB	28,256	5,678
	267,181	235,577

19 FINANCE LEASE OBLIGATIONS

Details of finance lease obligations are analysed as follows:

	2010 HK$'000	2009 HK$'000
Total minimum lease payments under finance leases:		
— not later than one year	40,617	59,122
Less: Future finance charges	(2,326)	(4,146)
Finance leases obligations	38,291	54,976
Analysis of present value of finance lease obligations:		
— not later than one year	38,291	54,976

Finance lease obligations are denominated in Hong Kong dollar.

The effective interest rates per annum were as follows:

	2010	2009
Effective interest rates	4.93%	5.10%

20 DEFERRED INCOME TAX

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

	2010 HK$'000	2009 HK$'000
Deferred income tax assets to be recovered after more than 12 months	(104)	(278)
Deferred income tax liabilities to be settled after more than 12 months	3,776	—
	3,672	(278)

The gross movements on the deferred income tax account are as follows:

	2010 HK$'000	2009 HK$'000
At beginning of year	(278)	1,881
Recognised/(derecognised) in the consolidated income statement (Note 28)	3,950	(2,159)
At end of year	3,672	(278)

20 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the year 2009 and 2010, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Provision for unrealised losses in inventories HK$'000	Withholding tax relating to unremitted retained earnings HK$'000	Total HK$'000
At 1 January 2009	—	2,590	2,590
Derecognised in the consolidated income statement	—	(2,590)	(2,590)
At 31 December 2009	—	—	—
Recognised in the consolidated income statement	3,776	—	3,776
At 31 December 2010	3,776	—	3,776

Deferred income tax liabilities of HK$10,642,000 (2009: HK$5,660,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted retained earnings of the Group's PRC subsidiary amounting to HK$212,844,000 (2009: HK$113,204,000). In the opinion of the directors of the Company, these retained earnings are to be reinvested.

Deferred income tax assets:

	Tax depreciation HK$'000
At 1 January 2009	(709)
Recognised in the consolidated income statement	431
At 31 December 2009	(278)
Recognised in the consolidated income statement	174
At 31 December 2010	(104)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. There are no significant unrecognised tax losses as at 31 December 2010 (2009: Nil).

21 TRADE AND BILLS PAYABLES

	2010 HK$'000	2009 HK$'000
Trade payables	184,866	200,066
Bills payables	26,051	48,359
	210,917	248,425

The ageing analysis of trade and bills payables is as follows:

	2010 HK$'000	2009 HK$'000
0 to 30 days	70,989	105,132
31 to 60 days	66,599	92,826
61 to 90 days	57,641	40,436
91 to 120 days	13,161	9,715
Over 120 days	2,527	316
	210,917	248,425

The carrying amounts of trade and bills payables approximate their fair values.

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
RMB	34,353	15,640
US dollar	159,431	209,795
Hong Kong dollar	17,133	22,990
	210,917	248,425

22 ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Payable for purchase of property, plant and equipment	16,658	17,028	—	—
Salary and wages payable	14,066	12,817	—	—
Accrued operating expenses	37,530	7,883	27,135	—
Advance receipts from customers	1,925	306	—	—
Provision for value-added tax and other taxes in the PRC	16,456	6,608	—	—
Other accruals and other payables	9,200	7,569	—	—
	95,835	52,211	27,135	—

The carrying amounts of accruals and other payables approximate their fair values. As at 31 December 2010, approximately 58% (2009: 72%) of the carrying amounts of accruals and other payables are denominated in RMB.

23 OTHER INCOME — NET

	2010 HK$'000	2009 HK$'000
Fair value (losses)/gains on financial assets at fair value through profit or loss	(152)	347
Others	1,425	851
	1,273	1,198

24 EXPENSES BY NATURE

	2010 HK$'000	2009 HK$'000
Employee benefit expenses (Note 25)	174,847	119,126
Cost of inventories (Note 9)	824,135	486,387
Auditor's remuneration	1,100	1,000
Depreciation of property, plant and equipment	47,182	32,955
Operating lease rentals — office premises, factory and warehouse	7,136	5,265
Amortisation of land use right	116	115
Consumables	4,987	17,681
Electricity, water and utilities expenses	19,732	16,934
Freight and transportation	7,715	5,648
Research and development expenses		
— Employee benefit expenses (Note 25)	4,936	11,091
— Amortisation of intangible assets	9,212	1,441
Others	29,753	20,021
Total cost of sales, distribution costs and administrative expenses	1,130,851	717,664

25 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Wages and salaries	187,961	125,989
Other employee benefits	9,594	6,044
Pension costs — defined contribution plans and social security costs	4,695	3,718
Share-based compensation expenses	—	5,699
	202,250	141,450
Less: amount recorded in research and development expenses (Note 24)	(4,936)	(11,091)
Less: amount capitalised as intangible assets (Note 8)	(22,467)	(11,233)
	174,847	119,126

25 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

(i) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000 and thereafter contributions are voluntary.

(ii) As stipulated by the rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. The employees contribute approximately 8% of their basic salaries, while the subsidiary contributes approximately 17% of the basic salaries of its employees and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(iii) Share-based compensation expenses

Pursuant to an Share Incentive Scheme (the "Scheme") approved by the shareholders at a Shareholders' Meeting of World Fair Technology Holdings Limited, the then ultimate holding company of World Fair Hong Kong, on 30 September 2008, certain ordinary shares (the "Incentive Shares") of World Fair Hong Kong were confirmed to be granted to certain senior management personnel of the Group by World Fair Technology Holdings Limited, subject to certain vesting conditions. The Scheme is designed to motivate key management personnel and enable the Group to attract and retain individuals with experience and ability and to reward them for their contributions to the Group.

In accordance with HKFRS 2 "Share-based payment", the Group is required to recognise the fair value of the Incentive Shares as share based compensation expenses on a straight line basis over the relevant vesting periods. For this purpose, the Group has engaged an independent professional valuer to perform valuation of the Incentive Shares (the "Valuation"). Pursuant to the Valuation, the fair value of the Incentive Shares was determined based on the discounted cash flows method under the income approach using a five-year cash flows projections of the Group and the estimated terminal value at the end of the five-year period.

The key assumptions of the Valuation are:

— Revenue growth rate (five-year period)	2–10%
— Gross profit margin rate	21%
— Discount rate	15.5%
— Dividend rate	0%

There is no significant other features used in the discounted cash flows which would materially impact the Valuation.

During the year ended 31 December 2010, no share-based payment expense (2009: HK$5,699,000) was recognised in the consolidated income statement.

26 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2010 is set out below:

Name of director (Note i)	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Share-based compensation HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Wong Kwok Fong	480	2,189	–	–	12	2,681
Ching Pui Yi	480	720	–	–	12	1,212
Cheung To Keung	13	99	–	–	1	113
Lam Ho Sang	50	631	–	–	9	690
Tan Hui Kiat	88	604	–	–	–	692
Cheung Wing Keung	38	68	–	–	3	109
Independent non-executive directors:						
Lee Kwok On, Matthew	180	–	–	–	–	180
Chan Wai	210	–	–	–	–	210
Wong Chun Bong	240	–	–	–	–	240
	1,779	4,311	–	–	37	6,127

26 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2009 is set out below:

Name of director (Note i and iii)	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Share-based compensation HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:						
Wong Kwok Fong	480	752	1,440	–	12	2,684
Ching Pui Yi	480	180	540	2,014	12	3,226
Cheung To Keung	–	666	–	–	5	671
Lam Ho Sang	–	800	–	564	12	1,376
Tan Hui Kiat	–	631	–	564	–	1,195
Independent non-executive directors:						
Lee Kwok On, Matthew	–	–	–	–	–	–
Chan Wai	–	–	–	–	–	–
Wong Chun Bong	–	–	–	–	–	–
	960	3,029	1,980	3,142	41	9,152

Notes:

(i) The directors of the Company were appointed/resigned on the following dates:

	Date of appointment	Date of Resignation
Executive directors		
Wong Kwok Fong	17 July 2009	–
Ching Pui Yi	17 July 2009	–
Cheung To Keung	28 November 2009	30 September 2010
Lam Ho Sang	28 November 2009	30 September 2010
Tan Hui Kiat	28 November 2009	–
Cheung Wing Keung	30 September 2010	–
Independent non-executive directors		
Lee Kwok On, Matthew	28 November 2009	–
Chan Wai	28 November 2009	–
Wong Chun Bong	28 November 2009	–

(ii) No directors waived or agreed to waive any emoluments during the year. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2009: Same).

(iii) The remuneration shown represented remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company during the year 2009.

26 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2009: three directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2009: two individuals) during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, bonuses, other allowances and benefits in kind	2,706	1,389
Retirement benefit — defined contribution scheme	13	12
Share-based compensation expenses	—	1,430
	2,719	2,831

The emoluments fell within the following bands:

	Number of individuals	
	2010 HK$'000	2009 HK$'000
Emolument bands		
Under HK$1,000,000	2	—
HK$1,000,001–HK$1,500,000	1	1
HK$1,500,001–HK$2,000,000	—	1

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2009: Same).

27 FINANCE INCOME AND COSTS

	2010 HK$'000	2009 HK$'000
Finance income		
— Interest income on bank deposits	105	265
Finance costs:		
— Bank loans	(4,889)	(3,096)
— Finance lease obligations	(2,386)	(2,220)
— Bank overdrafts and trust receipt loans	(2,832)	(3,138)
	(10,107)	(8,454)
Net finance costs	(10,002)	(8,189)

28 INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Current income tax		
— Hong Kong profits income tax	17,569	12,722
— PRC enterprise income tax	16,881	—
	34,450	12,722
Deferred income tax (Note 20)	3,950	(2,159)
	38,400	10,563

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

28 INCOME TAX EXPENSE *(continued)*

The statutory income tax rate applicable to Heshan World Fair Electronics Technology Limited, a subsidiary, is 25%. Pursuant to the relevant tax regulations in the PRC, the subsidiary is eligible for an exemption from the PRC enterprise income tax for two years starting with the first profit-making year, after offsetting prior year losses, followed by a 50% reduction for three immediate subsequent years. 5% withholding income tax is also imposed on dividends relating to profits remitted from the PRC subsidiary.

The first profit-making year (after offsetting prior year losses) of Heshan World Fair Electronics Technology Limited is the year ended 31 December 2008.

The effective tax rate of the Group is 15.2% for the year ended 31 December 2010 (2009: 6.5%).

The increase in effective tax rate in the year ended 31 December 2010 was caused by the lapse of the two years exemption period from PRC enterprise income tax as at 31 December 2009, after which the PRC subsidiary is eligible for a 50% reduction for three years.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	2010 HK$'000	2009 HK$'000
Profit before income tax	252,067	163,693
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	55,617	35,015
Income not subject to tax	(20)	(1)
Expenses not deductible for tax purposes	1,934	1,890
Effect of tax exemption granted to a subsidiary in the PRC	(19,131)	(23,751)
Reversal of withholding tax relating to unremitted retained earnings	—	(2,590)
Income tax expense	38,400	10,563

29 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2010 HK$'000	2009 HK$'000
Profit attributable to equity holders of the Company (HK$'000)	213,667	151,655
Weighted average number of ordinary shares in issue (thousands)	2,185,918	2,152,500
Basic earnings per share (HK cents)	9.77	7.05

(b) Diluted

As the Company had no dilutive ordinary shares for the year (2009: Nil), diluted earnings per share for the year is not presented.

30 DIVIDENDS

	2010 HK$'000	2009 HK$'000
Interim dividend declared and paid by a subsidiary of the Group (Note a)	—	51,000
Interim dividend declared and paid by the Company (Note b)	56,391	—
	56,391	51,000

Notes:

(a) Interim dividend of HK$51,000,000 relating to 2009 was declared by World Fair International Limited, a subsidiary of the Group, to its then shareholders.

(b) Interim dividend of HK$56,391,000 relating to 2010 was declared by the Company to its shareholders.

31 CASH GENERATED FROM OPERATIONS

	2010 HK$'000	2009 HK$'000
Profit before income tax	252,067	163,693
Adjustments for:		
— Finance income	(105)	(265)
— Finance costs	10,107	8,454
— Depreciation of property, plant and equipment	47,182	32,955
— Amortisation of land use right	116	115
— Amortisation of intangible assets	9,212	1,441
— Gain on disposal of property, plant and equipment	(180)	—
— Fair value losses/(gains) on financial assets at fair value through profit or loss	152	(347)
— Share-based compensation expenses	—	5,699
Operating profit before working capital changes	318,551	211,745
Changes in working capital:		
— Inventories	(88,001)	(72,763)
— Trade receivables	2,383	(181,383)
— Prepayments, deposits and other receivables	(20,644)	(46,070)
— Amounts due from related companies	—	20
— Amounts due from directors	(614)	57,458
— Trade and bills payables	(37,508)	123,699
— Accruals and other payables	14,558	31,996
Cash generated from operations	188,725	124,702

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

	2010 HK$'000	2009 HK$'000
Net book amount (Note 6)	—	—
Gain on disposal of property, plant and equipment	180	—
Proceeds from disposal of property, plant and equipment	180	—

31 CASH GENERATED FROM OPERATIONS *(continued)*

Major non-cash transactions

The Group entered into finance lease arrangements in respect of machinery with a total capital amount at the inception of the lease of HK$8,652,000 (2009: HK$38,148,000).

32 OPERATING LEASE COMMITMENTS

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease expenditure expensed in the consolidated income statement during the year is disclosed in Note 24 to the consolidated financial statements.

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

	2010 HK$'000	2009 HK$'000
Not later than one year	6,259	5,287
Later than one year and not later than five years	9,180	7,970
Later than five years	—	1,126
	15,439	14,383

The Company has no operating lease commitment as at 31 December 2010 (2009: Nil).

33 CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment were as follows:

	2010 HK$'000	2009 HK$'000
Not later than one year	3,656	4,466

The Company has no capital commitment as at 31 December 2010 (2009: Nil).

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Group's banking facilities were secured by personal guarantees and pledge of properties provided and owned by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, directors of the Company.

(b) Balances with related parties are disclosed in Note 14 to the consolidated financial statements.

(c) The Group has entered into a three-year residential premises lease agreement with Mr. Wong Kwok Fong which will take effect upon the listing of the Company on 15 December 2010, pursuant to which Heshan World Fair Electronics Technology Limited agreed to lease from Mr. Wong's residential premises in Jiangmen, the PRC, at a monthly rental of HK$99,000 as residences for the Group's senior management (2009: Same).

(d) Key management compensation

	2010 HK$'000	2009 HK$'000
Directors' fees	1,778	960
Basic salaries, housing allowances, other allowances and benefits in kind	8,864	7,947
Contributions to pension plans	69	73
Share-based compensation expenses	—	5,417
	10,711	14,397

(e) During the year, Mr. Wong Kwok Fong provided premises to the Group's employees as staff quarters at no charge (2009: Same).

(f) The Controlling Shareholders have agreed to fully indemnify the Group and hold the Group harmless for all costs and expenses in relation to the Group's failure to obtain the requisite licenses and permits and any demolish costs for certain properties of the Group.

(g) In November 2010, the Group entered into agreement with the Controlling Shareholders who agreed to indemnify the Group in respect of any costs or liabilities that may arise out of the additional tax assessments of a subsidiary (as disclosed in Note 35) to the consolidated financial statements.

35 CONTINGENT LIABILITIES

In April 2010, a subsidiary of the Group received an additional assessment dated 30 March 2010 from the Hong Kong Inland Revenue Department ("IRD") demanding an additional profits tax in the amount of HK$1,750,000 for the year of assessment 2003/04. This subsidiary also received a notice from the IRD of even date requesting an interview in relation to the tax audit of its tax affairs for the years of assessment 2003/04 to 2008/09.

The directors of the Company believe that the additional assessment is of a protective nature and is issued to keep the year of assessment 2003/04 technically open in view of the statutory time bar. An objection against the above additional assessment was lodged on 20 April 2010 and by a letter dated 7 May 2010 issued by the IRD an unconditional holdover of the above additional profits tax has been granted by the IRD.

A meeting between World Fair Hong Kong and the IRD in relation to the tax audit was held in June 2010. On 17 September 2010, a settlement proposal was submitted to the IRD for consideration but the settlement of the tax audit is still under negotiation with the IRD. As part of the settlement proposal, a deposit of HK$3,000,000 has been placed with the IRD. As the final outcome of the tax audit is still uncertain, the directors of the Company are of the view that except for those which have already been provided for in the accounts based on the Company's best estimate as prepared in the settlement proposal, there is no reliable basis for estimating and making additional provision for potential tax liabilities, if any, and the corresponding penalty and interest, if any, as at 31 December 2010, which may arise from tax adjustments made as a result of the above tax audit. The Controlling Shareholders have agreed to indemnify the Group in respect of any costs or liabilities arising out of additional assessment for which the Group may be liable.

36 SUBSEQUENT EVENTS

(a) In January 2011, the over-allotment option as detailed in the Prospectus was exercised and the Company has allotted and issued 57,084,000 shares at the Offer Price raising gross proceeds of HK$54.2 million.

(b) In February 2011, all personal guarantees provided by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, directors of the Company in respect of the Group's borrowings have been released and are replaced by corporate guarantees provided by the Company.