至卓 TOPSEARCH

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

2011 Annual Report

*For identification purposes only

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Corporate Information and Financial Calendar

EXECUTIVE DIRECTORS
Mr. Cheok Ho Fung *(Chairman and Chief Executive Officer)*
Mr. Liu Wai On

NON-EXECUTIVE DIRECTORS
Mr. Tang Yok Lam, Andy
Mr. Ng Kwok Ying, Alvin
Mr. Xiang Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin

COMPANY SECRETARY
Mr. Fong Ching Kong, Tony

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR
PHILLIPS SOLICITORS
3506, Tower 1, Lippo Centre
89 Queensway, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Appleby Management (Bermuda) Ltd.
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
3406 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS
China Construction Bank Shenzhen Branch
East Section, Financial Center
South Hongling Road, Shenzhen
The People's Republic of China

Bank of China Shenzhen Branch
International Financial Building
2022 Jianshe Road, Shenzhen
The People's Republic of China

Industrial and Commercial Bank of China Shaoguan Branch
No. 2 Jiangguo Road
Shaoguan
The People's Republic of China

FINANCIAL CALENDAR
Half year results
Announced on 16 August 2011

Full year results
Announced on 27 March 2012

REGISTER OF MEMBERS
To be closed from 30 May 2012 (Wednesday) to 1 June 2012 (Friday)

ANNUAL GENERAL MEETING
To be held on 1 June 2012 (Friday)

DIVIDENDS
Interim : Nil
Final : Nil

COMPANY WEBSITE
www.topsearch.com.hk

Business Profile

Topsearch International (Holdings) Limited ("Topsearch" or "Company") and its subsidiaries ("Group") are principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCBs"). The Group has a global customer base comprising principally Electronics Manufacturing Services ("EMS") companies and Original Equipment Manufacturer ("OEM") which are engaged in the production of a diverse range of products for personal computers ("PC") and PC-related industries, as well as the telecommunications, office components, security, instrumentation equipment and consumer products industries.

Chairman's Statement

FINANCIAL PERFORMANCE

The financial performance of the Group for year 2011 reflects the faltering global economy caused by the sovereign debt problems in the Euro areas and the temporary stoppage of production of our main customers' Thailand facilities due to flooding. Therefore, for the year ended 31 December 2011, the Group achieved sales of HK$1,135 million, representing a decrease of 6.2% over that of last year. Operating loss before interest and tax was HK$390 million, as compared to operating loss before interest and tax of HK$47 million in 2010. Loss attributable to shareholders amounted to HK$440 million, as compared to loss of HK$67 million in 2010. Basic loss per share was 48.42 Hong Kong cents, as compared to a loss per share of 6.95 Hong Kong cent in 2010.

DIVIDENDS

The board of directors ("Board" or "Directors") does not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

BUSINESS REVIEW

Revenue decreased by 6.2% from HK$1,210 million in 2010 to HK$1,135 million in 2011. The gross profit decreased by 98% over that of 2010 due to the increase in the material costs and labor costs which affected adversely on the Group's performance during the year, leading to the gross profit margin reduced from 8.1% in 2010 to 0.2% in 2011.

To improve the Group's financial position, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditures.

To improve the Group's cashflow, the Group has been currently in the process of renewing the factoring loan facilities with Bank of China (Shenzhen Branch) for a total facility amount of RMB200,000,000 with effect for a twelve months period once renewed. In the meantime, the Group has started renewing the RMB term loans facility with China Construction Bank (Shenzhen Branch) for an amount of RMB100,000,000 which will be targeted to be completed by the end of May 2012. In addition to these new banking facilities, the Group has been obtaining a banking and trade facility in a total amount of RMB98,500,000 under Industrial and Commercial Bank of China (Shaoguan Branch).

Meanwhile, the Group has been negotiating closely with various banks in both the PRC and Hong Kong for different banking facilities arrangement to cope with the funding demand for completing bank loans repayment which will be due during the period of June 2012 and for providing the working capital requirements of the Group.

Chairman's Statement

Same as previous years, a controlling shareholder of the Company has continued to maintain a total advance of HK$52 million to the Group and would promise to continue providing additional financial support throughout the whole year of 2012 for financing the working capital of the Group when needed.

To further improve the Group's cashflow so as to finance its general working capital and in view of the fact that the facilities and space of the Group's existing plant in Tongliao of PRC cannot be fully utilized in the near future for meeting its production capacity. On 31 December 2010, Topsearch Printed Circuits (Tongliao) Limited ("Vendor") (an indirect wholly owned subsidiary of the Company) entered into a Property Assignment Agreement with Tongliao Xudong Solar Technology Company Limited ("Purchaser"), an independent third party, for selling a portion of a parcel of industrial land located in Tongliao of PRC with a site area of approximately 74,214 square metres (the exact figure of the site area is subject to the confirmation of the relevant regulatory bodies) and the buildings erected thereon at the consideration of RMB51 million (approximately HK$59.3 million).

The Vendor had already received the initial deposit of RMB20 million during the year 2011 but not the remaining balance of RMB31 million which should also need to be paid as well on or before 31 December 2011 according to the Property Assignment Agreement. The directors of the Company believe that the aforesaid consideration balance of RMB31 million will be settled in full, taking into consideration the statements given by the local government bodies of Tongliao dated 21 March 2012 that they would pay directly to the Group's Tongliao subsidiary the sums of RMB10 million and RMB21 million during the first and second half of year 2012 respectively should the Purchaser fail to tender full settlement by end of May 2012.

PROSPECTS

In our last Interim Results Announcement for the year 2011 published on 16 August 2011, it stated that "All signs indicate that the PCB market will face a difficult time in the second half of the year, and data in the first two months of the second half has proven this to be the case". Unfortunately, this has become very real for the Group as the flood happened in Thailand in the last quarter of 2011 has seriously affected the production of two of our major customers there. Consequently our orders level in the last quarter of 2011 has hit record low for a usually strong season in the year. Businesses from these two customers have gradually picked up again starting from March 2012.

The industrial actions happened in our Shenzhen plant during the first two weeks of December 2011 has also seriously disrupted the operations of the Group and our Management has spent considerable time in mitigating such impact in the first quarter of this current year of 2012. This event, although definitely a misfortune for everyone, has nevertheless offered us an opportunity to resolve the contingent liability which the Group has to bear as the Management has been able to negotiate a fair package to allow certain number of employees in our Shenzhen plant to terminate their employment in an amicable way. Since then our Shenzhen plant is only focused in producing high mix low volume products and with a much smaller production capacity, costs and overheads will be substantially reduced comparing to the same of last year.

At the end of last fiscal year, the Management has also decided to make certain amount of non-cash impairment to the book carrying value of its plant and equipment, based on an independent valuer's professional appraisal valuation, orders loading status and discounted cash flow projection analysis of the Group. This will substantially reduce the depreciation charge to the Group's profit and loss in the ensuing years and thereby bringing the profit/loss level of the Group closer to its EBITDA (i.e. Earnings Before Interest, Taxes, Depreciation and Amortization).

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

On behalf of the Board
Cheok Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 27 March 2012

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company ("Senior Management") are of the opinion that during the year 2011, the Company has properly operated in accordance with the "Code on Corporate Governance Practices" ("CG Code") which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with the code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the shareholders' value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;

2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and

3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

COMPLIANCE WITH CG CODE

The Directors confirm that, for the financial year ended 31 December 2011, the Company has complied with the code provisions set out in the CG Code save for the deviation mentioned below:

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from the provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement will provide stronger leadership of the management for the Group and enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted its own code of conduct ("Own Code") regarding securities transactions by Directors on 7 April 2005 and was revised by the Directors on 10 September 2009 on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the year 2011. Members of the Company's senior management, who, due to their positions in the Company, are likely to be in possession of unpublished price sensitive information, have also complied with the provisions of the Own Code.

THE BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board consists of eight Directors, with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. Their brief biographical particulars are set out on pages 33 to 40 of this annual report. Members of the Board and their respective attendance to Board meetings held during the year are as follows:

Name of Directors	**Attendance**
Executive Directors	
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	4/4
Mr. Liu Wai On	4/4
Non-executive Directors	
Mr. Tang Yok Lam, Andy	4/4
Mr. Ng Kwok Ying, Alvin	3/4
Mr. Xiang Dong	4/4
Independent Non-executive Directors	
Mr. Leung Shu Kin, Alfred	4/4
Mr. Wong Wing Kee	3/4
Mr. Ng Kee Sin	3/4

The number of Board meetings held during the year ended 31 December 2011 was four.

Corporate Governance Report

The Company has maintained the minimum requirements of the Listing Rules as to the number of Independent Non-executive Directors as three and, one of whom has accounting and related financial management expertise. They have dedicated to provide the Company with professional advice with respect to the steady operation and development of the Company. They also exercised supervision and coordination to safeguard interests of the Company and its shareholders.

All of the Independent Non-executive Directors are considered to be independent for the purpose of Rule 3.13 of the Listing Rules. Each Independent Non-executive Director has provided an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such annual confirmation received from each of the Independent Non-executive Director, the Directors (excluding the Independent Non-executive Directors) consider that all Independent Non-executive Directors are independent for the purpose of Rule 3.13 of the Listing Rules.

Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company. Mr. Leung was and is considered to be independent by the Directors (excluding Independent Non-executive Directors) because his business dealings with the Group was considered not to be material.

There is no relationship (including financial, business, family or other material/relevant relationship(s)), among members of the Board save as disclosed below:

1. Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. The role of the Chairman and Chief Executive Officer are not segregated and are exercised by the same individual. The reason had been explained under the section headed "Compliance with CG Code" in this report. He is the father of Mr. Cheok Lup Yin, Eric, an assistant to the Chief Executive Officer of the Company;

2. Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company as mentioned above;

3. Mr. Ng Kwok Ying, Alvin, a Non-executive Director, who is currently a senior partner of Ng and Partners, Solicitors, who has business relationship with the Company. The Board considers that the Group's business dealings with Ng and Partners, solicitors was not material;

4. Mr. Xiang Dong, a Non-executive Director, whose spouse is currently working as information technology manager of Topsearch Printed Circuits (Shenzhen) Limited, an indirect wholly-owned subsidiary of the Company. Mr. Xiang was and is considered not to be connected by the Directors because his spouse is not a director, the chief executive or a substantial shareholder of the Company.

All existing Non-executive Directors have signed letters of appointment with the Company for a term of not more than three years, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company and the requirements of the Listing Rules. The remuneration of Non-executive Directors will be fixed from time to time by the Board subject to the authority granted pursuant to the Bye-laws by the shareholders at the Company's general meetings.

THE OPERATION OF THE BOARD

The Board's main task is to supervise and direct the management of the Company to operate under good corporate governance in order to maximise value of the shareholders while balancing the interest of the various stakeholders. The Board holds meetings at around quarterly interval to monitor the performance of the Company as against the budget and to be briefed with market developments, to discuss and decide on major corporate, strategic and operational issues, and to appraise any good investment opportunities available.

The major duties performed by the Board are as follows:

1. setting the Company's values and standards;

2. setting the objectives of the Company and responsibilities of the Board;

3. establishing the strategic direction for the Company;

4. setting targets for the management;

5. monitoring the performance of the management;

6. supervising the annual and interim results of the Group;

7. ensuring that a framework of prudent and effective internal control is in place to assess and manage the risk of the Group and implementing appropriate systems to manage these risks;

8. overseeing the management of the Company's relationships with shareholders, customers, the community, various Government Authorities, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;

9. identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a Director;

10. determining material acquisitions and disposals of assets, investments, capital, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and

11. considering and determining issues which are the responsibilities of the Board pursuant to the Company's Memorandum of Association and Bye-laws and the relevant laws and regulations in force by which the Company is governed from time to time.

The Board delegates to the management of the Company in respect of the major corporate matters as stated below:

1. preparation of the annual and interim results of the Group to be approved by the Board;

2. execution of the corporate strategies and directions of the Group adopted by the Board;

3. implementation of sufficient systems of internal controls and risk management procedures of the Group; and

4. carrying out daily business operations, etc.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established various Board Committees to oversee particular aspects of the Company's affairs. The Board Committees are governed by their respective terms of reference, which describe the authority and duties of the Board Committees and will be regularly reviewed and updated by the Board. The Board Committees include Audit Committee, Remuneration Committee, Nomination Committee, Executive Committee and Independent Board Committee which terms of reference (if any) had been updated respectively.

Audit Committee

The audit committee of the Company ("Audit Committee") is composed of three Independent Non-executive Directors and two Non-executive Directors. The chairman of the Audit Committee has the appropriate professional qualifications and experience in accounting and related financial management as required by the Listing Rules. The Audit Committee discharges its responsibilities as follows and in accordance with its terms of reference being adopted by the Board:

1. reviewing and monitoring the integrity of the interim and annual results and financial statements of the Company and of the Group and reviewing significant financial reporting judgements;

2. reviewing and monitoring the reporting, accounting and financial policies and practices, risk management and internal control aspects of the Company;

3. reviewing the appointment, re-appointment, retirement, resignation or removal of the Company's external auditor and reviewing their remuneration and terms of engagement, discussing their audit plan and scope of audit, and monitoring the external auditor's independence and effectiveness of the audit process up to standard, and also reporting the issues raised by the external auditor, including but not limited to those stated in their management letter addressed to the Board, implementing policy on engaging external auditor to supply non-audit services;

4. reporting directly to the Board;

5. ensuring full access by the respective responsible teams of the Group under corporate governance function of any concerns that may have arisen during the course of their corporate governance works;

6. conducting annual review of the effectiveness of the Group's internal control and risk management systems as delegated by the Board and considering any findings of major investigation of internal control matters; and

7. ensuring the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff from the Group.

As at the date hereof, the members of the audit committee are Mr. Ng Kee Sin (Chairman), Mr. Ng Kwok Ying, Alvin, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Xiang Dong.

During the year ended 31 December 2011, two Audit Committee meetings were held to review the financial results and reports for the year ended 31 December 2010 and for the six months ended 30 June 2011, the budget for the year of 2012, risk management and internal control processes, related party transactions, continuing connected transactions and discloseable transactions, roles and responsibilities as well as works performed by the teams under corporate governance function, and the re-election of the external auditor.

The Audit Committee has reviewed consolidated annual results and financial statements of the Group for the year ended 31 December 2011, including the accounting principles and practices adopted by the Group, in conjunction with Deloitte Touche Tohmatsu, the Group's external auditor, whose agreement to the aforesaid has been obtained.

The attendance record of each member of the Audit Committee at Audit Committee meetings is set out below:

Members of Audit Committee	Attendance
Mr. Ng Kee Sin *(Chairman) (Independent Non-executive Director)*	2/2
Mr. Ng Kwok Ying, Alvin *(Member) (Non-executive Director)*	2/2
Mr. Xiang Dong *(Member) (Non-executive Director)*	2/2
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	2/2
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	2/2

Auditor's Remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the year under review, the Group is required to pay to the external auditor, Messrs Deloitte Touche Tohmatsu, the following fees:

Type of services provided by the external auditor	Fee paid/payable *(HK$)*
Audit services:	
Audit of the annual financial statements for the year ended 31 December 2011	1,845,000
Non-audit services:	
Tax compliance	65,000
Review of continuing connected transactions	20,000
	1,930,000

Remuneration Committee

The Company's Remuneration Committee carries out the following duties and in accordance with its terms of reference adopted by the Board:

1. ensuring formal and transparent procedures for overseeing and developing policies on the remuneration packages of Directors and Senior Management;

2. assessing the achievement and reviewing the performance-based remuneration of Executive Directors and Senior Management by reference to the Company's corporate goals;

3. approving the terms of Executive Directors' service agreements or letters of appointment; and

4. providing effective supervision and administration of the Company's share option schemes and other share incentive schemes (if any).

As at the date hereof, the Remuneration Committee comprises three members, namely Mr. Leung Shu Kin, Alfred (Chairman), Mr. Tang Yok Lam, Andy and Mr. Wong Wing Kee, the majority of whom are Independent Non-executive Directors.

During the year ended 31 December 2011, three Remuneration Committee meetings were held to discuss and review the remuneration packages and bonus of Executive Directors and Senior Management and the terms of their service agreement and letters of appointment. The attendance record of each member of the Remuneration Committee at Remuneration Committee meeting is set out below:

Members of Remuneration Committee	**Attendance**
Mr. Leung Shu Kin, Alfred *(Chairman) (Independent Non-executive Director)*	3/3
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	3/3
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	2/3

Nomination Committee

The Company's Nomination Committee carries out the following tasks in accordance with its nomination procedures and criteria as follows and in accordance with its terms of reference adopted by the Board:

1. recommending and nominating candidates to fill vacancies or as addition to the Board by considering the candidates' past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the Company's Bye-laws so as to make the composition of the Board filled with a variety and a balance of skills and experience;

2. reviewing regularly the roles of Directors by considering the issues of conflict of interest, their performance and conduct; and

3. assessing the independence of Independent Non-executive Directors.

As at the date hereof, the members of the Nomination Committee are Mr. Wong Wing Kee (Chairman), Mr. Leung Shu Kin, Alfred and Mr. Tang Yok Lam, Andy, the majority of whom are Independent Non-executive Directors.

During the year ended 31 December 2011, the Nomination Committee had met once and discussed and reviewed (i) the retiring Directors to be re-elected at the 2011 annual general meeting; (ii) the independence of the Independent Non-executive Directors; (iii) the terms of appointment of Directors; (iv) the structure, size and composition (including the skills, knowledge and experience) of the Board; (v) the role, performance and conduct of the existing Directors (including but not limited to the issues on conflict of interest) and; (vi) any nomination of potential candidate in place of the resigned Director(s) to the Board. The attendance record of each member of the Nomination Committee at the Nomination Committee meeting is set out below:

Members of Nomination Committee	**Attendance**
Mr. Wong Wing Kee *(Chairman) (Independent Non-executive Director)*	1/1
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	1/1

Under the CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company has provided that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Executive Committee

The Executive Committee of the Board meets regularly and operates with overall delegated authority from the Board. The Executive Committee reports through the Chairman to the Board. The Executive Committee carries out the following tasks for the purposes of dealing with the affairs relating to the day-to-day operations of the Group:

1. determining group strategy;
2. setting targets for the management;
3. reviewing business performance;
4. ensuring adequate funding; and
5. examining major investments.

As at the date hereof, the members of the Executive Committee are Mr. Cheok Ho Fung and Mr. Liu Wai On. The attendance record of each member of the Executive Committee at its meeting is set out below:

Members of the Executive Committee	Attendance
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	1/1
Mr. Liu Wai On	1/1

During the year ended 31 December 2011, one Executive Committee meeting was held to consider and approve the agreement between the Company and a bank in PRC.

Independent Board Committee

The Company's Independent Board Committee had been established by the Board during the year 2010 for the purposes of advising the Disinterested Shareholders (as defined in the circular dated 29 June 2010) regarding the Termination Agreements and the transaction contemplated in the aforesaid circular regarding the Company's off-market repurchase of 93,400,000 shares from the past substantial shareholder of the Company, Majestic Wealth Limited.

The members of the Independent Board Committee comprised of Mr. Ng Kee Sin (chairman), Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee, Mr. Xiang Dong, Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin.

During the year ended 31 December 2011, the Independent Board Committee had not held any meeting.

CORPORATE MANAGEMENT AND INTERNAL CONTROL

The responsible teams under corporate governance function play a major role in monitoring the internal corporate governance of the Group. They have unrestricted access to the information that allow them to review all aspects of the Group's risk management and governance processes in connection with nature of compliance and legal requirements. It also has the power to consult the Audit Committee without reference to the Management.

Internal Audit Activities:

Internal audit activities are undertaken by the responsible teams under corporate governance function. Under the cross-functional work relationship, the teams conduct periodic review of the practices, procedures and internal controls of all business and support units within the Group. The relevant Board Committees may request the responsible teams to conduct ad-hoc reviews or investigation in relation to all types of business operations of the Group if needed, and to report back the review or investigation results to the Board Committees.

The management systems for occupational health, safe environment and quality standards are set up. The perfection of the internal control system is properly established and the Board and the Senior Management have paid significant attention to it. The aim of undertaking the internal audit activities by the responsible teams is to govern the overall system establishment and comprehensive perfection in corporate internal control. Key tasks of the responsible teams in this internal audit function include:

1. unlimited authority of access to review different aspects of the Group's business activities and internal control procedures;

2. regular performance of the comprehensive audit of the working procedures, practices, expenses, investment, asset management of the special business unit and the Group;

3. special reviews and investigations for ad-hoc projects; and

4. liaison with Senior Management and reporting to the Company's Audit Committee and the Board on the effectiveness and efficiency of the Group's management and the assurance against material financial misstatements.

Internal Control:

The Board holds full responsibility for the system of internal control of the Group and continuously reviews its effectiveness from time to time. The responsible teams participating into the internal audit activities as aforementioned perform investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Company's Audit Committee. The Board, through the Audit Committee, has at least annually reviewed the effectiveness of the system of internal control of the Group for the year ended 31 December 2011. The review had covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board considers the internal control systems (including but not limited to the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, its training programmes and budget) is effective and adequate.

The Board has implemented procedures and internal controls for the handling and dissemination of price sensitive information.

OPERATION RISKS

The Group has implemented appropriate policies and procedures for all major operations. In particular, the Management closely monitors the procurement process and performs due diligence check on the vendors. The In Process Quality Assurance Department and Reliability Department ensure the stability of the manufacturing process and control products quality. The Group also strives to promote human resources reforms and comprehensively enhances cost management. By establishing clear policies and requiring well-documented business process, the exposure to operation risks is considered minimal.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company is committed to our society on the impact of our business to the environment and wishes to create value to the community in which we operate. We have done the following in this area:

Environmental Policy

Traditionally, the manufacture of PCBs is classified as a pollution industry. In view of it, the Company pledges to uphold quality management and implement policies for conserving resources and managing waste. The Company has established the following policies in compliance with environmental regulations:

1. During the stage of design, research and development, environmental impact assessment for each material or machinery is conducted prior to any purchase decision. Accordingly, such impact assessment data is considered as one of the key criteria for procurement decisions.

2. During production, consumption, delivery and waste disposal, the Company undertakes environmental protection measures through technological enhancement, usage of recycling materials and conservation of resources. Besides, minimum environmental impact approach and systematic recycling methods are employed to best protection to the environment as well as the ecosystem.

3. The Company commits to fulfill and comply with national and regional environmental protection regulations and establishes self-regulating frameworks and standards accordingly.

4. Awareness for environmental protection of all staff is enhanced through environmental protection activities, training program and promotion. The concept of “Reduce”, “Reuse”, “Recycle” are heavily promoted. By promoting them, the Company is striving to protect the environment as well as contributing back to the society.

5. Top management of the Group is acting as a core for establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy. Besides, this environmental protection policy is always given first priority, overriding production needs wherever necessary.

6. The Company always keeps track of the development of international environmental protection legislation and ensures its environmental policy is implemented not only to comply with international standards, but also to ensure it is at the same pace as worldwide counterparts.

ENVIRONMENTAL RESEARCH PROJECTS

Since 2001, the Company started sponsoring Tsinghua University (one of the top research and education institutions in China) for the establishment of the "Tsinghua Topsearch R&D Centre of Green Manufacturing" to achieve the following:

1. conduct Green Manufacturing Research; and

2. organise and promote Green Education.

Major subjects for research include:

1. Green Assessment System;

2. Green Design Theory and Methods;

3. Recycle and Reuse Technology of PCBs;

4. Energy Consumption Management;

5. Green Education for Manufacturing and Industrial Ecology; and

6. Green Manufacturing Website.

The Company has been playing a significant role in taking the Green Technologies on to the next level. It is looking forward to sharing these future technologies and is confident that a better and healthier environment can be built.

Corporate Governance Report

ROHS STANDARD AND LEAD — FREE PRODUCTION

As one of the leading companies in the PCBs industry, environmental protection is always one of the focused areas of the Company. The Company has been complying with "Restriction of the use of certain Hazardous Substances" ("RoHS Standard"). The RoHS Standard requires electronic manufacturing companies to use the minimum hazardous substances, such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ethers, which are dangerous to our environment. The RoHS Standard enables our products which are produced under environmental friendly. Apart from meeting the RoHS Standard, the Company is also using halogen-free materials because halogen compound is dangerous to the ozone.

The Company has already used lead-free surface finishing production such as Organic Solderability Preservative (OSP) and Electroless Nickel Immersion Gold (ENIG), which enable our product surfaces to be lead-free. As one of the Company's long term strategies, we will continue to invest on new lead-free technology. Recently, we have invested on Immersion Silver and Immersion Tin machines, which provide better lead-free finishing production along the manufacturing lines.

In future, the Company will keep sourcing new RoHS compliance materials and lead-free surface finishing alternatives to achieve better environmental protection and provide more choices for customers.

EDUCATION

Apart from the work on environmental issues, the Company has already financed over 120 staff members for attending university studies since 1999. It believes that staff are the most valuable asset of the Company. It also invests heavily in training because it believes that training and further education will not only benefit the individual staff member but also provide them more opportunities to make greater contributions to the Company.

Financing for education is not limited to staff. The Company extends it to talented young students. Since 1995, the Company has sponsored over 50 students in their Doctor's and Master's studies in South China Agricultural University and Tsinghua University respectively. The Company may not directly benefit from it, but the Board believes that these students can contribute more to the society if they have opportunities to further their studies.

The Company is willing to take more responsibilities for the society but with a view to balancing the shareholders' interests and the society's benefits.

INVESTOR RELATIONS AND COMMUNICATION

The Company had approved some amendments to the Bye-laws of the Company on 15 June 2009 by passing the special resolution set out in the notice of the annual general meeting held on 15 June 2009. In addition, the Company has uploaded the terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee, together with the Model Code and other information as required under the Listing Rules on the Company's website. The Company continues to commit to a proactive policy of promoting investor relations and effective communication with shareholders and analysts by maximizing the use of the Company's website (www.topsearch.com.hk) as a channel to disclose the Company's updated information to both the shareholders and the public on a timely basis.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period which give a true and fair view of the financial affairs of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Reference was made to the announcements and publications on the websites of the Stock Exchange and of the Company on 27 August 2007, 20 October 2009, 19 November 2009, 18 December 2009, 20 January 2010, 18 February 2010, 11 March 2010, 29 March 2010, 18 June 2010, 28 June 2010, 29 June 2010 and 2 August 2010.

On completion of the two Termination Agreements (as defined in the abovesaid announcements) and the approval and subsequent cancellation of the off-market repurchase of 93,400,000 Repurchased Shares (as defined in the abovesaid announcements) from Majestic Wealth Limited which also ceased as shareholder of the Company on 2 August 2010, the public float of the Company has been fallen from 28.28% to 20.89% which is also the current public float level of the Company as at 13 April 2012 (i.e. the latest practicable date prior to the issuance of this annual report) (i.e. below the minimum public float requirement of 25% under rule 8.08(1) of the Listing Rules).

The Company will keep the Stock Exchange, its shareholders and the public informed of the status of progress in relation to the restoration of the public float to the said requisite level, and will continue to pay close attention to the level of the public float of the Company's shares and will strive to restore the public float level of the Company to at least 25% of the total issued share capital of the Company as soon as possible.

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group's turnover decreased by 6.2%. Material costs and labour costs increased due to the increase in prices of major raw materials such as copper, as well as the increase in labour wages in the PRC. Overall, the gross margin dropped from 8.1% in 2010 to 0.2% in 2011.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity and borrowings from banks.

As at 31 December 2011, the Group had total equity of HK$611 million (31 December 2010: HK$999 million) and net debt (trade payables, other payables and accruals, interest-bearing borrowings, amount due to an associate, provision, shareholder's loan less cash and cash equivalents) of HK$707 million (31 December 2010: HK$673 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 54% (31 December 2010: 40%).

The Group's net current liabilities of HK$242 million (31 December 2010: HK$124 million) consisted of current assets of HK$522 million (31 December 2010: HK$578 million) and current liabilities of HK$764 million (31 December 2010: HK$702 million), representing a current ratio of 0.68 (31 December 2010: 0.82).

As at 31 December 2011, the Group's current assets consisted of HK$107 million (31 December 2010: HK$70 million) held as cash and cash equivalents, of which 1% was in Hong Kong dollars ("HKD"), 54% was in US Dollars ("USD"), 44% was in Renminbi ("RMB") and 1% in other currencies.

The Group's current assets also consisted of HK$158 million (31 December 2010: HK$234 million) as trade receivables from its customers. Debtors turnover days decreased to 63 days (31 December 2010: 72 days).

As at 31 December 2011, the Group's inventories decreased to HK$176 million (31 December 2010: HK$192 million). Inventory turnover days was 59 days (31 December 2010: 64 days). Trade payables decreased to HK$174 million from HK$221 million in 2010. Creditors turnover days was approximately 64 days (31 December 2010: 71 days).

INTEREST-BEARING BORROWINGS

As at 31 December 2011, the Group had the interest-bearing borrowings as follows:

	31 December 2011 *HK$'000*	31 December 2010 *HK$'000*
Amounts payable:		
Within one year	**438,312**	344,833
In the second year	**52,149**	49,000
	490,461	393,833
Less: Portion classified as current liabilities	**438,312**	344,833
Long term portion	**52,149**	49,000

Of the total interest-bearing borrowings, HKD denominated loans accounted for 10% (31 December 2010: 12%), USD denominated loans accounted for 39% (31 December 2010: 14%) and the 51% balance was RMB denominated loans (31 December 2010: 74%) as at 31 December 2011. Almost all of the interest-bearing borrowings are charged with floating rates. The Board does not recognize a significant seasonality of borrowing requirements.

The bank loans and other banking facilities of the Group are secured by:

(i) certain buildings and leasehold land held by the Group; and

(ii) the assignment of trade receivables of a subsidiary of the Group.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 44% and 81% of the Group's purchases and expenses, respectively, are denominated in RMB. As the Group imported a substantial portion of its major and important raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the overall effects arising from RMB appreciation.

At present, the Group has not entered into any financial instrument for hedging purpose. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimize exchange risk should the need arise.

Management Discussion and Analysis

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in the last paragraph under the sub-section headed "Business Review" in the section "Chairman's Statement" on page 5 of this Annual Report about the disposal of land and buildings in Tongliao of the PRC by the indirect wholly owned subsidiary on 31 December 2010, the Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the year of 2011.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2011, excluding the associate, the Group had approximately 2,848 employees (31 December 2010: 5,082). For the year ended 31 December 2011, total staff costs amounted to HK$247 million. Under the Group's remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates. Employees are also granted discretionary bonus subject to the individual's performance and business results of the Group.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants including any employees of the Group. As at 31 December 2011, no share options were outstanding under the scheme. The existing share option scheme, which life is 10 years from its date of adoption on 30 May 2002, will be expired on 30 May 2012.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group's capital commitments contracted but not provided for amounted to HK$8 million (31 December 2010: HK$3 million) and there was no capital commitment authorised but not contracted for (31 December 2010: HK$36 million). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2011 (2010: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 30 May 2012 (Wednesday) to 1 June 2012 (Friday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company, share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 29 May 2012 (Tuesday).

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Details of the analysis of the Group's revenue for the year by geographical location are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 50 to 115.

The Board does not recommend the payment of any dividend for the year ended 31 December 2011.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the Company's issued share capital for the year ended 31 December 2011 are set out in note 28 to the consolidated financial statements.

There was no movement in the Company's share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders though there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year of 2011.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At as 31 December 2011, the Company's reserves available for distribution amounted to HK$495,566,000, comprising retained earnings of HK$28,797,000 and contributed surplus of HK$466,769,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders of the Company if there are reasonable grounds for believing that:

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

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

SHARE OPTION SCHEME

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. Eligible participants of the Scheme include:

(i) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(vii) for the purposes of the Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The Scheme was conditionally adopted and approved by the shareholders of the Company on 30 May 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from that date. The existing Scheme, which life is 10 years from its date of adoption on 30 May 2002, will be expired on 30 May 2012.

The maximum number of ordinary shares in respect of which options may be granted at any time under the Scheme and any other share option scheme of the Company cannot exceed 30% of the issued share capital of the Company from time to time. The total number of ordinary shares, which may be issued upon exercise of all options granted under the Scheme and any other share option scheme of the Group, must not in aggregate exceed 64,000,000 Shares, being 10% of the Shares in issue at the Listing Date. The Company may seek approval of its shareholders in general meeting to refresh the 10% limit provided that the total number of ordinary shares which may be issued upon exercise of all outstanding options granted under the Scheme and under any other share option scheme of the Group under the limit as "refreshed" must not exceed 10% of the ordinary shares in issue at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue, further grant in excess of this limit is subject to issue of a circular to the shareholders and shareholders' approval in a general meeting of the Company with the proposed grantees and their associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is a proposed grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting in which the proposed grantees must abstain from voting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer and upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and will commence at any time on or after the date upon which the option is deemed to be granted and accepted and will expire not later than the 10th anniversary of that date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date.

Save as disclosed above and under the section headed "Directors' Interests in Shares and Underlying Shares" below, none of the Directors or their respective associates has any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) or has any right to subscribe for equity or debt securities of the Company, as recorded in the register required to be kept under SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2011, the sales of products to the largest and the five largest customers amounted to 15% (2010: 16%) and 51% (2010: 50%) of the Company's revenue respectively.

For the financial year ended 31 December 2011, the purchases of materials from the largest and the five largest suppliers amounted to 18% (2010: 18%) and 55% (2010: 59%) of the total purchases respectively.

None of the Directors, or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any beneficial interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2011.

CONTINUING CONNECTED TRANSACTION

The following is the continuing connected transaction that is not exempted under the Listing Rules and is statutorily required to be disclosed pursuant to rules 14A.45 and 14A.46 of the Listing Rules in this report:

Tenancy Agreement

On 10 June 2008 and 1 June 2011, Topsearch Printed Circuits (HK) Limited as tenant (i.e. an indirect wholly-owned subsidiary of the Company which approximately 56.28% of its issued share capital was held by Mr. Cheok Ho Fung, an Executive Director and Chief Executive Officer and as a connected person defined under the Listing Rules, together with Inni International Inc.), entered into a tenancy agreement ("**Tenancy Agreement**") with Keentop Investment Limited as landlord (i.e. an investment holding company and as a connected person defined under the Listing Rules, which is beneficially owned as to 50% by each of Mr. Cheok Ho Fung, an Executive Director and Chief Executive Officer and his spouse, Mrs. Cheok Chu Wai Min) in respect of renting of the properties known as House 7 and the Garden appurtenant thereto and Car Parking Spaces Nos. 7A and 7B on Basement Floor, Las Pinadas, No. 33 Shouson Hill Road, Hong Kong for a lease term of three years commencing from 1 June 2008 to 31 May 2011 (both days inclusive) and 1 June 2011 to 31 May 2014 (both days inclusive) respectively as director's quarters provided to Mr Cheok Ho Fung and his family.

Inni International Inc., a company incorporated in the Republic of Liberia, is owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min.

Keentop Investment Limited will charge Topsearch Printed Circuits (HK) Limited for the monthly rental of HK$163,000 (exclusive of rates, management fee and other outgoings) and monthly management fee of HK$9,000 (subject to adjustment) from 1 June 2008 to 31 May 2011 (both days inclusive) and monthly rental of HK$165,000 (exclusive of rates, management fee and other outgoings) and monthly management fee of HK$9,000 (subject to adjustment) from 1 June 2011 to 31 May 2014 (both days inclusive) based on the valuation report dated 4 June 2008 and 6 May 2011 respectively conducted by a professional property valuer (which is also an independent third party). The terms of the Tenancy Agreement have been negotiated on an arm's length basis which are considered as fair and reasonable and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Details of the terms of and the annual caps under the Tenancy Agreement were announced by the Company on 18 September 2009 and 1 June 2011 at the websites of the Stock Exchange and of the Company respectively.

In respect of the Tenancy Agreement which constituted the Company's continuing connected transaction, the Independent Non-executive Directors have reviewed the said transaction and confirmed that the said transaction has been entered into:

(1) under arm's length negotiation;

(2) on normal commercial terms; and

(3) in accordance with the Tenancy Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transitions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter continuing his findings and conclusions in respect of the continuing connected transaction disclosed by the Group on pages 29 and 30 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

DISCLOSEABLE TRANSACTIONS

(i) Proposed disposal of property

Reference was made to the announcements dated 31 December 2010 and 4 January 2012 ("Disposal Announcements") being published at the websites of the Stock Exchange and of the Company.

The Board announced that on 31 December 2010 (after trading hours), Topsearch Printed Circuits (Tongliao) Limited (an indirect wholly-owned subsidiary of the Company) as vendor, entered into a Property Assignment Agreement (as defined in the Disposal Announcements) with Tongliao Xutong Solar Technology Company Limited as the purchaser, an Independent Third Party (as defined in the Disposal Announcements), to sell a portion of a parcel of industrial land and the buildings erected thereon, which are located in phase II of Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC, with a site area of approximately 74,214 square metres (the exact figure of the site area is subject to confirmation of the relevant regulatory bodies), with Tongliao Economic Technology Development Regional Management Committee (a PRC government agency) as the supervisor, at the consideration of RMB51 million (equivalent to approximately HK$59.3 million) whereas the vendor will receive RMB20 million from the purchaser upon the signing of the Property Assignment Agreement. The remaining balance of the consideration (i.e. RMB31 million) will be paid by the purchaser soon after the successful application of the bank loan but no longer than one year from the date of the Property Assignment Agreement i.e. on or before 31 December 2011, subject to the terms and conditions of the Property Assignment Agreement as disclosed in the Disposal Announcements.

The Board further announced on 4 January 2012 that the Purchaser has not settled the remaining balance of the Consideration of RMB31 million.

Clauses (j) to (l) of the Conditions Precedent set out in the Announcement stipulate that: "Should the Purchaser breach any of the Conditions Precedent, the Purchaser shall immediately assign and transfer the Property to the Vendor. After such transfer, provided the Property is restored to its original state, the Vendor shall in such case be entitled to absolutely forfeit and retain the said RMB5 million. The Vendor shall return the remaining RMB15 million of the initial deposit to the Purchaser without any interests", "Should the Purchaser fail to pay the remaining balance within one year from the date of the Property Assignment Agreement, the Purchaser shall forwith assign and transfer the Property to the Vendor, and the Vendor shall in such case be entitled to absolutely forfeit and retain the said RMB5 million. The Vendor shall return the remaining RMB15 million of the initial deposit to the Purchaser without any interests" and "Should the Purchaser fail to pay the remaining balance within one year from the date of the Property Assignment Agreement, the Supervisor should ensure that the Purchaser transfer and assign the Property to the Vendor."

The Vendor is in process of negotiation with the Supervisor and the Purchaser concerning the said default. In the meantime, the Board is seeking PRC legal opinion concerning the said default. Further announcement will be made for any results of the said negotiation or further development of the transaction.

DIRECTORS

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

Executive Directors:
Mr. Cheok Ho Fung
Mr. Liu Wai On

Non-executive Directors:
Mr. Tang Yok Lam, Andy
Mr. Ng Kwok Ying, Alvin
Mr. Xiang Dong

Independent Non-executive Directors:
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin

In accordance with Bye-law 99 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Ng Kwok Ying, Alvin (Non-executive Director), Mr. Ng Kee Sin (Independent Non-executive Director) and Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting of the Company.

All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 60, is an Executive Director, the Chairman of the Board and the Executive Committee, and Chief Executive Officer of the Company. He is the founder of the Group. Mr. Cheok is responsible for overall strategic planning and the direction of the Group. With over 20 years of experience in the PCBs industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities.

Prior to founding the Group, Mr. Cheok had held the positions as financial controller and various management positions in different multinational companies which involved in computer related products, application systems, motor vehicles and agricultural equipment, ship repairing and oil-rig construction, business-form printing and PCBs manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, a member of the Chartered Institute of Management Accountants since 1981 and the Hong Kong Institute of Certified Public Accountants since 1990.

Mr. Cheok has entered into a service agreement with the Company on 30 May 2002 for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day next after the expiry of the then current terms of the service agreement. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. For the financial year ended 31 December 2011, Mr. Cheok received annual emoluments of HK$5,009,120, including the housing benefits in kind. His emoluments and performance bonus will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. Mr. Cheok's emolument package is subject to review by the Remuneration Committee of the Company and the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Mr. Cheok is one of the substantial shareholders (as defined in the Listing Rules) of the Company. He is also a director and a shareholder of Inni International Inc., which is also one of the substantial shareholders of the Company. Details of his interest in the shares and underlying shares of the Company have been disclosed in the section headed "Report of the Directors" under the sub-sections headed "Directors' Interests in Shares and Underlying Shares" and "Substantial Shareholders and Other Persons' Interests in Shares and Underlying Shares" of this Annual Report.

Save as disclosed above, Mr. Cheok has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being the Chairman of the Board and of the Executive Committee, Chief Executive Officer and an Executive Director, being the father of Mr. Cheok Lup Yin, Eric, an assistant to the Chief Executive Officer of the Company, Mr. Cheok does not have any relationships with any other Directors and senior management (as defined in the Listing Rules), and there are no other matters concerning Mr. Cheok that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Liu Wai On

Mr. Liu Wai On, aged 50, has been an Executive Director of the Company since 12 July 2007. He is a member of the Executive Committee of the Company.

Mr. Liu was graduated from Industrial Management and Metal Finishing Technology in the Hong Kong Polytechnic University, and is also currently the Marketing Director of Topsearch Printed Circuits Macao Commercial Offshore Company Limited which is a subsidiary of the Company mainly responsible for all internal administration, business development, planning and development of sales strategies relating to manufacturing and operations. Prior to joining the aforesaid subsidiary of the Company in 2004, Mr. Liu has more than 20 years of experience in various major PCBs manufacturers in technical and operation areas.

Mr. Liu has been with the Group for more than seven years and had signed a letter of appointment as Executive Director with the Company for an initial fixed term of one year since 12 July 2007 which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Company's Bye-laws. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Liu received annual emoluments of HK$120,000 for being an Executive Director of the Company and other emoluments of HK$756,000. The emoluments of Mr. Liu are subject to review by the Remuneration Committee of the Company and the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Liu has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Executive Director, Mr. Liu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Liu that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Non-executive Directors

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 64, was appointed as an Independent Non-executive Director on 3 April 2002 and has been re-designated as a Non-executive Director of the Company since 1 December 2004. He is also a member of the Remuneration Committee and Nomination Committee of the Company respectively.

Mr. Tang has over 30-year working experience globally in Hong Kong, Japan, London, USA and China in respect of engineering, shipping, energy, finance and investment banking areas. Mr. Tang had held various executive positions in multinational companies, including First Chicago, Fuji Bank, JP Morgan, Coastal Power, etc in Hong Kong, Japan, London, USA and China. Mr. Tang has been a pioneer in non-recourse project financing for sports stadium in USA and power plants in China. Mr. Tang currently resides in Beijing. Mr. Tang studied naval Architecture in Taiwan and subsequently production management at Cambridge and earned his MBA at Cranfield University in England in 1977.

Mr. Tang has been with the Company for nearly ten years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Tang received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Tang are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Tang has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Tang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Tang that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Ng Kwok Ying, Alvin

Mr. Ng Kwok Ying, Alvin, aged 65, was appointed as an Independent Non-executive Director on 3 April 2002 and re-designated as a Non-executive Director of the Company since 22 February 2005. He is also a member of the Audit Committee of the Company.

Mr. Ng is the founder and currently a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng had worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Mr. Ng has been with the Company for nearly ten years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Ng received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Ng are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Ng has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Ng that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Xiang Dong

Mr. Xiang Dong, aged 40, has been an Independent Non-executive Director of the Company since 12 July 2007 and has been re-designated as Non-executive Director of the Company on 12 July 2010. He is a member of the Audit Committee but ceased to be members of the Remuneration Committee and Nomination Committee of the Company on 12 July 2010 respectively.

Mr. Xiang received a Ph.D. degree in Mechanical Engineering of Chongqing University since 2000 and accredited with an Education Award of Department of Precision Instruments & Mechanology, Tsinghua University in 2005. Mr. Xiang is engaged as an associate professor in the Manufacturing Engineering Institute, Department of Precision Instruments & Mechanology, Tsinghua University since 2005 and has several years of lecturing experience in the same school before 2005. Mr. Xiang has undertaken many research projects during the past seven years including Green Design Theory and Application for Electronmechanical Products, E-waste Recycling Technology, Green Manufacturing, Environmental Attribute Analysis of Home Appliances and Recycling Technique of PCBs and cathoderay tube research etc.

Mr. Xiang has been with the Company for nearly five years, and had signed a letter of appointment as Independent Non-executive Director with the Company on 12 July 2007 for an initial fixed term of one year which shall continue thereafter. His terms of appointment as Independent Non-executive Director ceased on 12 July 2010 since he was re-designated from Independent Non-executive Director to Non-executive Director on the same date and accordingly, he signed a new letter of appointment as Non-executive Director with the terms of appointment commencing from 12 July 2010 for a fixed term of one year which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Xiang received annual emoluments of HK$120,000 for being a Non-executive Director. The emoluments of Mr. Xiang are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Xiang has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director and his spouse who is currently working as information technology manager of Topsearch Printed Circuits (Shenzhen) Limited as disclosed under the section headed "Corporate Governance Report" herein, Mr. Xiang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Xiang that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Independent Non-executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 59, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Company respectively.

Mr. Leung has had extensive working experience in the banking industry. For over 20 years, Mr. Leung had held various senior credit management positions in Bank of America and the First National Bank of Boston prior to becoming the Group General Manager of Seng Heng Bank in Macau. Currently he serves as an Executive Director for the Elegance Printing Group, the printer of the Company, which has business relationship with the Company. Mr. Leung holds a Bachelor's degree in Economics and a Bachelor's degree in Commerce from the University of Windsor, Canada, a Master's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Leung has been with the Company for over seven years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Leung received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Leung are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Leung has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director and an executive director and equity partner of the Elegance Printing Group, the printer of the Company, Mr. Leung does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Leung that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 65, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Nomination Committee and also a member of the Audit Committee of the Company. He has been appointed as a member of the Remuneration Committee on 12 July 2010.

Mr. Wong holds a Bachelor of Science degree in Financial Services from The University of Manchester Institute of Science and Technology. He is also a Fellow of The London Chartered Institute of Bankers (FCIB), now known as IFS, School of Finance (UK). As a Singaporean, Mr. Wong has more than 30-year experience in operational risk management, internal audit and compliance. He has held various positions in senior operational risk, internal audit and compliance at Asian and US banks, and has served as advisor and provided strategic risk consultancy services to various banks in Indonesia.

Mr. Wong has been with the Company for over seven years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Wong received annual emoluments of HK$120,000. The emoluments of Mr. Wong are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Wong has not held any positions with the Company or other members of the Group and he has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Wong does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Wong that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Ng Kee Sin

Mr. Ng Kee Sin, aged 60, has been an Independent Non-executive Director of the Company since 20 March 2007. He is the chairman of the Audit Committee of the Company.

Mr. Ng has more than 20 years of senior management experience in Asia Pacific countries with NCR, Digital Equipment Corporation, Compaq Computer Corporation and had been the managing director of Quantum Storage Greater China Region. He is currently an international associate of Golden Namsing Technology Shenzhen Co. Mr. Ng holds a Bachelor of Accountancy degree in the University of Singapore. He is a member of Institute of Certified Public Accountants of Singapore (ICPAS) and a fellow member of the Association of Certified Chartered Accountants (ACCA).

Mr. Ng has been with the Company for over five years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2011, Mr. Ng received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Ng are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Ng has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Ng that need to be brought to the attention of the Shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into a service agreement with Mr. Cheok Ho Fung as an Executive Director, the chairman of the Board and the Chief Executive Officer of the Company for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day next after the expiry of the then current terms of the service agreements, subject to the termination specified in the said service agreement and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Under the service agreement with Mr. Cheok, such agreement may be terminated by either party by giving not less than six months' written notice to the other party.

On 12 July 2007, a letter of appointment was issued by the Company and accepted by Mr. Liu Wai On as Executive Director for an initial fixed term of one year with effect from 12 July 2007 to 11 July 2008 and shall continue thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 12 July 2008 to 11 July 2009 and further from 12 July 2009 to 11 July 2010 and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, separate letters of appointment were issued by the Company and accepted by Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin respectively. Mr. Tang and Mr. Ng served the Company as Non-executive Directors with terms of appointment effective on 3 June 2005 for an initial fixed term of three years and shall continue thereafter, subject to the termination specified in the said letters and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Their terms of appointment were renewed and approved by the Board for the further three years for the period from 3 June 2008 to 2 June 2011 and shall be continued thereafter. Under the letters of appointment, their appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Leung Shu Kin, Alfred. Mr. Leung serves the Company as an Independent Non-executive Director with effect from 3 June 2005 to 31 August 2007, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years for the further period from 1 September 2007 to 31 August 2010 and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Wong Wing Kee. Mr. Wong served the Company as an Independent Non-executive Director with effect from 3 June 2005 to 30 November 2007, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years for the further period from 1 December 2007 to 30 November 2010 and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 16 March 2007, a letter of appointment was issued by the Company and accepted by Mr. Ng Kee Sin. Mr. Ng serves the Company as an Independent Non-executive Director with effect from 20 March 2007 for an initial fixed term of three years and shall be continued thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 12 July 2007, a letter of appointment was issued by the Company and accepted by Mr. Xiang Dong. Mr. Xiang serves the Company as an Independent Non-executive Director with effect from 12 July 2007 to 11 July 2008, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 12 July 2008 to 11 July 2009 and from 12 July 2009 to 11 July 2010 respectively. His terms of appointment as Independent Non-executive Director ceased on 12 July 2010 since he was re-designated from Independent Non-executive Director to Non-executive Director on the same date and accordingly, he signed a new letter of appointment as Non-executive Director on 12 July 2010 with the terms of appointment commencing from 12 July 2010 for an initial fixed term of one year which shall continue thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries, which is not determined by the Company within one year without payment of compensation other than statutory compensation.

Report of the Directors

DIRECTORS' REMUNERATION

The directors' fees are subject to the Company's shareholders' approval at general meetings. Other emoluments are determined by the Board subject to the authority granted by the Company's shareholders at general meeting with reference to directors' duties and skills, responsibilities and performance and the financial results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no Director had a material interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 31 December 2011, the interests and short positions of the directors in the shares, underlying share capital and underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO") as recorded in the register required to be kept by the Company pursuant to 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 Companies, were as follows:

(a) The Company

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	8.63%
	Note	Deemed	Long position	432,000,000	47.65%
Total				510,250,000	56.28%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse Mrs. Cheok Chu Wai Min.

(b) ***Associated Corporation — Inni International Inc.***

Name of director		Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	12,250	49.00%
	Note	Deemed	12,750	51.00%
Total			25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

(c) ***Subsidiary — Topsearch Industries (Holdings) Limited***

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok Ho Fung		Direct	2,000,100	10.00%
	Note	Deemed	17,999,900	90.00%
Total			20,000,000	100.00%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

2. Directors' Interests in Share Options of the Company

As at 31 December 2011, none of the Company's directors held share options of the Company.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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 Companies.

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

Long positions in Shares:

As at 31 December 2011, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	*Notes*			Number of ordinary shares held	Percentage of issued capital
Inni International Inc.		Direct	Long position	432,000,000	47.65%
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	8.63%
	(i)	Deemed	Long position	432,000,000	47.65%
		Total		510,250,000	56.28%
Mrs. Cheok Chu Wai Min	*(ii)*	Deemed	Long position	510,250,000	56.28%
Hallgain Management Limited	*(iii)*	Deemed	Long position	206,992,000	22.83%
Kingboard Chemical		Direct	Long position	2,766,000	0.31%
Holdings Limited	*(iii)*	Deemed	Long position	204,226,000	22.53%
		Total		206,992,000	22.83%
Jamplan (BVI) Limited	*(iii)*	Deemed	Long position	204,226,000	22.53%
Kingboard Laminates Limited	*(iii)*	Direct	Long position	202,000	0.02%
Kingboard Investments Limited	*(iii)*	Direct	Long position	204,024,000	22.50%
Majestic Wealth Limited	*(iv)*	Direct	Long position	0	0%

Notes:

(i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".

(ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".

(iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 204,024,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiary and a non wholly-owned subsidiary of Jamplan (BVI) Limited respectively which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 35.30% equity shares in Kingboard Chemical Holdings Limited.

(iv) Reference was made to the announcements and publications on the websites of the Stock Exchange and of the Company on 27 August 2007, 20 October 2009, 19 November 2009, 18 December 2009, 20 January 2010, 18 February 2010, 11 March 2010, 29 March 2010, 18 June 2010, 28 June 2010, 29 June 2010 and 2 August 2010.

On 2 August 2010, a special general meeting ("SGM") had been held whereat a special resolution had been passed for approving the Company's off-market repurchase of 93,400,000 shares ("Repurchased Shares") in the capital of the Company at the reference price of HK$0.58 per Repurchased Share from Majestic Wealth Limited pursuant to two Termination Agreements (as defined in the abovesaid announcements) dated 17 February 2010 and entered into between the Company, Topsearch Tongliao Investment (BVI) Limited (one of the Company's indirect wholly owned subsidiary) and Majestic Wealth Limited.

Save as disclosed above, as at 31 December 2011, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interest in Shares and Underlying Shares" above had registered an interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The Company established an Audit Committee on 30 May 2002 with its own written terms of reference which have been recently revised by the Board in compliance with the Code of Best Practice ("Code") as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group in compliance with the Code. Meetings were held to review the interim financial statements of the Group for the financial period ended 30 June 2011, and the consolidated audited financial statements of the Group for the year ended 31 December 2011.

This annual report has been reviewed by the Audit Committee.

As at the date hereof, the members of the Audit Committee are set out in the section headed "Corporate Governance Report" of this Annual Report.

AUDITOR

Ernst & Young, who acted as external auditor of the Company for the previous years, resigned on 11 February 2010, and Deloitte Touche Tohmatsu was appointed as external auditor of the Company by the Board to fill the casual vacancy until the conclusion of the Company's annual general meeting held on 2 June 2010.

A resolution for the appointment of Deloitte Touche Tohmatsu as external auditor of the Company had been approved by members at the annual general meeting of the Company which had been held on 2 June 2010, and a resolution for the re-appointment of Deloitte Touche Tohmatsu, the Company's retiring external auditor, had also been approved by members at the Company's annual general meeting held on 3 June 2011.

The financial statements of the Group for the year ended 31 December 2011 have been audited by Deloitte Touche Tohmatsu who will retire since they have been re-elected after the conclusion of the Company's annual general meeting held on 3 June 2011 as the Company's external auditor, and, being eligible, will offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

CHEOK HO FUNG
Chairman and Chief Executive Officer

Hong Kong, 27 March 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 115, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's loss 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.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of HK$439,627,000 during the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by HK$242,309,000. The directors of the Company are taking several measures as disclosed in Note 2 to the consolidated financial statements, some of which have already been implemented, to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. The sufficiency of the working capital of the Group is dependent on their ability to successfully implement the measures set forth in Note 2 to the consolidated financial statements, and, therefore, this indicates the existence of a material uncertainty in relation to the going concern of the Group.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	6	**1,135,320**	1,210,340
Cost of sales		**(1,133,034)**	(1,111,921)
Gross profit		**2,286**	98,419
Other income	7	**13,365**	11,099
Other gains and losses	8	**(238,713)**	(6,536)
Selling and distribution costs		**(84,037)**	(75,567)
Administrative expenses		**(83,044)**	(74,133)
Finance costs	9	**(31,876)**	(22,795)
Loss before tax	10	**(422,019)**	(69,513)
Income tax (expense) credit	13	**(17,608)**	2,683
Loss for the year		**(439,627)**	(66,830)
Other comprehensive income			
Exchange difference arising on translation		**47,334**	19,541
Total comprehensive expense for the year		**(392,293)**	(47,289)
Loss attributable to:			
Owners of the Company		**(438,996)**	(66,830)
Non-controlling interests		**(631)**	—
		(439,627)	(66,830)
Total comprehensive expense attributable to:			
Owners of the Company		**(391,662)**	(47,289)
Non-controlling interests		**(631)**	—
		(392,293)	(47,289)
Loss per share			
Basic	14	**(48.42) HKcents**	(6.95) HKcents

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**856,604**	1,126,351
Prepaid lease payments	16	**40,144**	38,741
Interest in associates	17	**4,396**	—
Rental and utility deposits		**107**	102
Prepaid rent		**324**	360
Available-for-sale financial assets	18	**1,857**	2,002
Deposits paid for acquisition of property, plant and equipment		**6,591**	4,364
Deferred tax assets	19	**—**	7,377
		910,023	1,179,297
CURRENT ASSETS			
Inventories	20	**175,621**	192,088
Prepaid lease payments	16	**988**	931
Trade receivables	21	**157,769**	234,318
Prepayments, deposits and other receivables		**76,275**	42,286
Amounts due from non-controlling shareholders	22	**4,000**	—
Pledged bank deposits	23	**—**	38,059
Bank balances and cash	23	**107,456**	69,987
		522,109	577,669
CURRENT LIABILITIES			
Trade payables	24	**173,693**	221,436
Other payables and accruals	25	**126,386**	127,530
Provision	26	**19,162**	—
Amount due to an associate	17	**4,396**	—
Tax payable		**2,469**	7,877
Interest-bearing bank loans	27	**438,312**	344,833
		764,418	701,676
NET CURRENT LIABILITIES		**(242,309)**	(124,007)
		667,714	1,055,290

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**90,660**	90,660
Reserves		**516,738**	908,400
Equity attributable to owners of the Company		**607,398**	999,060
Non-controlling interests		**3,369**	—
Total equity		**610,767**	999,060
NON-CURRENT LIABILITIES			
Shareholder's loans	29	**52,149**	49,000
Deferred tax liabilities	19	**4,798**	7,230
		56,947	56,230
		667,714	1,055,290

The consolidated financial statements on pages 50 to 115 were approved and authorised for issue by the board of directors on 27 March 2012 and are signed on its behalf by:

CHEOK HO FUNG	**LIU WAI ON**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Translation reserve	Statutory reserve fund	Retained profits (accumulated losses)	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note a)			*(Note b)*				
At 1 January 2010	100,000	360,056	19,000	18,351	182,302	30,008	368,388	1,078,105	—	1,078,105
Loss for the year	—	—	—	—	—	—	(66,830)	(66,830)	—	(66,830)
Exchange difference arising on translation and other comprehensive income for the year	—	—	—	—	19,541	—	—	19,541	—	19,541
Total comprehensive income (expense) for the year	—	—	—	—	19,541	—	(66,830)	(47,289)	—	(47,289)
Repurchase of shares *(note 28)*	(9,340)	(22,416)	—	—	—	—	—	(31,756)	—	(31,756)
At 31 December 2010	90,660	337,640	19,000	18,351	201,843	30,008	301,558	999,060	—	999,060
Loss for the year	—	—	—	—	—	—	(438,996)	(438,996)	(631)	(439,627)
Exchange difference arising on translation and other comprehensive income for the year	—	—	—	—	47,334	—	—	47,334	—	47,334
Total comprehensive income (expense) for the year	—	—	—	—	47,334	—	(438,996)	(391,662)	(631)	(392,293)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	4,000	4,000
At 31 December 2011	**90,660**	**337,640**	**19,000**	**18,351**	**249,177**	**30,008**	**(137,438)**	**607,398**	**3,369**	**610,767**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the group reorganisation, over the nominal value of the Company's shares issued in exchange.

(b) Statutory reserve fund was appropriated each year on the basis of 10% of the profit after taxation of certain subsidiaries established in the People's Republic of China (the "PRC") as determined by their board of directors in accordance with the Articles of Association of the subsidiaries. This fund should only be used for making up losses, capitalisation into capital and expansion of production and operation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(422,019)**	(69,513)
Adjustments for:		
Depreciation of property, plant and equipment	**136,937**	149,947
Interest income	**(555)**	(239)
Finance costs	**31,876**	22,795
Write off/loss on disposal of property, plant and equipment	**82,360**	3
Release of prepaid lease payments	**967**	953
Allowance for obsolete inventories	**4,016**	3,359
Allowance for doubtful debts (reversal)	**2,371**	(691)
Impairment loss of property, plant and equipment	**124,487**	—
Impairment loss of interest in an associate	**—**	523
Impairment loss on consumables	**13,500**	—
Provision for severance payment	**21,378**	—
Operating cash flows before movements in working capital	**(4,682)**	107,137
(Increase) decrease in rental and utility deposits	**(5)**	528
Decrease in prepaid rental	**36**	360
Decrease (increase) in inventories	**10,808**	(247)
Decrease in trade receivables	**74,178**	7,029
Increase in prepayments, deposits and other receivables	**(31,379)**	(11,731)
(Decrease) increase in trade payables	**(61,412)**	10,857
(Decrease) increase in other payables and accruals	**(33,707)**	8,302
Utilisation of provision	**(2,216)**	—
Cash (used in) generated from operations	**(48,379)**	122,235
Income tax paid	**(17,800)**	(5,907)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(66,179)**	116,328

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Interest received	555	239
Proceeds from disposal of property, plant and equipment	—	970
Deposits received for disposal of land and buildings	24,691	—
Purchase of property, plant and equipment	(6,283)	(16,398)
Purchase of available-for-sale financial assets	—	(41)
Deposits paid for property, plant and equipment	(6,591)	(4,300)
Release of pledged bank deposits	38,059	6,124
Proceeds from disposal of available-for-sale financial assets	145	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	50,576	(13,406)
FINANCING ACTIVITIES		
New bank loans	438,312	339,698
Repayment of bank loans	(355,476)	(387,619)
Raise (repayment of) new shareholder's loans	3,149	(11,489)
Interest paid	(31,876)	(22,755)
Interest paid for obligations under finance leases	—	(41)
Repayment of obligations under finance leases	—	(10,275)
NET CASH FORM (USED IN) FINANCING ACTIVITIES	54,109	(92,481)
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,506	10,441
Effect of foreign exchange rate changes	(1,037)	1,999
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	69,987	57,547
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	107,456	69,987

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider that the immediate holding company and its ultimate holding company is Inni International Inc., which is incorporated in Liberia. Its ultimate controlling party is Mr. Cheok Ho Fung, Peter. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The activities of its subsidiaries are set out in Note 36.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK$439,627,000 during the year ended 31 December 2011 and, as of that date, the current liabilities exceeded its current assets by HK$242,309,000.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) the Group is currently in the process of renewing the existing factoring loan facilities of RMB200,000,000 with Bank of China, Shenzhen Branch ("BOC") for the next twelve months period after renewal. The Group also obtained a letter of understanding from the BOC that BOC agreed not to demand repayment of the amount of HK$191,398,000 owing to them as at 31 December 2011 until the renewal is approved;

(b) the Group is also in the process of renewing the existing term loans facility of RMB100,000,000 with China Construction Bank, Shenzhen Branch which is targeted to be completed by end of May 2012 for the purpose of re-financing part of the existing loans which will be fully repaid by June 2012;

(c) the Group has signed a pledged facility agreement with Industrial and Commercial Bank of China, Shaoguan Branch ("ICBC") for banking and trade facilities in a total amount of RMB98,500,000 that will be granted on the condition that certain of the land and buildings amounting to HK$261,993,000 of the Group will be pledged to ICBC upon repayment of an outstanding loan amount of RMB30,000,000 to China Construction Bank, Shenzhen Branch;

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(d) the Group originally expected to receive in the next twelve months from 31 December 2010 the remaining balance of consideration in connection with the disposal of a portion of a parcel of industrial land and buildings in Tongliao, currently included in prepaid lease payments and property, plant and equipment, as announced on 31 December 2010. The purchaser has paid the initial deposit of RMB20 million already during the year ended 31 December 2011 whereas the remaining balance of RMB31 million should be paid on or before 31 December 2011 according to the property assignment agreement signed by both parties on 31 December 2010. The directors of the Company believe that the aforesaid consideration balance of RMB31 million will be settled by the end of year 2012 as detailed in Note 25;

(e) the Group has been relocating most of its production to the manufacturing plant in Quijiang during the year 2012 to attain further cost reduction in production overheads from avoiding high labour costs in Shenzhen and better utilisation of production facilities from consumption of available capacity in the factory of Quijang; and

(f) the controlling shareholder of the Company has provided shareholder's loans of HK$52,149,000 to the Company on 31 December 2011 which will be repayable in 2013. The controlling shareholder also agreed in writing to continue to provide financial support for financing the working capital of the Group when needed in the foreseeable future.

The directors of the Company consider that after taking into account the above, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

HKAS 24 Related Party Disclosures (Revised 2009)

HKAS 24 (Revised 2009) has been revised on the following two aspects: (a) HKAS 24 (Revised 2009) has changed the definition of a related party and (b) HKAS 24 (Revised 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (Revised 2009) has no impact to the financial statements for the current and prior year.

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

New and revised HKFRSs issued but not yet effective

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets but not financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

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

Key requirements of these five standards are described below.

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

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

In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

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

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

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

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements.

However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

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

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretation will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Interests in an associate

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in an associate *(continued)*

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

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

Revenue recognition

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

Revenue from sale of goods is recognised when goods are delivered and title has been passed.

Tuning service income is recognised when the relevant services are rendered.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits (accumulated losses).

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

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

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

Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the re-translation of nonmonetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value.

Raw materials are valued at cost on a weighted average basis. Work in progress and finished goods are valued at standard cost which approximates to the actual cost determined on a weighted average basis and comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Objective evidence of impairment could include:

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities of the Group include trade payables, other payables, interest-bearing bank loans, amount due to an associate and shareholder's loans. Financial liabilities of the Group are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

Impairment losses on tangible assets

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

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cashgenerating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets *(continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using a cash flow estimated to settle the present obligation, its carrying amount is the present value of these cash flows (where the effect is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimation of useful lives of property, plant and equipment

Items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives after taking into account the estimated residual values. The estimated useful lives are based on the expected lives of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment, due to the change of commercial and technological environment, are different from their estimated useful lives, such difference will impact the depreciation charges.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. In addition, due to the change of the business strategy of closure of a manufacturing facility and relocation to existing factories of the Group in other inner areas in PRC, the Group appointed an independent valuer to perform an estimation of the fair value less costs to sell to determine the recoverable amounts. The evaluation requires the use of judgement and assumptions and adjustments for age, condition, economic or functional obsolescence existing at the end of the reporting period. Where the actual cash flows is different from the original estimate, a material change in the amount of impairment may arise.

Fair value of buildings

As described in Note 15, the buildings were revalued at the end of the reporting period using the depreciated replacement cost approach by independent qualified valuers. Based on the valuation at 31 December 2011, no increase or decrease in valuation was recognised in relation to the buildings. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from the aggregate amount of the new replacement cost of the buildings and other site works and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of the reporting period.

Allowances of trade receivables

The policy for provision for allowances of trade receivables of the Group is based on the evaluation of collectability and the aged analysis of the trade receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying value of the Group's trade receivables as at 31 December 2011 was HK$157,769,000 (2010: HK$234,318,000), net of accumulated allowance for doubtful debts amounting to HK$7,074,000 (2010: HK$5,939,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of reporting period, and are discounted to present value where the effect is material. As at 31 December 2011, the carrying amount of provisions is HK$19,162,000 (2010: Nil). Details of the estimation of the provisions are disclosed in Note 26.

6. SEGMENT INFORMATION

No segment information is presented as the manufacture and sale of printed circuit boards is the only operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated result of the Group as a whole for the purposes of resource allocation and assessment of performance. The Group considered that there is only one operating segment with the segment revenue, segment results, segment assets and segment liabilities equal the revenue, loss for the year, total assets and total liabilities respectively as reported in the consolidated financial statements.

(a) Geographical information

The following table provides an analysis of the Group's sales by geographical market based on the location of customers:

	2011 ***HK$'000***	2010 *HK$'000*
The PRC	**244,095**	254,461
Singapore	**207,375**	217,355
Hong Kong	**100,857**	131,647
Thailand	**174,438**	121,742
Malaysia	**152,554**	255,271
Korea	**59,276**	75,560
Germany	**57,562**	54,614
United States of America	**39,586**	30,340
Taiwan	**57,079**	7,399
Others	**42,498**	61,951
	1,135,320	1,210,340

Note: Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

Non-current assets other than available-for-sale financial assets and deferred tax assets amounting to HK$908,166,000 (2010: HK$1,169,918,000) are located in the entities' countries of domicile, the PRC and Hong Kong.

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

Revenue from customers individually contributing over 10% of the total sales of the Group is as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**169,263**	183,561
Customer B	**111,666**	192,778

(c) No product analysis is presented as the group has only single product type from operation.

7. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**555**	239
Government grants *(Note)*	**5,309**	4,898
Tuning service income	**5,965**	4,946
Others	**1,536**	1,016
	13,365	11,099

Note: The government grants mainly represent reimbursement of export credit insurance paid under a concession policy in Guangdong province, PRC as well as the reimbursement of land use tax paid in Shaoguan, PRC.

8. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Impairment loss of interest in an associate	**—**	(523)
Net exchange gain (loss)	**5,383**	(6,701)
(Provision) reversal of allowance for doubtful debts *(Note 21)*	**(2,371)**	691
Loss on restructuring of a manufacturing facility *(Note)*:		
— Impairment loss of property, plant and equipment	**(124,487)**	—
— Write off/disposal of property, plant and equipment	**(82,360)**	(3)
— Impairment loss of consumables	**(13,500)**	—
— Employee severance payment expenses	**(21,378)**	—
	(238,713)	(6,536)

Note:

During the year, the directors reviewed the business strategy and the carrying amounts of the Group's manufacturing assets, and determine that a number of those assets were impaired due to the plan for closure of a production facility and relocate to existing factories of the Group in other inner areas in PRC for cost saving. The existing production was substantially ceased in December 2011 and the relocation of the production line would commence in first quarter of 2012. Accordingly, the management has prepared an assessment of impairment of the manufacturing assets. The recoverable amount of the property, plant and equipment has been mainly determined on the basis of their fair values less costs to sell evaluated by Equipnet Asia Pacific Ltd., an independent valuer. The evaluation included consideration of transactions involving sales of similar assets, as well as their availability on second hand market taking into account of the overall condition, quality of the assets and adjustments for age, condition, economic or functional obsolescence existing at the end of the reporting period. In addition, certain items of immovable property, plant and machinery were identified as obsolete and loss from write off/disposal of the property, plant and equipment of HK$82,360,000 has been recognised in the year.

In addition, employee severance payment which are assessed in accordance with the relevant rules and regulations and the agreements with the counterparties, are expected to be incurred for the removal of the production line.

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**28,850**	21,907
Finance leases	**—**	41
Shareholder's loans	**3,026**	847
	31,876	22,795

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2011 HK$'000	2010 HK$'000
Staff costs (excluding directors' remuneration *(Note 11)*)	**209,725**	182,221
Wages and salaries		
(Severance payment included in loss on restructuring of a manufacturing facility in *(Note 8)*)	**21,378**	—
Other staff costs	**925**	7,504
Retirement benefit scheme contributions	**14,594**	10,923
Less: Forfeited contributions	**—**	(26)
	246,622	200,622
Auditor's remuneration	**1,845**	1,750
Allowance for obsolete inventories		
— included in cost of sales	**4,016**	3,359
— included in restructuring of a manufacturing facility *(Note 8)*	**13,500**	—
Cost of inventories recognised as an expense	**1,133,034**	1,111,921
Depreciation of property, plant and equipment	**136,937**	149,947
Minimum lease payments under operating leases on land and buildings	**7,393**	6,114
Release of prepaid lease payments	**967**	953

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the eight (2010: eight) directors were as follows:

	Fee	Salaries and other benefits	Contribution to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2011				
Executive directors:				
Cheok Ho Fung, Peter	—	4,870^	139	5,009
Liu Wai On, Eric	120	720	36	876
	120	5,590	175	5,885
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
Xiang Dong	120	—	—	120
	360	—	—	360
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
	360	—	—	360
2010				
Executive directors:				
Cheok Ho Fung, Peter	—	4,850^	139	4,989
Liu Wai On, Eric	120	720	36	876
	120	5,570	175	5,865
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
Xiang Dong	120	—	—	120
	360	—	—	360
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
	360	—	—	360

11. DIRECTORS' REMUNERATION

^ Included in the amount is rental and management fee paid for director's quarter to a company beneficially owned by Mr Cheok Ho Fung, Peter.

No emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years. No directors waived any of their emoluments for both years.

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**1,980**	1,920
Contribution to retirement benefit scheme	**99**	96
	2,079	2,016

Their emoluments were within the following band:

	2011	2010
	No of employees	No of employees
Nil to HK$1,000,000	**3**	3

No emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

13. INCOME TAX EXPENSE (CREDIT)

	2011 HK$'000	2010 HK$'000
The income tax expense (credit) comprises:		
PRC Enterprise Income Tax		
Current year	4,625	—
Under-provision in respect of prior years	7,767	1,594
	12,392	1,594
Deferred taxation *(Note 19)*	5,216	(4,277)
	17,608	(2,683)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years. No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The under-provision in respect of prior years mainly includes EIT imposed on transfer pricing arrangement of the Group from 2003 to 2010 by the relevant tax authority in PRC.

13. INCOME TAX EXPENSE (CREDIT) *(continued)*

The income tax expense (credit) for the year is reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before tax	**(422,019)**	(69,513)
Tax at the statutory tax rate of 25%	**(105,505)**	(17,378)
Tax effect of exemption granted to Macau subsidiary	**(25,014)**	(38,535)
Tax effect of income not taxable for tax purpose	**(2,100)**	(113)
Tax effect of expenses not deductible for tax purpose	**10,980**	12,431
Tax effect of tax losses not recognised	**78,258**	35,627
Under-provision in prior years	**7,767**	1,594
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,546**	2,874
Tax effect of other deductible temporary differences not recognised	**51,753**	809
Others	**(77)**	8
Income tax expense (credit) for the year	**17,608**	(2,683)

14. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of basic loss per share	**(438,996)**	(66,830)
Weighted average number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**906,600,000**	961,360,548

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Moulds, dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011								
At 1 January 2011:								
Cost or valuation	578,892	351,466	3,617	1,672,550	74,101	13,398	37,704	2,731,728
Accumulated depreciation	(25,470)	(265,945)	—	(1,204,794)	(65,363)	(10,234)	(33,571)	(1,605,377)
Carrying amount	553,422	85,521	3,617	467,756	8,738	3,164	4,133	1,126,351
At 1 January 2011, carrying amount	553,422	85,521	3,617	467,756	8,738	3,164	4,133	1,126,351
Additions	—	934	81	7,258	1,038	1,215	121	10,647
Write off	(8,378)	(1,150)	—	(66,486)	(2,758)	—	(3,588)	(82,360)
Transfers and reclassification	26,696	(21,315)	(3,921)	803	(2,308)	—	45	—
Depreciation provided during the year	(16,571)	(10,013)	—	(108,272)	(984)	(754)	(343)	(136,937)
Impairment loss	—	—	—	(123,896)	(512)	(79)	—	(124,487)
Exchange realignment	35,298	3,852	223	23,341	344	85	247	63,390
At 31 December 2011, carrying amount	590,467	57,829	—	200,504	3,558	3,631	615	856,604
At 31 December 2011:								
Cost or valuation	698,438	347,764	—	1,359,219	46,218	15,175	4,673	2,471,487
Accumulated depreciation	(107,971)	(289,935)	—	(1,158,715)	(42,660)	(11,544)	(4,058)	(1,614,883)
Carrying amount	590,467	57,829	—	200,504	3,558	3,631	615	856,604
Analysis of cost or valuation:								
At cost	249,360	347,764	—	1,359,219	46,218	15,175	4,673	2,022,409
At 31 December 2008 valuation	449,078	—	—	—	—	—	—	449,078
	698,438	347,764	—	1,359,219	46,218	15,175	4,673	2,471,487

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Moulds, dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010								
At 1 January 2010:								
Cost or valuation	438,081	308,043	152,348	1,653,594	70,771	13,829	37,550	2,674,216
Accumulated depreciation	(9,140)	(247,095)	—	(1,093,244)	(62,073)	(10,631)	(32,524)	(1,454,707)
Carrying amount	428,941	60,948	152,348	560,350	8,698	3,198	5,026	1,219,509
At 1 January 2010, carrying amount	428,941	60,948	152,348	560,350	8,698	3,198	5,026	1,219,509
Additions	5,540	5,416	4,539	11,186	2,646	1,986	4	31,317
Disposals	—	(7)	—	(815)	(34)	(38)	(79)	(973)
Transfers	120,694	31,628	(153,352)	865	141	—	24	—
Depreciation provided during the year	(15,645)	(13,274)	—	(115,184)	(2,908)	(2,001)	(935)	(149,947)
Exchange realignment	13,892	810	82	11,354	195	19	93	26,445
At 31 December 2010, carrying amount	553,422	85,521	3,617	467,756	8,738	3,164	4,133	1,126,351
At 31 December 2010:								
Cost or valuation	578,892	351,466	3,617	1,672,550	74,101	13,398	37,704	2,731,728
Accumulated depreciation	(25,470)	(265,945)	—	(1,204,794)	(65,363)	(10,234)	(33,571)	(1,605,377)
Carrying amount	553,422	85,521	3,617	467,756	8,738	3,164	4,133	1,126,351
Analysis of cost or valuation:								
At cost	129,814	351,466	3,617	1,672,550	74,101	13,398	37,704	2,282,650
At 31 December 2008 valuation	449,078	—	—	—	—	—	—	449,078
	578,892	351,466	3,617	1,672,550	74,101	13,398	37,704	2,731,728

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, after taking into account of their estimated residual value, are depreciated on a straight line basis at the following rates per annum:

Buildings	Over the lease terms ranging from 30 to 50 years
Leasehold improvements	18%
Plant and machinery	9%
Furniture, fixtures and equipment	18%
Motor vehicles	18%
Moulds, dies, test fixtures and pins	25%

The Group's buildings are situated in the PRC and are held under medium lease terms of 30 to 50 years. At 31 December 2011, the Group's buildings with a carrying amount of approximately HK$427,184,000 (2010: HK$425,405,000) were pledged to secure the bank loans granted to the Group.

The Group is in the process of obtaining ownership certificate of buildings with a carrying amount of HK$165,258,000 (2010: HK$159,645,000) as at 31 December 2011.

The Group's buildings stated at valuation were revalued at 31 December 2011 by DTZ Debenham Tie Leung Limited, independent qualified professional valuer. The valuation has been based on the depreciated replacement cost approach which is arrived at using the aggregate amount of the new replacement cost of the buildings, from which appropriate deductions may then be made to allow for the age, condition, functional obsolescence and environmental factor. In the opinion of the directors, no revaluation increase or decrease has been recognised as the fair values are not significantly different from the carrying amounts of the buildings at the end of the reporting period.

Had the Group's buildings been stated at historical cost less accumulated depreciation and impairment losses, their carrying amount as at 31 December 2011 would have been approximately HK$580,341,000 (2010: HK$531,569,000).

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise of land use rights in the PRC on a medium lease term ranging from 30 to 50 years:

	2011	2010
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current asset	**988**	931
Non-current asset	**40,144**	38,741
	41,132	39,672

As at 31 December 2011, certain of the Group's land use rights with a carrying amount of approximately HK$21,699,000 (2010: HK$20,952,000) was pledged to secure the bank loans granted to the Group.

17. INTERESTS IN ASSOCIATES

	2011	2010
	HK$'000	*HK$'000*
Cost of investments in unlisted associates	**4,496**	100
Impairment loss recognised	**(100)**	(100)
	4,396	—
Amount due from an associate	**423**	423
Impairment loss recognised	**(423)**	(423)
	—	—
Amount due to an associate	**(4,396)**	—

The amounts due from (to) associates are unsecured, interest free and repayable on demand. An associate was in the process of application for deregistration, a full provision of impairment loss had been recognised last year.

Included in the cost of investments in unlisted associates is an investment of called up share capital of an associate of HK$4,396,000 but not yet paid at the end of the reporting period.

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates as at 31 December 2011 and 2010 are as follows:

Name of company	Place of incorporation/ operation	Form of legal entity	Class of shares held	Percentage of ownership interest indirectly held by Group		Principal activity
				2011	2010	
Topsearch iService Information Technology (HK) Limited*	Hong Kong	Incorporated	Ordinary	**36%**	—	Inactive
Topsearch PCB Marketing (Thailand) Co., Limited	Thailand	Incorporated	Ordinary	**49%**	49%	Deregistration in progress

* Newly incorporated during the year.

The operating results of the associates have not been equity accounted for by the Group because the amounts were not significant.

17. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from its management accounts:

	2011	2010
	HK$'000	*HK$'000*
Total assets	**12,322**	—
Total liabilities	**—**	—
Net assets	**12,322**	—
Group's share of net assets of associates	**4,396**	—
Revenue	**—**	—
Loss for the year	**112**	—
Group's share of losses of the associate for the year	**40**	—

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
	HK$'000	*HK$'000*
Club debentures, at fair value	**1,857**	2,002

The fair values of the club debentures are based on recent transaction prices.

19. DEFERRED TAX LIABILITIES (ASSETS)

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

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Impairment of property, plant and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	9,815	4,403	(1,588)	(8,500)	4,130
(Credit) charge to profit or loss	(4,600)	—	—	323	(4,277)
At 31 December 2010	5,215	4,403	(1.588)	(8,177)	(147)
Exchange realignment	—	395	—	(666)	(271)
(Credit) charge to profit or loss	(2,030)	—	—	7,246	5,216
At 31 December 2011	**3,185**	**4,798**	**(1,588)**	**(1,597)**	**4,798**

19. DEFERRED TAX LIABILITIES (ASSETS) *(continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2011	2010
	HK$'000	*HK$'000*
Deferred tax assets	—	(7,377)
Deferred tax liabilities	**4,798**	7,230
	4,798	(147)

The Group has tax losses arising in the PRC of HK$721,506,000 (2010: HK$378,666,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they were arisen in subsidiaries that have been loss-making for several years and it is not considered probable that taxable profit will be available against which the tax losses can be utilised.

At the end of the reporting period, the Group has deductible temporary differences of HK$238,790,000 (2010: HK$29,928,000) in respect of the allowance for obsolete inventories and impairment of property, plant and equipment. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

At 31 December 2010, deferred taxation had not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$75,538,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeeable future.

At 31 December 2011, there is no profit of the PRC subsidiaries available for distribution subject to the withholding tax.

20. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw material and consumables	**104,915**	113,135
Work in progress	**26,791**	37,830
Finished goods	**84,333**	76,357
	216,039	227,322
Less: Allowance for obsolete inventories	**(40,418)**	(35,234)
	175,621	192,088

21. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**164,843**	240,257
Less: Allowance for doubtful debts	**(7,074)**	(5,939)
	157,769	234,318

The Group's trade receivables are denominated in the following currencies other than the functional currencies of the relevant group entities set out below:

	2011	2010
	HK$'000	*HK$'000*
Denominated in United States dollars	**156,934**	233,028
Denominated in Euro dollars	**835**	1,290

21. TRADE RECEIVABLES *(continued)*

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment records. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days. The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by senior management. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**55,736**	90,389
31-60 days	**57,910**	87,614
61-90 days	**33,074**	51,968
Over 90 days	**11,049**	4,347
	157,769	234,318

80% (2010: 75%) of the trade receivables that are neither past due nor impaired have good settlement history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$29,290,000 (2010: HK$57,447,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**25,692**	46,271
31-90 days	**3,598**	11,176
	29,290	57,447

Trade receivables that are past due but not impaired relate to a number of independent customers that did not have default payment history with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. TRADE RECEIVABLES *(continued)*

Movement in allowance for doubtful debts

	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**5,939**	6,630
Provision (reversal) of impairment losses recognised	**2,371**	(691)
Write off during the year	**(1,236)**	—
At end of the year	**7,074**	5,939

As of 31 December 2011, trade receivables of HK$7,074,000 (2010: HK$5,939,000) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which have long overdue balances or under legal proceedings.

As of 31 December 2010, the Group had assigned its trade receivables HK$16,077,000 to secure the bank loans granted to the Group. At of 31 December 2011, there is no trade receivable under pledge for the banking facility to the Group.

22. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts are unsecured, interest free and repayable on demand.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES

At 31 December 2011, bank balances carry interest at prevailing deposit rates which range from 0.001% to 0.36% (2010: 0.001% to 0.36%) per annum. At 31 December 2010, the pledged bank deposits carry interest at prevailing deposit rates which range from 0.1% to 0.36% per annum.

Pledged bank deposits represent deposits pledged to banks to secure short-term loans and are therefore classified as current assets.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES *(continued)*

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

	2011	2010
	HK$'000	*HK$'000*
Denominated in Hong Kong dollars	**5**	5
Denominated in United States dollars	**60,328**	66,765
Denominated in Euro dollars	**3**	1,291

24. TRADE PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**47,196**	87,270
31-60 days	**57,810**	65,788
61-90 days	**29,045**	24,553
Over 90 days	**39,642**	43,825
	173,693	221,436

The Group's trade payables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	HK$'000	*HK$'000*
Denominated in United States dollars	**91,425**	123,004

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are accruals for payroll and payroll related costs, purchases of spare parts, utilities charges and general administrative expenses and a deposit of HK$24,691,000 (2010: Nil) in respect of a property assignment transaction described below.

On 31 December 2010, Topsearch Printed Circuits (Tongliao) Limited, a wholly owned subsidiary of the Company, entered into a property assignment agreement ("Property Assignment Agreement") with an independent third party (the "Purchaser"), to sell a portion of a parcel of industrial land and buildings (the "Property"), which are located in phase II of Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC for a consideration of RMB51,000,000 (equivalent to HK$59,302,000). As at 31 December 2011, a deposit of RMB20,000,000 (equivalent to HK$24,691,000) was received while the transaction was suspended due to delay of financing arrangement with a bank for a loan by the Purchaser for settlement of the consideration. The directors of the Company believe that the aforesaid consideration balance of RMB31 million will be settled in full, taking into consideration the statements given by the local government bodies of Tongliao dated 21 March 2012 that they would pay directly to the Group's Tongliao subsidiary the sums of RMB10 million and RMB21 million during the first and second half of year 2012 respectively should the Purchaser fail to tender full settlement by end of May 2012.

At 31 December 2011, the Property is currently idle and included in prepaid lease payments and property, plant and equipment with carrying amounts of HK$8,449,000 and HK$51,921,000 respectively. In the opinion of the directors, no reclassification of the Property to non-current asset held for sale in the consolidated financial statements was made as it is not highly probable that the transaction will be completed in the next twelve months from the end of the reporting period.

26. PROVISION

	HK$'000
Provided for the year	**21,378**
Utilisation	**(2,216)**
At 31 December 2011	**19,162**

The provision for severance payment represents management's best estimate of the liabilities in relation to relocation of a manufacturing facility which are to be utilised to meet restructuring expenses, including staff redundancy, in accordance with the restructuring plan.

27. INTEREST-BEARING BANK LOANS

	2011	2010
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**438,312**	344,833

The bank loans of the Group are secured by certain buildings and leasehold land held by the Group and the assignment of trade receivables. All bank loans carried floating interest rates and the effective interest rates ranged from 3.8% to 7.87% (2010: 5% to 6.12%) per annum.

The Group's bank loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	HK$'000	*HK$'000*
Denominated in United States dollars	**191,398**	54,137

28. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	**Nominal value**
		HK$'000
Authorised:	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2010	1,000,000,000	100,000
Repurchase of shares	(93,400,000)	(9,340)
At 31 December 2010 and 31 December 2011	906,600,000	90,660

28. SHARE CAPITAL *(continued)*

On 17 February 2010, the Group and Majestic Wealth entered into termination agreements to formally unwind the acquisition of two parcels of industrial land located in Tongliao Economic Development Zone, Inner Mongolia, the PRC in previous years, by:

(i) terminating the transfer of the land to the Group;

(ii) extinguishing the Group's payment obligation in respect of the remaining balance of RMB18,303,502 (equivalent to approximately HK$20,799,000); and

(iii) repurchasing and cancelling the repurchased Consideration Shares by the Company for zero consideration.

On 2 August 2010, the consideration shares were repurchased and cancelled and the share capital and share premium were reduced by HK$9,340,000 and HK$22,416,000 respectively.

The share were cancelled upon repurchase with no consideration.

29. SHAREHOLDER'S LOANS

	2011	2010
	HK$'000	*HK$'000*
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 January 2013	**52,149**	—
— interest bearing prime rate plus 1% and repayable on 2 January 2012	**—**	49,000
	52,149	49,000

The shareholder's loans were advanced by Mr. Cheok Ho Fung, Peter, a director and controlling shareholder of the Company. The effective interest rate of the loans of HK$52,149,000 (2010: HK$49,000,000) is 7% (2010: 6%) per annum. During the year, the interest charged on the shareholder's loans is changed from floating rate to fixed rate.

30. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, raise bank loans, and shareholders loans. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors its capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio of not more than 80%. Net debt includes trade payables, other payables and accruals, interest-bearing bank loans, amount due to an associate and shareholder's loans, less cash and cash equivalents. Capital represents total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**173,693**	221,436
Other payables and accruals	**126,386**	127,530
Provision	**19,162**	—
Amount due to an associate	**4,396**	—
Interest-bearing bank loans	**438,312**	344,833
Shareholder's loans	**52,149**	49,000
Less: Cash and cash equivalents	**(107,456)**	(69,987)
Net debt	**706,642**	672,812
Total capital	**610,767**	999,060
Capital and net debt	**1,317,409**	1,671,872
Gearing ratio	**54%**	40%

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**289,936**	358,674
Available-for-sale financial assets	**1,857**	2,002
Financial liabilities		
Amortised cost	**731,491**	705,022

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(i) Currency risk

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

31. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Currency risk (continued)

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, trade payables, bank balances and bank borrowings at the end of the reporting period, are as follows:

	2011 HK$'000	2010 HK$'000
Assets		
United States dollars	**217,262**	299,793
Hong Kong dollars	**5**	5
Euro dollars	**838**	2,581
Liabilities		
United States dollars	**282,823**	177,141

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, mainly Euro dollars and United States dollars, against relevant foreign currencies. The directors of the Company are of the opinion that the Group's sensitivity to the change in United States dollars against Hong Kong dollars is low as Hong Kong dollars are pegged to United States dollars. As a result, the following sensitivity table does not include the impact of such change. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates.

31. FINANCIAL INSTRUMENTS *(continued)*

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

(i) ***Currency risk*** *(continued)*

Sensitivity analysis (continued)

A positive (negative) number below indicates a decrease (increase) in loss for the year when the functional currencies strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the result for the year.

	2011	2010
	HK$'000	*HK$'000*
United States dollars		
Loss for the year	**5,481**	602
Hong Kong dollars		
Loss for the year	**—**	—
Euro dollars		
Loss for the year	**(42)**	(129)

(ii) ***Interest rate risk***

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's pledged bank deposits, bank balances, shareholder's loan and bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2011, except for the shareholder's loan, all of the Group's debt obligations bore interest at floating rates. No derivative contracts have been entered into during both years.

31. FINANCIAL INSTRUMENTS *(continued)*

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

(ii) Interest rate risk

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 300 basis point (2010: 300 basis points) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 300 basis points (2010: 300 basis points) higher or lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2011 would increase or decrease by HK$9,862,000 (2010: increase or decrease by HK$9,228,000) respectively.

The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China lending rate arising from the Group's bank borrowings. No sensitivity analysis for pledged bank deposits and bank balances is prepared as the effect of fluctuation of interest rate is not significant.

(iii) Credit risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group mainly trades with recognised and creditworthy third parties. It is the Group's policy that credit terms are granted subject to in-depth credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and substantially covered by credit insurance. In this regard, management considers that the Group's credit risk is minimal.

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

The Group has concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and as 37% (2010: 58%) of total trade receivables was due from the five largest customers within electronics industry.

31. FINANCIAL INSTRUMENTS *(continued)*

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

(iv) Liquidity risk

The Group is exposed to significant liquidity risk at the end of the reporting period, as it has net current liabilities of approximately HK$242,309,000 (2010: HK$124,007,000). The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group also relies on the continuous financial support from the banks and the controlling shareholder and the management closely monitors its liquidity risk through the steps set out in Note 2. Accordingly, the directors of the Company considered that the Group's liquidity risk is properly addressed and therefore prepared the consolidated financial statements on a going concern basis.

The following table details the remaining contractual maturity of the Group for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

31. FINANCIAL INSTRUMENTS *(continued)*

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

(v) Liquidity tables

	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2011					
Non-derivative financial liabilities					
Trade payables	162,639	11,054	—	173,693	173,693
Other payables	62,941	—	—	62,941	62,941
Amount due to an associate	4,396	—	—	4,396	4,396
Interest-bearing bank loans	206,864	241,101	—	447,965	438,312
Shareholder's loans	913	2,738	52,168	55,819	52,149
	437,753	254,893	52,168	744,814	731,491

	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2010					
Non-derivative financial liabilities					
Trade payables	161,735	59,701	—	221,436	221,436
Other payables	89,753	—	—	89,753	89,753
Interest-bearing bank loans	249,005	99,799	—	348,804	344,833
Shareholder's loans	735	2,205	49,016	51,956	49,000
	501,228	161,705	49,016	711,949	705,022

31. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair values

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

- The fair values of financial assets which are traded on active markets are determined with reference to quoted market bid prices; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 2 based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than quoted prices (unadjusted) in active market for identical assets, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

32. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the period as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**5,016**	5,535
In the second to fifth years inclusive	**3,164**	1,936
	8,180	7,471

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases were negotiated for terms ranging from one to three years with fixed rentals over the terms of the leases.

33. CAPITAL AND OTHER COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure, contracted for but not provided in the consolidated financial statements, in respect of:		
the construction of factory buildings	**674**	1,557
the acquisition of plant and machinery	**7,228**	1,720
	7,902	3,277
Capital expenditure, authorised but not contracted for in respect of:		
the construction of factory buildings	**—**	12,436
the acquisition of plant and machinery	**—**	23,612
	—	36,048

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employees, non-executive directors, customers, suppliers of goods or services and persons or entities that provide research, development or other technical support to the Group, or any entities in which the Group holds an equity interest. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. The Scheme was adopted on 30 May 2002 and became effective on 21 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 30 May 2002. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

34. SHARE OPTION SCHEME *(continued)*

The offer of a grant of share options may be accepted within 28 days after the date of offer and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences once they become vested and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

No share options were granted during the year (2010: Nil). At the end of the reporting period, no share options were outstanding under the Scheme (2010: Nil).

35. RELATED PARTY TRANSACTIONS

(a) In addition to the related party transactions set out in other notes to the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

Related party	*Notes*	**Nature of transaction**	**2011** ***HK$'000***	2010 *HK$'000*
Keentop Investment Limited ("Keentop")	*(i)*	Rental expenses and management fee expense	**2,083**	2,064
Mr. Cheok Ho Fung, Peter	*(ii)*	Interest on shareholder's loan	**3,026**	847
Topsearch PCB Marketing (Thailand) Co., Limited	*(iii)*	Marketing service fee paid to an associate	**—**	684

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 10 June 2008, the monthly rental and management fee was HK$163,000 and HK$9,000 for the period from 1 June 2008 to 31 May 2011 (with an option to renew for a further term of three years). Subsequently, pursuant to a new tenancy agreement dated 1 June 2011, the monthly rental and management fees were revised to HK$165,000 and HK$9,000 for the period from 1 June 2011 to 31 May 2014. The fees were based on a market rental valuation provided by an independent professionally qualified valuer, DTZ Debenham Tie Leung Limited.

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

	2011	2010
	HK$'000	HK$'000
Within one year	**1,980**	815
In the second to fifth years inclusive	**2,805**	—
	4,785	815

(ii) The interest expense was charged at prime rate plus 1% during the year 2011 and HIBOR and prime rate plus 1% during the period from January 2010 through August 2010 and from September 2010 through December 2010 respectively for the shareholder's loan granted by Mr. Cheok Ho Fung, Peter.

(iii) The marketing service fee was paid at prices mutually agreed between the parties for marketing services provided by an associate.

(b) Details of the compensation of key management personnel of the Group were as follows:

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**8,410**	8,330
Post-employment benefits	**274**	271
	8,684	8,601

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2011 and 2010 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2011	2010	
Directly held					
Topsearch Industries (BVI) Limited	British Virgin Islands/Hong Kong	Shares US$50,000	**100**	100	Investment holding
Indirectly held					
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Deferred non-voting* HK$20,000,000	**100** **—**	100 —	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary shares HK$10,000,000	**100**	100	Investment holding
Topsearch Printed Circuits Macao Commercial Offshore Company Limited	Macau	Ordinary shares Macau Pataca100,000	**100**	100	Sale of printed circuit boards

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Particulars of the subsidiaries as at 31 December 2011 and 2010 are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2011	2010	
Topsearch Printed Circuits (Shenzhen) Ltd. @	PRC	Registered capital US$50,000,000	**100**	100	Manufacture of printed circuit boards
Topsearch Marketing (S) Pte. Ltd.	Singapore	Ordinary shares SGD1,000	**100**	100	Provision of marketing services
TPS Marketing (M) Sdn. Bhd.	Malaysia	Ordinary shares RM2	**100**	100	Provision of marketing services
Topsearch Tongliao Investment (BVI) Limited	British Virgin Islands/Hong Kong	Shares US$50,000	**100**	100	Investment holding
Topsearch Excelio Investment (HK) Limited	Hong Kong	Ordinary shares HK$10,000	**100**	100	Investment holding
可立身物業管理（深圳）有限公司@	PRC	Registered capital HK$1,000,000	**100**	100	Provision of property management services
至卓飛高線路板（曲江）有限公司@	PRC	Registered capital US$62,000,000	**100**	100	Manufacture of printed circuit boards

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Particulars of the subsidiaries as at 31 December 2011 and 2010 are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2011	2010	
天祥綜合服務(深圳)有限公司@	PRC	Registered capital HK$1,000,000	**100**	100	Provision of catering and cleaning services
至卓飛高線路板(通遼)有限公司@	PRC	Registered capital US$42,000,000	**100**	100	Manufacture of printed circuit boards
至卓飛高進出口貿易(深圳)有限公司@	PRC	Registered capital HK$500,000	**100**	100	Sale of printed circuit boards
Topsearch Technologies Investment (Holdings) Limited	Hong Kong	Ordinary shares HK$2	**100**	100	Investment Holding
Topsearch iService Investment Limited#	Hong Kong	Ordinary shares HK$10,000	**100**	—	Investment Holding
Excelio Technology (Hong Kong) Company Limited#	Hong Kong	Ordinary shares HK$10,000,000	**60**	—	Investment Holding
Excelio Company Limited#	British Virgin Islands/ Hong Kong	Share US$1	**60**	—	Integrated Circuit Design

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Particulars of the subsidiaries as at 31 December 2011 and 2010 are as follows: *(continued)*

* The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital upon winding-up unless a sum of HK$500,000,000,000,000 has been distributed to each of the holders of the ordinary shares.

@ Registered as wholly foreign owned enterprises under the PRC law.

Newly incorporated during the year.

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

The above tables list the subsidiaries of the Company which, in the opinion of the directors of the Company, principally comprised the Group's assets or results. To give details of the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

37. RETIREMENT BENEFIT SCHEMES

Hong Kong

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

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner for both years.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees subject to a limit of HK$1,000.

PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

38. CONTINGENT LIABILITY

A customer of the Group has sent a letter in November 2009 threatening a claim of approximately US$1.45 million (equivalent to HK$11,242,000) for damages arising from non-delivery of goods. The customer has however failed to supply any further clarifications of her allegations and relevant documents in support of the said allegations and representations. A full provision of impairment loss of the outstanding balance receivable from the customer had been recognised in prior years. In the opinion of the directors, it is considered not probable that the customer will succeed in the claim. Thus, no additional provision has been made in the consolidated financial statements.

Financial Summary

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

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,135,320**	1,210,340	1,189,762	1,558,810	1,614,834
(LOSS) PROFIT BEFORE TAX	**(422,019)**	(69,513)	(91,595)	(169,699)	1,383
Tax	**(17,608)**	2,683	(3,425)	10,333	1,493
LOSS FOR THE YEAR	**(439,627)**	(66,830)	(95,020)	(159,366)	2,876
(LOSS) PROFIT ATTRIBUTABLE TO :					
OWNERS OF THE COMPANY	**(438,996)**	(66,830)	(95,020)	(159,366)	2,876
NON-CONTROLLING INTERESTS	**(631)**	—	—	—	—

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,432,132**	1,756,966	1,879,456	2,307,557	2,453,529
Total liabilities	**(821,365)**	(757,906)	(801,351)	(1,134,499)	(1,184,912)
Total net assets	**610,767**	999,060	1,078,105	1,173,058	1,268,617