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)

Annual Report 2010

*For identification purposes only

Contents

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 *(re-designated from Independent Non-executive Director to Non-executive Director on 12 July 2010)*

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.
Argyle House, 41A Cedar Avenue
Hamilton HM 12
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
People's Republic of China

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

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

FINANCIAL CALENDAR
Half year results
Announced on 17 August 2010

Full year results
Announced on 24 March 2011

REGISTER OF MEMBERS
To be closed from 1 June 2011 (Wednesday) to 3 June 2011 (Friday)

ANNUAL GENERAL MEETING
To be held on 3 June 2011 (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

For the year ended 31 December 2010, the Group achieved sales of HK$1,210 million, representing an increase of 1.7% over that of last year. Operating loss before interest and tax was HK$47 million, as compared to operating loss before interest and tax of HK$51 million in 2009. Loss attributable to shareholders amounted to HK$67 million, as compared to loss of HK$95 million in 2009. Basic loss per share was 6.95 Hong Kong cents, as compared to a loss per share of 9.50 Hong Kong cents in 2009.

DIVIDENDS

The board of directors ("Board" or "Directors") does not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

BUSINESS REVIEW

Revenue increased by 1.7% from HK$1,190 million in 2009 to HK$1,210 million in 2010. However, the gross profit decreased by 26% over that of 2009 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 11.2% in 2009 to 8.1% in 2010.

To improve the Group's financial position, the Group has been implementing various sales strategies to increase the sales turnover and 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 renewed the factoring loan facilities with a bank in the People's Republic of China ("PRC") for a total facility amount of RMB200 million with effect from 1 January 2011. In addition to these new banking facilities, the credit facility from another lending bank amounting to totally RMB340 million have been granted and available until January 2012. Meanwhile, a controlling shareholder has continued to maintain a total advance of HK$47 million and RMB1.72 million (approximately a total sum of HK$49 million) to the Company throughout the whole year of 2011 for financing its general working capital requirements.

To extinguish the Group's payment obligation in respect of the remaining balance of the consideration of RMB18,303,502 for the two parcels of industrial land located in Tongliao of PRC for approximately 279,333.78 square metres and in view of the Group's interests for not proceeding with the development of the aforesaid land due to the PRC Government's Idle Land Rules and the Group's declining demand for building plant there, the Company convened a special general meeting on 2 August 2010 whereat the special resolution had been passed by all Disinterested Shareholders (as defined in the circular dated 29 June 2010) attending thereat for approving the two Termination Agreements dated 17 February 2010 which had been entered into between the

Company, Topsearch Tongliao Investment (BVI) Limited (an indirect wholly owned subsidiary of the Company) and Majestic Wealth Limited (the past substantial shareholder of the Company) regarding the off-market repurchase of 93,400,000 shares in the capital of the Company ("Repurchased Shares") by the Company which are denominated in HK$0.10 each at the reference price of HK$0.58 per Repurchased Share from Majestic Wealth Limited which also received the consideration and termination fee of RMB350,000 for the purposes of entering into the Termination Agreements from the Company.

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 existing plant in Tongliao of PRC cannot be fully utilised in the nearer future for meeting the production capacity, on 31 December 2010, Topsearch Printed Circuits (Tongliao) Limited (an indirect wholly owned subsidiary of the Company) entered into a Property Assignment Agreement with Tongliao Xutong Solar Technology Company Limited, 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). According to the Property Assignment Agreement, the said full consideration will be received before the end of the year 2011.

PROSPECTS

The management of the Group ("Management") has continued to improve competitiveness throughout 2010 primarily in the on-time delivery of quality products to customers. This was evidenced by the substantial reduction of quality claims from customers comparing to the last few years, pathing the entry into the supply of PCBs to the automotive industry. With the continuous increase in raw materials price in the last 18 months, the Management believes the positioning of such quality level shall offer a better chance to negotiate appropriate price with the customers, so that part of such increase in material price can be shifted to the consumers.

The market for PCBs demand for 2010 remained very volatile, as experienced in the last quarter during which a supposedly peak season turned out to be a soft season. The first two months of 2011 have shown a stronger sign but unfortunately this was completely shattered by the 311 earthquake disaster in Japan. Although the Group does not consume much raw materials from Japan, the Group's customers do require a lot of materials and parts from Japan and therefore the impact is still unpredictable at this moment. Without a crystal ball on hand it will be extremely difficult to make a forecast for 2011 business, unless Japan's supplies can return to a normal level and if that is the case, the Management is fairly optimistic about the prospects of 2011 of the Group because their efforts in the past as mentioned earlier should be paid off.

Chairman's Statement

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, 24 March 2011

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 2010, 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 a majority 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 2010, 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.

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 2010. Members of the 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 35 to 42 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)*	5/5
Mr. Liu Wai On	5/5
Non-executive Directors	
Mr. Tang Yok Lam, Andy	4/5
Mr. Ng Kwok Ying, Alvin	4/5
Mr. Xiang Dong *(re-designated from Independent Non-executive Director to Non-executive Director on 12 July 2010)*	3/5
Independent Non-executive Directors	
Mr. Leung Shu Kin, Alfred	4/5
Mr. Wong Wing Kee	4/5
Mr. Ng Kee Sin	4/5

The number of Board meetings held during the year ended 31 December 2010 was five.

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 confirmation, 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 because one of the Independent Non-executive Director, Mr. Xiang Dong, had been re-designated to Non-executive Director on 12 July 2010. 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 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 them, including but not limited to those stated in the management letter, implementing policy on engaging external auditor to supply non-audit services;

4. reporting directly to the Board;

5. ensuring full access by the responsible teams under corporate governance function of any concerns that may have arisen during the course of the 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 2010, two Audit Committee meetings were held to review the financial results and reports for the year ended 31 December 2009 and for the six months ended 30 June 2010, the budget for the year of 2011, 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 change and re-election of the external auditor. 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)*	1/2
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 2010	1,750,000
Non-audit services:	
Tax compliance	19,500
Review of continuing connected transactions	20,000
	1,789,500

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.

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 (being appointed on 12 July 2010), the majority of whom are Independent Non-executive Directors. Mr. Xiang Dong ceased to be a member of the Remuneration Committee on 12 July 2010.

During the year ended 31 December 2010, one Remuneration Committee meeting was 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)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	1/1
Mr. Xiang Dong *(Member) (Non-executive Director) (ceased on 12 July 2010)*	0/1
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director) (being appointed on 12 July 2010)*	0/0

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. Mr. Xiang Dong ceased to be a member of the Nomination Committee on 12 July 2010.

During the year ended 31 December 2010, the Nomination Committee had met once and discussed and reviewed (i) the retiring Directors to be re-elected at the 2010 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
Mr. Xiang Dong *(Member) (Re-designated from Independent Non-executive Director to Non-executive Director on 12 July 2010) (ceased on 12 July 2010)*	0/1

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)*	3/3
Mr. Liu Wai On	3/3

During the year ended 31 December 2010, three Executive Committee meetings were held to consider and approve the agreement between the Company and a bank in PRC, removal of the Repurchased Shares from the Company's branch share register and closure of the Company's bank account.

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 2010, the Independent Board Committee had met once and discussed and reviewed the Termination Agreements and the transaction contemplated in the aforesaid circular regarding (i) the advice from the independent financial adviser; (ii) whether it was fair and reasonable and to the interests of the Disinterested Shareholders and the Company as a whole for entering into the Termination Agreements and the transaction; (iii) the said Committee's recommendation to the Disinterested Shareholders to vote in favour of the Termination Agreements and the said off-market repurchase of shares and the relevant transaction for consideration at the special general meeting held on 2 August 2010 by issuing a letter addressed to the Disinterested Shareholders in the said circular. The attendance record of each member of the Independent Board Committee at its meeting is set out below:

Members of Independent Board Committee	Attendance
Mr. Ng Kee Sin *(Chairman) (Independent Non-executive Director)*	1/1
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	0/1
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	1/1
Mr. Xiang Dong *(Member) (Non-executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	0/1
Mr. Ng Kwok Ying, Alvin *(Member) (Non-executive Director)*	1/1

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 2010. 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.

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. 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 15 April 2011 (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 increased by 1.7%. Material costs and labour costs increased due to the price increases of major raw materials such as copper, as well as the increase in wages in the PRC. With the stringent cost control measures taken by the Group, production overheads were maintained at similar level as that of last year. Overall, the gross margin dropped from 11.2% in 2009 to 8.1% in 2010.

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 2010, the Group had total equity of HK$999 million (31 December 2009: HK$1,078 million) and net debt (trade payables, other payables and accruals, interest-bearing borrowings, shareholder's loans less cash and cash equivalents) of HK$673 million (31 December 2009: HK$710 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 40% (31 December 2009: 40%).

The Group's net current liabilities of HK$124 million (31 December 2009: HK$143 million) consisted of current assets of HK$578 million (31 December 2009: HK$599 million) and current liabilities of HK$702 million (31 December 2009: HK$742 million), representing a current ratio of 0.82 (31 December 2009: 0.81).

As at 31 December 2010, the Group's current assets consisted of HK$70 million (31 December 2009: HK$58 million) held as cash and cash equivalents, of which 2% was in Hong Kong dollars ("HKD"), 41% was in US dollars ("USD"), 54% was in Renminbi ("RMB") and 3% in other currencies.

The Group's current assets also consisted of HK$234 million (31 December 2009: HK$241 million) trade receivables from customers. Debtors turnover days decreased to 72 days (31 December 2009: 86 days).

As at 31 December 2010, the Group's inventories decreased to HK$192 million (31 December 2009: HK$195 million). Inventory turnover days was 64 days (31 December 2009: 74 days). Trade payables increased to HK$221 million from HK$208 million in 2009. Creditor turnover days was approximately 70 days (31 December 2009: 107 days).

INTEREST-BEARING BORROWINGS

As at 31 December 2010, the Group had the interest-bearing borrowings as follows:

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*
Amounts payable:		
Within one year	**344,833**	395,367
In the second year	**49,000**	47,545
	393,833	442,912
Less: Portion classified as current liabilities	**344,833**	395,367
Long term portion	**49,000**	47,545

Of the total interest-bearing borrowings, HKD denominated loans accounted for 12% (31 December 2009: 28%), USD denominated loans accounted for 14% (31 December 2009: nil) and the 74% balance was RMB denominated loans (31 December 2009: 72%) as at 31 December 2010. 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;

(ii) the assignment of trade receivables of a subsidiary of the Group; and

(iii) the pledged bank deposits held by 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 80% of the Group's purchases and expenses, respectively, are denominated in RMB. As the Group imported a substantial portion of its critical raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from RMB appreciation.

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.

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 2010.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2010, excluding the associate, the Group had approximately 5,082 employees (31 December 2009: 5,570). For the year ended 31 December 2010, total staff costs amounted to HK$201 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 2010, no share options were outstanding under the scheme.

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 2010, the Group’s capital commitments authorised but not contracted for amounted to HK$36 million (31 December 2009: HK$15 million) and contracted but not provided for amounted to HK$3 million (31 December 2009: HK$12 million). All of these capital commitments were related to construction of factory buildings and acquisition of land and plant and machinery.

OTHER COMMITMENTS

As at 31 December 2010, the Group’s capital contribution committed to the wholly-owned subsidiary established in the PRC amounted to HK$105 million (31 December 2009: HK$121 million).

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 1 June 2011 (Wednesday) to 3 June 2011 (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 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 31 May 2011 (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 2010.

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 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 52 to 115.

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

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 2010 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 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

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 of members of the Company ("SGM") had been held whereat a special resolution had been passed by not less than three-fourths of the vote cast on a poll by Disinterested Shareholders (as defined in the above said announcements) present in person or by proxy thereat, for approving the Company's off-market repurchase of 93,400,000 Repurchased Shares in the capital of the Company at the reference price of HK$0.58 per Repurchased Share from Majestic Wealth Limited, a past shareholder of the Company, pursuant to two Termination Agreements (as defined in the above said announcements) dated 17 February 2010 and entered into between the Company, Topsearch Tongliao Investment (BVI) Limited and Majestic Wealth Limited.

The Repurchased Shares were subsequently cancelled. The nominal value of the cancelled Repurchased Shares was debited to the capital of the Company and the aggregate consideration was charged against the other receivable account of the Company.

Save as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year of 2010.

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 2010, the Company's reserves available for distribution amounted to HK$502,838,000, comprising retained earnings of HK$36,069,000 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 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 2010, the sales of products to the largest and the five largest customers amounted to 16% (2009: 18%) and 50% (2009: 52%) of the Company's revenue respectively.

For the financial year ended 31 December 2010, the purchases of materials from the largest and the five largest suppliers amounted to 18% (2009: 17%) and 59% (2009: 55%) 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 2010.

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, Topsearch Printed Circuits (HK) Limited as tenant (i.e. an indirect wholly-owned subsidiary of the Company whereas approximately 56.28% of the Company's issued share capital was held by Mr. Cheok Ho Fung, an Executive Director and Chief Executive Officer of the Company 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) 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) based on the valuation report dated 4 June 2008 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 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 transactions, 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 transactions 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 transactions 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.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Keentop Investment Limited ("Keentop"), which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, has mortgaged one of its properties to secure the Group's bank loan up to HK$70,000,000 during the Period. The mortgage has been released during the year.

On 23 October 2008, a wholly-owned subsidiary of the Company as borrower ("Borrower") and the Company and Mr. Cheok Ho Fung as guarantors entered into a facility agreement ("Facility Agreement") with two local banks (one of which was also the arranger, agent and security agent) as lenders regarding a 12-month revolving loan facility of HK$187.5 million ("Facility") subject to certain terms and conditions contained therein.

Pursuant to the Facility Agreement, upon the happening of either of the following conditions will constitute an event of default which the Facility will, among others, become immediately due and payable:

(i) the Borrower is not or ceases to be wholly and beneficially owned by the Company;

(ii) Mr. Cheok Ho Fung ceases to own wholly and beneficially 51% or more of the issued shares in the Company or ceases to have management control over the Borrower and the Company; and

(iii) the Group is in breach of financial covenants as stated in the Facility Agreement.

As disclosed in the announcement published on 5 November 2009 at the websites of the Stock Exchange and of the Company, on 4 November 2009, parties to the Facility Agreement entered into a supplemental agreement ("Supplemental Facility Agreement") to amend certain terms and conditions of the Facility Agreement, including (i) extending the maturity date of the Facility ("Repayment Date") to 18 January 2010; and (ii) adjusting the amount of the Facility from HK$187.5 million to the respective amounts for the relevant periods as detailed below:

Period	**Amounts** *(HK$)*
Up to 4 November 2009	131,250,000
From 5 November 2009 to 6 December 2009 (both dates inclusive)	90,000,000
From 7 December 2009 to the Repayment Date (both dates inclusive)	70,000,000

As extended by the Supplemental Facility Agreement, it would continue to be an event of default under the Facility Agreement if (i) the Borrower is not or ceases to be wholly and beneficially owned by the Company; (ii) Mr. Cheok Ho Fung, being the Chairman, Chief Executive Officer and Executive Director of the Company, ceases to own wholly and beneficially 51% or more of the issued shares in the Company or ceases to have management control over the Borrower and the Company; or (iii) the Group is in breach of financial covenants as stated in the Facility Agreement including the interest cover of not less than four and net tangible worth of the Group not to be less than HK$1.2 billion.

The whole outstanding amount of the loan principal under the Supplemental Facility Agreement had been repaid by the Group on 18 January 2010, and accordingly all the financial covenants, specific performance on controlling shareholder and pledge of property as mentioned above were released.

DISCLOSEABLE TRANSACTIONS

(i) Termination of Acquisition and Off-market Repurchase of Shares

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 17 February 2010, the Company, Topsearch Tongliao Investment (BVI) Limited and Majestic Wealth Limited entered into two termination agreements to formally unwind the acquisition of two parcels of individual land located in Tongliao Economic Development Zone, Inner Mongolia, the PRC ("Land"), 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 the 93,400,000 shares ("Repurchased Shares") in the capital of the Company which are denominated in HK$0.10 each at the reference price of HK$0.58 per Repurchased Share from Majestic Wealth Limited and all transactions contemplated thereby, including but not limited to the capital reduction incidental to the cancellation of the Repurchased Shares from the share capital of the Company.

Pursuant to the termination agreements, the Company agreed to pay Majestic Wealth Limited an amount of RMB350,000 as the consideration for the termination agreements.

The special resolution as contained in the SGM notice had been unanimously approved by the Disinterested Shareholders of the Company (as defined in the abovesaid announcements) who had attended the SGM held on 2 August 2010. Such approval had also been obtained from the Executive (as defined in the abovesaid announcements).

After the passing of the abovesaid special resolution, the Repurchased Shares had been cancelled and the issued share capital of the Company had been reduced from 1,000,000,000 shares to 906,600,000 shares on 2 August 2010 where the nominal value of the cancelled Repurchased Shares was debited to the capital of the Company and the aggregate consideration was charged against the other receivable account of the Company.

Subsequent to the reduction of the issued share capital of the Company from 1,000,000,000 shares to 906,600,000 shares on 2 August 2010, percentage of shareholdings has been changed which can be referred to the section headed "Directors' Interest in Shares and Underlying Shares" and "Substantial Shareholders and Other Persons' Interests in Shares and Underlying Shares" in this report. The public float of the Company has been fallen from 28.28% to 20.89% which is below the minimum public float requirement of 25% under rule 8.08(1) of the Listing Rules.

(ii) Proposed disposal of property

Reference was made to the announcement dated 31 December 2010 ("Disposal Announcement") 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 Announcement) with Tongliao Xutong Solar Technology Company Limited as the purchaser, an Independent Third Party (as defined in the Disposal Announcement), 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 Announcement.

DIRECTORS

Reference was made to the announcement dated 12 July 2010 published at the websites of the Stock Exchange and of the Company, the Board had approved and announced the following changes in the Board:

(1) Mr. Xiang Dong, formerly an Independent Non-executive Director, has been re-designated as a Non-executive Director with effect from 12 July 2010;

(2) Mr. Xiang Dong ceased to be a member of Remuneration Committee and Nomination Committee of the Company all effective on 12 July 2010; and

(3) Mr. Wong Wing Kee, an existing Independent Non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee of the Company, has been appointed as a member of the Remuneration Committee of the Company with effect from 12 July 2010.

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 *(redesignated from Independent Non-executive Director to Non-executive Director on 12 July 2010)*

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. Cheok Ho Fung (Executive Director and Chief Executive Officer), Mr. Tang Yok Lam, Andy (Non-executive Director) and Mr. Wong Wing Kee (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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 59, 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 2010, Mr. Cheok received annual emoluments of HK$4,989,720, 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.

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).

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.

Mr. Liu Wai On

Mr. Liu Wai On, aged 49, 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 six 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 2010, 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.

Non-executive Directors

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 63, 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 over nine 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 2010, 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.

Mr. Ng Kwok Ying, Alvin

Mr. Ng Kwok Ying, Alvin, aged 64, 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 over nine 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 2010, 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.

Mr. Xiang Dong

Mr. Xiang Dong, aged 39, 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 four 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 2010, Mr. Xiang received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company for the period ended 11 July 2010 and being a Non-executive Director since 12 July 2010. 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.

Independent Non-executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 58, 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 six 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 2010, 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.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 64, 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 six 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 2010, 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.

Mr. Ng Kee Sin

Mr. Ng Kee Sin, aged 59, 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 four 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 2010, 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.

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 effect from 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.

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 2010, 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 share 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 2010, none of the Company's directors held share options of the Company.

Save as disclosed above, as at 31 December 2010, 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 2010, 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 34.50% 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 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 2010, 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 2010, and the consolidated audited financial statements of the Group for the year ended 31 December 2010.

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 past six 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.

The financial statements of the Group for the year ended 31 December 2010 have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, 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, 24 March 2011

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 52 to 115, which comprise the consolidated statement of financial position as at 31 December 2010, 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 the 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 the 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 2010, 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.

EMPHASIS OF MATTER

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$66,830,000 during the year ended 31 December 2010 and, as of that date, the Group's current liabilities exceeded its current assets by HK$124,007,000. 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

24 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	6	**1,210,340**	1,189,762
Cost of sales		**(1,111,921)**	(1,056,167)
Gross profit		**98,419**	133,595
Other income	7	**11,099**	9,639
Other gains and losses	8	**(6,536)**	(40,267)
Selling and distribution costs		**(75,567)**	(83,921)
Administrative expenses		**(74,133)**	(70,033)
Finance costs	9	**(22,795)**	(40,608)
Loss before tax	10	**(69,513)**	(91,595)
Income tax credit (expense)	13	**2,683**	(3,425)
Loss for the year		**(66,830)**	(95,020)
Other comprehensive income (net of tax)			
Exchange difference arising on translation		**19,541**	67
Total comprehensive expense for the year		**(47,289)**	(94,953)
Loss per share	14		
Basic		**(6.95) HKcents**	(9.50) HKcents

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,126,351**	1,219,509
Prepaid lease payments	16	**38,741**	38,770
Interest in an associate	17	**—**	100
Amount due from an associate	17	**—**	423
Rental and utility deposits		**102**	630
Prepaid rent		**360**	720
Available-for-sale financial assets	18	**2,002**	1,961
Deposits paid for acquisition of property, plant and equipment		**4,364**	10,482
Deferred tax assets	29	**7,377**	7,700
		1,179,297	1,280,295
CURRENT ASSETS			
Inventories	20	**192,088**	195,200
Prepaid lease payments	16	**931**	910
Trade receivables	21	**234,318**	240,656
Prepayments, deposits and other receivables	19	**42,286**	61,579
Pledged bank deposits	22	**38,059**	43,269
Bank balances and cash	22	**69,987**	57,547
		577,669	599,161
CURRENT LIABILITIES			
Trade payables	23	**221,436**	208,212
Other payables and accruals	24	**127,530**	113,263
Interest-bearing bank loans	25	**344,833**	385,092
Obligations under finance leases	26	**—**	10,275
Shareholder's loans	27	**—**	12,944
Tax payable		**7,877**	12,190
		701,676	741,976
NET CURRENT LIABILITIES		**(124,007)**	(142,815)
		1,055,290	1,137,480

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**90,660**	100,000
Reserves		**908,400**	978,105
		999,060	1,078,105
NON-CURRENT LIABILITIES			
Shareholder's loans	27	**49,000**	47,545
Deferred tax liabilities	29	**7,230**	11,830
		56,230	59,375
		1,055,290	1,137,480

The consolidated financial statements on pages 52 to 115 were approved and authorised for issue by the board of directors on 24 March 2011 and are signed on its behalf by:

CHEOK HO FUNG
DIRECTOR

LIU WAI ON
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Property revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve fund HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000
At 1 January 2009	100,000	360,056	19,000	18,351	182,235	30,008	463,408	1,173,058
Loss for the year	—	—	—	—	—	—	(95,020)	(95,020)
Exchange difference arising on translation and other comprehensive income for the year	—	—	—	—	67	—	—	67
Total comprehensive income (expense) for the year	—	—	—	—	67	—	(95,020)	(94,953)
At 31 December 2009	100,000	360,056	19,000	18,351	182,302	30,008	368,388	1,078,105
Loss for the year	—	—	—	—	—	—	(66,830)	(66,830)
Exchange difference arising on translation and other comprehensive income for the year	—	—	—	—	19,541	—	—	19,541
Total comprehensive income (expense) for the year	—	—	—	—	19,541	—	(66,830)	(47,289)
Repurchase of shares *(note 28)*	(9,340)	(22,416)	—	—	—	—	—	(31,756)
At 31 December 2010	90,660	337,640	19,000	18,351	201,843	30,008	301,558	999,060

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 2010

	2010	2009
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(69,513)**	(91,595)
Adjustments for:		
Depreciation of property, plant and equipment	**149,947**	164,463
Interest income	**(239)**	(671)
Gain on disposal of an available-for-sale financial asset	**—**	(43)
Finance costs	**22,795**	40,608
Loss on disposal of property, plant and equipment	**3**	887
Release of prepaid lease payments	**953**	755
Allowance for obsolete inventories	**3,359**	12,917
Reversal of allowance of doubtful debts	**(691)**	(489)
Impairment loss of property, plant and equipment	**—**	6,465
Impairment loss of interest in an associate	**523**	—
Impairment loss of other receivable	**—**	28,126
Operating cash flows before movements in working capital	**107,137**	161,423
Decrease in rental and utility deposits	**528**	17
Decrease in prepaid rental	**360**	211
(Increase) decrease in inventories	**(247)**	27,184
Decrease in trade receivable	**7,029**	82,736
(Increase) decrease in prepayments, deposits and other receivables	**(11,731)**	8,673
Decrease in amount due from an associate	**—**	35
Increase (decrease) in trade payables	**10,857**	(204,234)
Increase in other payables and accruals	**8,302**	4,346
Cash generated from operations	**122,235**	80,391
Income tax paid	**(5,907)**	(6,041)
NET CASH FROM OPERATING ACTIVITIES	**116,328**	74,350

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Interest received	**239**	671
Proceeds from disposal of property, plant and equipment	**970**	29,138
Purchase of property, plant and equipment	**(16,398)**	(17,272)
Purchase of available-for-sale financial assets	**(41)**	—
Deposits paid for property, plant and equipment	**(4,300)**	(10,482)
Decrease in pledged bank deposits	**6,124**	111,966
Proceeds from disposal of available-for-sale financial assets	**—**	329
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(13,406)**	114,350
FINANCING ACTIVITIES		
New bank loans	**339,698**	385,092
Repayment of bank loans	**(387,619)**	(500,580)
(Repayment of) new shareholder's loans	**(11,489)**	12,944
Interest paid	**(22,755)**	(40,209)
Interest paid for obligations under finance leases	**(41)**	(399)
Repayment of obligations under finance leases	**(10,275)**	(28,100)
NET CASH USED IN FINANCING ACTIVITIES	**(92,481)**	(171,252)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,441**	17,448
Effect of foreign exchange rate changes	**1,999**	(421)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**57,547**	40,520
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	**69,987**	57,547

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. 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$66,830,000 during the year ended 31 December 2010 and, as of that date, the Group's total assets exceeded its current liabilities by HK$1,055,290,000 and current liabilities exceeded its current assets by HK$124,007,000.

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) subsequent to the end of the reporting period, the Group renewed the factoring loan facilities with a China bank for a total facility amount of RMB200,000,000 with effect from 1 January 2011. In addition to these new banking facilities, the credit facility from another existing lending bank amounting to totally RMB340,000,000 have been granted and available until January 2012;

(b) the Group would expect to receive the full consideration of RMB51,000,000 in connection with the disposal of a portion of a parcel of industrial land and buildings in Tongliao during the year of 2011 as announced on 31 December 2010;

(c) the directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses;

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

(d) the Group has been implementing various sales strategies to increase the sales turnover and margins of the products; and

(e) the controlling shareholder of the Company has undertaken to provide shareholder's loans amounting to HK$49,000,000 as disclosed in Note 27 as at 31 December 2010 which will not be demanded for repayment until 2 January 2012 according to the shareholder's loan agreement and its supplementary agreement.

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 Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 17 Leases

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of amendment to HKAS 17 "Leases" had no material impact on the consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments or Interpretation that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 February 2010

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

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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 accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. 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 presentation 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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.

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 on consolidation.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition were recognised at their fair values at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Interests in associates

An associate is an entity over which the investor 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.

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.

Tooling income is recognised when the relevant services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Construction in progress represents property, plant and equipment under construction or installation, which is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. 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. 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, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 re-translated.

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 non-monetary 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 (the translation reserve).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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 revenue 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.

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences 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. 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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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. 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, amount due from an associate, pledged bank deposits and 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 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 subsequently 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, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

For available-for-sale debt investments, impairment losses are subsequently reversed 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

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

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 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 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 Group 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.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. When employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments, these are equity-settled share-based payment transactions.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity.

At the time when the share options are exercised, the amount previously recognised in equity will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity will be transferred to retained profits.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets *(continued)*

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

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.

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.

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

Impairment of property, plant and equipment other than buildings

The Group assesses annually whether property, plant and equipment other than buildings have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment other than buildings have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. 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 2010, 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 each reporting date.

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 2010 was HK$234,318,000 (2009: HK$240,656,000), net of accumulated allowance for doubtful debts amounting to HK$5,939,000 (2009: HK$6,630,000).

Deferred tax assets

The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future profits generated and the taxable temporary differences available are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. As at 31 December 2010, deferred tax asset of HK$8,177,000 (2009: HK$8,500,000) and HK$1,588,000 (2009: HK$1,588,000) in relation to impairment of property, plant and equipment and tax losses, respectively, have been recognised in the Group's consolidated statement of financial position. However, no deferred tax asset has been recognised on the tax losses of HK$366,987,000 (2009: HK$231,587,000) due to the unpredictability of future profit streams.

6. SEGMENT INFORMATION

No segment information is presented as the manufacture and sales of printed circuit boards is the only major operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated results 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:

	2010	2009
	HK$'000	*HK$'000*
Malaysia	**255,271**	274,589
The PRC	**254,461**	233,242
Singapore	**217,355**	241,553
Hong Kong	**131,647**	151,716
Thailand	**121,742**	40,523
Korea	**75,560**	85,815
Germany	**54,614**	40,729
United States of America	**30,340**	37,677
Taiwan	**7,399**	23,980
Others	**61,951**	59,938
	1,210,340	1,189,762

Notes:

(i) Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes, and is analysed on the basis of the customer's location.

(ii) Non-current assets other than interest in an associate, amount due from an associate, available-for-sale financial assets and deferred tax assets amounting to HK$1,169,918,000 (2009: HK$1,270,111,000) are located in the entities' country of domicile, the PRC.

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

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

	2010	2009
	HK$'000	*HK$'000*
Customer A	**183,561**	209,970
Customer B	**192,778**	183,391

7. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Interest income	**239**	671
Government grants *(Note)*	**4,898**	3,027
Tooling income	**4,946**	4,285
Others	**1,016**	1,656
	11,099	9,639

Note: The government grants represent reimbursement of other taxes and duties paid under a concession policy in the PRC.

8. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
Gain on disposal of an available-for-sale financial asset	**—**	43
Impairment loss of property, plant and equipment *(Note 15)*	**—**	(6,465)
Impairment loss of other receivable *(Note 19)*	**—**	(28,126)
Loss on disposal of property, plant and equipment	**(3)**	(887)
Net exchange loss	**(6,701)**	(5,321)
Impairment loss of interest in an associate	**(523)**	—
Reversal of allowance for doubtful debts *(Note 21)*	**691**	489
	(6,536)	(40,267)

9. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**21,907**	40,132
Finance leases	**41**	399
Shareholder's loans	**847**	77
	22,795	40,608

10. LOSS BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**1,750**	1,500
Allowance for obsolete inventories (included in cost of sales)	**3,359**	12,917
Cost of inventories recognised as an expense	**1,111,921**	1,056,167
Depreciation of property, plant and equipment	**149,947**	164,463
Minimum lease payments under operating leases on land and buildings	**6,114**	7,383
Release of prepaid lease payments	**953**	755
Staff costs (excluding directors' remuneration *(Note 11)*)		
Wages and salaries	**182,221**	159,648
Provision for termination pay	**7,504**	11,280
Retirement benefit scheme contributions	**10,923**	9,649
Less: Forfeited contributions	**(26)**	(146)
	200,622	180,431

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the eight (2009: nine) directors were as follows:

	Fee	Salaries and other benefits	Contribution to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
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
2009				
Executive directors:				
Cheok Ho Fung, Peter	—	4,665^	139	4,804
Liu Wai On, Eric	120	624	36	780
Kwok Chi Kwong, Danny	25	314	20	359
	145	5,603	195	5,943
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
	240	—	—	240
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
Xiang Dong*	120	—	—	120
	480	—	—	480

* Xiang Dong, formerly an Independent Non-executive Director has been redesignated as a Non-executive Director during the year.

^ Included in the amount is rental and management fee paid 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 (2009: two) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Salaries and other benefits	**1,920**	1,953
Contribution to retirement benefit scheme	**96**	104
	2,016	2,057

Their emoluments were within the following band:

	2010 **No. of employees**	2009 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 (CREDIT) EXPENSE

	2010 ***HK$'000***	2009 *HK$'000*
The income tax (credit) expense comprises:		
PRC Enterprise Income Tax		
Current year	**—**	7,385
Under-provision in prior years	**1,594**	1,540
Deferred taxation *(Note 29)*	**(4,277)**	(5,500)
	(2,683)	3,425

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

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% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in tax rate for the next three years. The 50% tax relief started from 2008.

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

	2010	2009
	HK$'000	*HK$'000*
Loss before tax	**(69,513)**	(91,595)
Tax at the statutory tax rate of 25%	**(17,378)**	(22,899)
Income tax at concessionary rate	**—**	(7,358)
Tax effect of exemption granted to Macau subsidiary	**(38,535)**	(23,647)
Tax effect of income not taxable for tax purpose	**(113)**	(3,057)
Tax effect of expenses not deductible for tax purpose	**12,431**	19,735
Tax effect of tax losses not recognised	**35,627**	29,407
Under-provision in prior years	**1,594**	1,540
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,874**	2,929
Tax effect of other deductible temporary differences not recognised	**809**	6,521
Others	**8**	254
Income tax (credit) expense for the year	**(2,683)**	3,425

14. LOSS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of basic loss per share	**(66,830)**	(95,020)
Weighted average number of shares:		
Weighted average number of shares for the purpose of basic loss per share	**961,360,548**	1,000,000,000

Diluted loss per share is not presented as there were no potential ordinary shares in issue for both years and as at 31 December 2010 and 2009.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds, dies, test fixtures and pins HK$'000	Total HK$'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)*

	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 2009								
At 1 January 2009:								
Cost or valuation	448,402	321,802	150,282	1,686,323	95,529	14,961	214,038	2,931,337
Accumulated depreciation	—	(229,255)	—	(1,012,792)	(83,176)	(10,081)	(213,213)	(1,548,517)
Carrying amount	448,402	92,547	150,282	673,531	12,353	4,880	825	1,382,820
At 1 January 2009,								
carrying amount	448,402	92,547	150,282	673,531	12,353	4,880	825	1,382,820
Additions	—	28	2,831	22,524	4,150	17	7,604	37,154
Disposals	(10,321)	(8,065)	(765)	(5,180)	(5,452)	(139)	(103)	(30,025)
Depreciation provided								
during the year	(9,140)	(23,565)	—	(124,497)	(2,375)	(1,586)	(3,300)	(164,463)
Impairment	—	—	—	(6,465)	—	—	—	(6,465)
Exchange realignment	—	3	—	437	22	26	—	488
At 31 December 2009,								
carrying amount	428,941	60,948	152,348	560,350	8,698	3,198	5,026	1,219,509
At 31 December 2009:								
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
Analysis of cost or valuation:								
At cost	—	308,043	152,348	1,653,594	70,771	13,829	37,550	2,236,135
At 31 December 2008								
valuation	438,081	—	—	—	—	—	—	438,081
	438,081	308,043	152,348	1,653,594	70,771	13,829	37,550	2,674,216

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 2010, the Group's buildings with a carrying amount of approximately HK$425,405,000 (2009: HK$428,941,000) were pledged to secure the bank loans granted to the Group.

The Group is in the process of obtaining property ownership certificate of buildings with a carrying amount of HK$159,645,000 (2009: Nil) as at 31 December 2010.

The Group's buildings stated at valuation were revalued at 31 December 2010 by DTZ Debenham Tie Leung Limited and LCH (Asia-Pacific) Surveyors Limited, independent qualified professional valuers. 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 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 2010 would have been approximately HK$531,569,000 (2009: HK$374,916,000).

During the year ended 31 December 2009, an impairment loss of HK$6,465,000 was made to fully write down the plant and machinery due to physical damage and technical obsolescence.

In addition, in view of the losses incurred for the year, the management has assessed the impairment on the property, plant and equipment. The recoverable amount of the cash generating unit comprising the property, plant and equipment had been determined on the basis of value in use calculation. The value in use calculation use cash flow projections which were based on approved financial budgets covering a 3-year period, and the discount rate of approximately 12%. Zero growth was projected for cash flows beyond the 3-year period. Other key assumptions for the value in use calculations included the budgeted sales and gross margins, such estimations were based on past performance and management's expectations for the market's development. In the opinion of directors, no impairment loss has been recognised for the year.

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

As at 31 December 2009, the carrying amount of the Group's property, plant and equipment held under finance leases amounted to HK$35,951,000. These items of plant and machinery were pledged to the respective banks as security for the finance lease facilities granted to the Group. The pledges have been released during the year.

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 with a carrying amount of HK$7,958,000 (included in Note 16) and buildings erected thereon with a carrying amount of HK$50,510,000 (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).

According to the Property Assignment Agreement, the consideration is to be settled by:

(a) RMB20,000,000 (equivalent to HK$23,256,000) upon signing of the Property Assignment Agreement; and

(b) Remaining RMB31,000,000 (equivalent to HK$36,046,000) after the successful application of the bank loan by the Purchaser but not later than one year from the date of the Property Assignment Agreement, i.e. on or before 31 December 2011.

Due to the delay of arranging financing for the transaction, no consideration has been received up to the date these consolidated financial statements were approved for issuance, which indicates that there is an uncertainty on whether the transaction will be completed on or before 31 December 2011 in accordance with the Property Assignment Agreement. 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.

16. PREPAID LEASE PAYMENTS

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

	2010	2009
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current asset	**931**	910
Non-current asset	**38,741**	38,770
	39,672	39,680

As at 31 December 2010, certain of the Group's land use rights with a carrying amount of approximately HK$20,952,000 (2009: HK$20,979,000) was pledged to secure the bank loans granted to the Group.

17. INTEREST IN AN ASSOCIATE

	2010	2009
	HK$'000	*HK$'000*
Cost of investment in an unlisted associate	**100**	100
Impairment loss recognised	**(100)**	—
	—	100
Amount due from an associate	**423**	423
Impairment loss recognised	**(423)**	—
	—	423

The amount due from an associate was unsecured, interest free and repayable on demand. The amount due from an associate was not expected to be repayable within the next twelve months and accordingly, the amount was classified as non-current as at 31 December 2009. The associate was in the process of application for deregistration during the year, a full provision of impairment loss has been recognised.

17. INTEREST IN AN ASSOCIATE *(continued)*

Particulars of the associate as at 31 December 2010 and 2009 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
Topsearch PCB Marketing (Thailand) Co., Limited	Thailand	Incorporated	Ordinary	49%	Provision of marketing services

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

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

	2010 **HK$'000**	2009 HK$'000
Total assets	—	167
Total liabilities	—	(428)
Net liabilities	—	(261)
Group's share of net liabilities of associate	—	(128)
Revenue	—	1,063
Loss for the year	—	(12)
Group's share of losses of the associate for the year	—	(6)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	HK$'000	*HK$'000*
Club debentures, at fair value	**2,002**	1,961

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables mainly include value-added tax receivables, prepayments and trade deposits. Included in the balance at 31 December 2009 was also an amount of HK$31,756,000 in respect of a transaction described below.

Pursuant to a land acquisition agreement, the Group has conditionally agreed to acquire two parcels of industrial land located in the Tongliao Economic Development Zone, Inner Mongolia, the PRC from Majestic Wealth Limited (the "Majestic Wealth"), a company incorporated in Samoa and a substantial shareholder of the Company, for a consideration of RMB71,000,000 (equivalent to approximately HK$73,644,000). The Company has made an initial payment of RMB52,696,498 (equivalent to approximately HK$59,900,000) by issuing 93,400,000 new ordinary shares of the Company ("Consideration Shares") at HK$0.58 per share on 23 August 2007. Pursuant to the agreement and a supplementary agreement, the outstanding balance of RMB18,303,502 was payable on or before 31 December 2010.

On 10 October 2009, the PRC government, pursuant to the Rules of Idle Land, resumed the above land as the land has been idle for a significant period of time. Accordingly, the deposit paid for land lease was reclassified to other receivable. During the year ended 31 December 2009, the Group recognised an impairment loss of HK$28,126,000 in relation to the other receivable by reference to the fair value of the underlying shares of the Company which the Group expected to receive as return of the deposit.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(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, 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 are repurchased and cancelled and the share capital and share premium are reduced by HK$9,340,000 and HK$22,416,000 respectively.

20. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Raw material and consumables	**113,135**	103,479
Work in progress	**37,830**	35,068
Finished goods	**76,357**	93,231
	227,322	231,778
Less: Allowance for obsolete inventories	**(35,234)**	(36,578)
	192,088	195,200

21. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**240,257**	247,286
Less: Allowance for doubtful debts	**(5,939)**	(6,630)
	234,318	240,656

21. TRADE RECEIVABLES *(continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Denominated in United States dollars	**233,028**	240,656
Denominated in Euro dollars	**1,290**	—

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 granted 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:

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**90,389**	89,401
31-60 days	**87,614**	89,413
61-90 days	**51,968**	47,430
Over 90 days	**4,347**	14,412
	234,318	240,656

75% (2009: 72%) of the trade receivables that are neither past due nor impaired have good settlement repayment history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$57,447,000 (2009: HK$66,309,000) 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.

21. TRADE RECEIVABLES *(continued)*

Aging of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
0 — 30 days	**46,271**	49,494
31 — 90 days	**11,176**	9,931
Over 90 days	**—**	6,884
	57,447	66,309

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.

Movement in allowance for doubtful debts

	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**6,630**	7,119
Reversal of impairment losses recognised	**(691)**	(489)
At end of the year	**5,939**	6,630

As of 31 December 2010, trade receivables of HK$5,939,000 (2009: HK$6,630,000) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which are long overdue balances or under legal proceedings. The Group has assigned its trade receivables of HK$16,077,000 (2009: HK$247,286,000) to secure the bank loans granted to the Group.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances carry interest at prevailing deposit rates which range from 0.001% to 0.36% (2009: 0.001% to 0.36%) per annum. The pledged bank deposits carry interest at prevailing deposit rates which range from 0.1% to 0.36% (2009: 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.

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:

	2010	2009
	HK$'000	*HK$'000*
Denominated in Hong Kong dollars	**5**	409
Denominated in United States dollars	**66,765**	51,968
Denominated in Euro dollars	**1,291**	1,558

23. TRADE PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
0 — 30 days	**87,270**	68,228
31 — 60 days	**65,788**	59,426
61 — 90 days	**24,553**	34,235
Over 90 days	**43,825**	46,323
	221,436	208,212

23. TRADE PAYABLES *(continued)*

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:

	2010	2009
	HK$'000	*HK$'000*
Denominated in United States dollars	**123,004**	101,656

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.

24. 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 an amount of HK$29,702,000 (2009: HK$29,028,000) in respect of a transaction described below.

Pursuant to an agreement dated 28 June 2005 entered into by a wholly-owned subsidiary of the Company and Majestic Wealth, Majestic Wealth agreed to manage the building process of the manufacturing plant of the Group in Tongliao and paid for the construction costs in advance on behalf of the subsidiary. As at 23 August 2007, an amount of RMB53,190,000 (equivalent to HK$55,595,000) (the "Loan") was due to Majestic Wealth.

On 23 August 2007, Sure-Get Securities Limited ("Sure-Get"), a company incorporated in the British Virgin Islands and a third party independent of the Group, acquired the Loan from Majestic Wealth. Pursuant to an agreement entered into between the Company and Sure-Get, the Company issued 49,000,000 new ordinary shares at HK$0.58 per share for repayment of approximately RMB27,646,000 (equivalent to HK$28,420,000). The remaining balance of RMB25,544,000 (equivalent to HK$29,702,000 and HK$29,028,000 as at 31 December 2010 and 2009) recorded as other payable in the consolidated statement of financial position will be settled on or before 31 December 2008 (subsequently revised to 31 December 2010 pursuant to a supplementary agreement). In 2010, Sure-Get has agreed that the amount is to be settled on or before 31 March 2011, and accordingly, the amount was classified as a current liability as at 31 December 2010.

25. INTEREST-BEARING BANK LOANS

	2010	2009
	HK$'000	HK$'000
Secured bank loans repayable within one year or on demand	**344,833**	385,092

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 5% to 6.12% (2009: 5.0% to 5.84%) per annum for the year.

In addition, as at 31 December 2009, Keentop Investment Limited ("Keentop"), which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, has mortgaged a property to secure the Group's bank loans up to HK$70,000,000. The mortgage has been released during the year.

As at 31 December 2009, certain of the banking facilities granted to the Group have stipulated financial covenants of interest cover of not less than four and net tangible worth of not less than HK$1,200,000,000. Such covenants were breached by the Group but since the outstanding loans under these banking facilities of HK$70,000,000 were due for repayment within one year, no reclassification or adjustment was necessary as at 31 December 2009. During the year, the loan of HK$70,000,000 was repaid and accordingly the pledge of property was released.

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

	2010	2009
	HK$'000	HK$'000
Denominated in United States dollars	**54,137**	19,501

26. OBLIGATIONS UNDER FINANCE LEASES

It was the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term was one year. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.25% to 2.25% per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	—	10,340	—	10,275
Less: Future finance charges	—	(65)	—	N/A
Present value of lease obligations	—	10,275	—	10,275
Less: Amount due for settlement within 12 months (shown under current liabilities)			—	(10,275)
Amount due for settlement after 12 months			—	—

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

27. SHAREHOLDER'S LOANS

	2010	2009
	HK$'000	*HK$'000*
Unsecured loans from a controlling shareholder:		
— interest free and repayable on demand	**—**	12,944
— interest bearing at HIBOR and repayable on 2 January 2011	**—**	47,545
— interest bearing prime rate plus 1% and repayable on 2 January 2012	**49,000**	—
	49,000	60,489

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$49,000,000 (2009: HK$47,545,000) is 6% (2009: 0.16%) per annum.

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 2009 and 31 December 2009	1,000,000,000	100,000
Repurchase of shares *(Note 19)*	(93,400,000)	(9,340)
At 31 December 2010	906,600,000	90,660

The share were cancelled upon repurchase with no consideration.

29. 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 2009	15,515	4,403	(1,788)	(8,500)	9,630
(Credit) charge to profit or loss	(5,700)	—	200	—	(5,500)
At 31 December 2009	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)

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:

	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets	**(7,377)**	(7,700)
Deferred tax liabilities	**7,230**	11,830
	(147)	4,130

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

The Group has tax losses arising in the PRC of HK$378,666,000 (2009: HK$231,587,000) 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 have 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$29,928,000 (2009: HK$26,085,000) 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. Deferred taxation has 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 (2009: HK$86,660,000) 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 foreseeable future.

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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

30. CAPITAL RISK MANAGEMENT *(continued)*

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 borrowings, shareholder's loans and obligations under finance leases, less cash and cash equivalents. Capital represents total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**221,436**	208,212
Other payables and accruals	**127,530**	113,263
Interest-bearing bank loans	**344,833**	385,092
Shareholder's loans	**49,000**	60,489
Obligations under finance leases	**—**	10,275
Less: Cash and cash equivalents	**(69,987)**	(57,547)
Net debt	**672,812**	719,784
Total capital	**999,060**	1,078,105
Capital and net debt	**1,671,872**	1,797,889
Gearing ratio	**40%**	40%

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**358,674**	383,502
Available-for-sale financial assets	**1,857**	1,961
Financial liabilities		
Amortised cost	**705,022**	734,440

(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:

	2010	2009
	HK$'000	*HK$'000*
Assets		
United States dollars	**299,793**	292,624
Hong Kong dollars	**5**	409
Euro dollars	**2,581**	1,558
Liabilities		
United States dollars	**177,141**	121,157

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, mainly Renminbi, 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.

	2010	2009
	HK$'000	*HK$'000*
United States dollars		
Loss for the year	**602**	573
Hong Kong dollars		
Loss for the year	**—**	(15)
Euro dollars		
Loss for the year	**(129)**	(78)

(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 2010, 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*** *(continued)*

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 (2009: 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 (2009: 300 basis points) higher and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2010 would increase by HK$9,228,000 (2009: increase by HK$10,621,000).

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. In the opinion of directors of the Company, sensitivity analysis is not presented for a decrease of interest rate because a further decrease in interest rate is unlikely to occur. 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.

31. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Credit risk *(continued)*

Since the Group mainly trades with recognised and creditworthy third parties, there is no requirement for collateral.

The Group has concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and trade receivables from major customers within electronics industry.

(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$124,007,000 (2009: HK$142,815,000).

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	3 to 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

	Less than 3 months	3 to 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Non-derivative financial liabilities					
Trade payables	191,213	16,999	—	208,212	208,212
Other payables	37,837	42,810	—	80,647	80,647
Obligations under finance leases	4,368	5,989	—	10,357	10,275
Interest-bearing bank loans	151,020	236,364	—	387,384	385,092
Shareholder's loans	12,944	—	48,971	61,915	60,489
	397,382	302,162	48,971	748,515	744,715

31. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

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

- The fair value 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 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.

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:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**5,535**	4,678
In the second to fifth years inclusive	**1,936**	1,122
	7,471	5,800

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

	2010 HK$'000	2009 HK$'000
Capital and other expenditure, contracted for but not provided in the consolidated financial statements, in respect of:		
the construction of factory buildings	**1,557**	6,838
the acquisition of plant and machinery	**1,720**	4,948
	3,277	11,786
Capital and other expenditure, authorised but not contracted for in respect of:		
the construction of factory buildings	**12,436**	10,955
the acquisition of plant and machinery	**23,612**	3,948
	36,048	14,903

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 (2009: Nil). At the end of the reporting period, no share options were outstanding under the Scheme (2009: 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**	**2010** **HK$'000**	2009 HK$'000
Keentop Investment Limited ("Keentop")	*(i)*	Rental expenses and management fee expense	**2,064**	2,064
Mr. Cheok Ho Fung, Peter	*(ii)*	Interest on shareholder's loan	**847**	77
Topsearch PCB Marketing (Thailand) Co., Limited	*(iii)*	Marketing service fee paid to an associate	**684**	1,004

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), which was based on a market rental valuation provided by an independent professionally qualified valuer in June 2008.

(ii) The interest expense was charged at HIBOR and prime rate plus 1% (2009: HIBOR) for the shareholder's loan granted by Mr. Cheok Ho Fung, Peter during the period from January 2010 through August 2010 and from September 2010 through December 2010 respectively.

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

(b) Other transaction with a related party:

Keentop had mortgaged a property to secure bank loans made to the Group of HK$70,000,000 as at 31 December 2009. The mortgage has been released during the year.

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

	2010 ***HK$'000***	2009 *HK$'000*
Short-term benefits	**8,330**	8,421
Post-employment benefits	**271**	299
	8,601	8,720

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2010 and 2009 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
			2010	2009	
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 Pataca 100,000	**100**	100	Sales of printed circuit boards
Topsearch Printed Circuits (Shenzhen) Ltd. @	PRC/Mainland China	Registered paid-up capital US$50,000,000	**100**	100	Manufacture of printed circuit boards

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
***Indirectly held** (continued)*					
Topsearch Marketing (S) Pte. Ltd.	Singapore	Ordinary shares Singapore dollars 1,000	**100**	100	Provision of marketing services
Topsearch Marketing (U.K.) Limited	United Kingdom	Ordinary shares £2	**100**	100	Provision of marketing services
TPS Marketing (M) Sdn. Bhd.	Malaysia	Ordinary shares RM2	**100**	100	Provision of marketing services
Topsearch Marketing (USA) Inc.	United States of America	Ordinary shares US$1,000	**100**	100	Inactive
Topsearch 2010 Marketing (USA) LLC#^	United States of America	N/A	**100**	—	Provision of marketing services
Topsearch Marketing (Taiwan) Limited	Taiwan	Ordinary shares New Taiwan dollars 1,000,000	**—**	100	Deregistered during the year
Topsearch Offshore Marketing Limited#	British Virgin Islands/ Hong Kong	Shares US$50,000	**100**	—	Provision of marketing services
Topsearch Printed Circuits Korea Co., Ltd.	Republic of Korea	Ordinary shares Korea won 50,000,000	**100**	100	Provision of marketing services

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
Indirectly held *(continued)*					
Topsearch Tongliao Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Shares US$50,000	**100**	100	Investment holding
Topsearch Tongliao Investment (HK) Limited	Hong Kong	Ordinary shares HK$10,000	**100**	100	Dormant
Topsearch Printed Circuits Limited	British Virgin Islands/ Hong Kong	Shares US$50,000	**100**	100	Provision of marketing services
可立身物業管理(深圳)有限公司@	PRC/Mainland China	Registered paid-up 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/Mainland China	Registered capital US$62,000,000	**100**	100	Manufacture of printed circuit boards
天祥綜合服務(深圳)有限公司@	PRC/Mainland China	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/Mainland China	Registered capital US$42,000,000	**100**	100	Manufacture of printed circuit boards

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
***Indirectly held** (continued)*					
至卓飛高進出口貿易(深圳)有限公司@	PRC/Mainland China	Registered paid-up capital HK$500,000	**100**	100	Sales of printed circuit boards
Ramagrove International Limited	British Virgin Islands/ Hong Kong	Share US$1	**100**	100	Provision of management services
Lestari International Limited	British Virgin Islands/ Hong Kong	Share US$1	**100**	100	Provision of management services
Sanctum Consortia International Limited	British Virgin Islands/ Hong Kong	Share US$1	**100**	100	Provision of management services
Topsearch Company Limited	Hong Kong	Ordinary shares HK$2	**100**	100	Sales of printed circuit boards

* 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.

^ No issued/registered capital is applicable and according to the operating agreement, the capital contribution shall be made at the sole discretion of the Group.

None of the subsidiaries had any debt securities outstanding at 31 December 2010 or at any time during the year.

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.

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

During the year, the Group took legal proceedings against a customer for breach of sales agreement. In a reply letter received from the customer, a counter claim of approximately US$1.45 million (equivalent to HK$11,242,000) was raised for an alleged non-delivery of goods and agreement to cancel the original purchase order entered by the subsidiary of the Group.

The customer has failed to supply any 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 has been recognised. 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				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,210,340**	1,189,762	1,558,810	1,614,834	1,732,797
(LOSS) PROFIT BEFORE TAX	**(69,513)**	(91,595)	(169,699)	1,383	21,321
Tax	**2,683**	(3,425)	10,333	1,493	7,017
(LOSS) PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(66,830)**	(95,020)	(159,366)	2,876	28,338

ASSETS AND LIABILITIES

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,756,966**	1,879,456	2,307,557	2,453,529	2,391,164
Total liabilities	**(757,906)**	(801,351)	(1,134,499)	(1,184,912)	(1,282,089)
Total net assets	**999,060**	1,078,105	1,173,058	1,268,617	1,109,075