GRANDE

THE GRANDE HOLDINGS LIMITED
嘉域集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 186)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

RESULTS

The board of directors (the "Board") of The Grande Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	**2010** **HK$ million**	2009 HK$ million (Restated)
CONTINUING OPERATIONS			
REVENUE	3	**1,767**	1,688
Cost of sales		**(1,392)**	(1,370)
Gross profit		**375**	318
Other income		**43**	138
Gain on disposal of subsidiaries		**76**	3
Distribution costs		**(32)**	(46)
Administrative expenses		**(188)**	(301)
Impairment loss recognised in respect of goodwill	5	**(516)**	(55)
Impairment loss recognised in respect of brands and trademarks		**(72)**	(110)
Other expenses		**(71)**	(116)
Finance costs	7	**(48)**	(72)
LOSS BEFORE SETTLEMENT OF COURT PROCEEDINGS AND TAX		**(433)**	(241)
Settlement of court proceedings	14	**(76)**	(969)
LOSS BEFORE TAX		**(509)**	(1,210)
Tax	6	**(36)**	(6)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	7	**(545)**	(1,216)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
For the year ended 31 December 2010

	Notes	**2010** *HK$ million*	2009 *HK$ million* (Restated)
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	8	**(77)**	(41)
LOSS FOR THE YEAR	7	**(622)**	(1,257)
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX –			
Exchange differences on translating foreign operations		**(4)**	11
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	7	**(626)**	(1,246)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO :			
Shareholders of the Company:			
Loss for the year from continuing operations		**(560)**	(1,225)
Loss for the year from discontinued operations		**(68)**	(41)
		(628)	(1,266)
Non-controlling interests			
Profit for the year from continuing operations		**15**	9
Loss for the year from discontinued operations		**(9)**	–
		6	9
		(622)	(1,257)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO :			
Shareholders of the Company:			
Loss for the year from continuing operations		**(570)**	(1,212)
Loss for the year from discontinued operations		**(68)**	(41)
		(638)	(1,253)
Non-controlling interests			
Profit for the year from continuing operations		**21**	7
Loss for the year from discontinued operations		**(9)**	–
		12	7
		(626)	(1,246)
		HK$	*HK$*
LOSS PER SHARE	9		
From continuing and discontinued operations			
Basic		**(1.36)**	(2.75)
Diluted		**(1.36)**	(2.75)
From continuing operations			
Basic		**(1.21)**	(2.66)
Diluted		**(1.21)**	(2.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	**2010** *HK$ million*	2009 *HK$ million*
NON-CURRENT ASSETS			
Property, plant and equipment		**25**	213
Investment properties		**1**	40
Available-for-sale investments		**30**	48
Deferred tax assets		**57**	84
Brands and trademarks		**1,609**	1,677
Other assets		**7**	8
Goodwill		**13**	530
		1,742	2,600
CURRENT ASSETS			
Inventories		**189**	179
Accounts and bills receivables	10	**73**	141
Amounts due from related companies	11	**4**	2
Prepayments, deposits and other receivables		**36**	425
Tax recoverable		**1**	2
Held-for-trading investments		**6**	9
Pledged deposits with banks		**30**	27
Cash and bank balances		**158**	315
		497	1,100
CURRENT LIABILITIES			
Accounts and bills payable	12	**51**	189
Amounts due to related companies	11	**24**	23
Accrued liabilities and other payables	13	**390**	431
Provision for retirement and long service payments		**1**	1
Tax liabilities		**4**	7
Trust receipt loans		**–**	264
Secured bank loans		**19**	227
Unsecured bank loans		**–**	8
Obligations under finance leases		**–**	15
Derivative financial instruments		**–**	30
Debenture		**45**	–
		534	1,195
Settlement obligations of court proceedings	14	**870**	890
		1,404	2,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2010

	Notes	**2010** **HK$ million**	2009 HK$ million
NET CURRENT LIABILITIES		**(907)**	(985)
TOTAL ASSETS LESS CURRENT LIABILITIES		**835**	1,615
NON-CURRENT LIABILITIES			
Debenture		**–**	53
Derivative financial instruments		**–**	61
Amounts due to related companies	11	**671**	535
Accrued liabilities and other payables	13	**61**	84
		732	733
NET ASSETS		**103**	882
CAPITAL AND RESERVES			
Share capital		**46**	46
Share premium		**1,173**	1,173
Reserves		**(1,819)**	(1,115)
(DEFICIENCY)/BALANCE OF EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**(600)**	104
NON-CONTROLLING INTERESTS		**703**	778
TOTAL EQUITY		**103**	882

NOTES:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for accounting periods beginning on or after 1 January 2010:

HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs (2008)
HKFRSs (Amendments)	Improvements to HKFRSs (2009)
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
HK – Int 4 (Amendment)	Determination of the length of lease term in respect of Hong Kong land leases
HK – Int 5	Presentation of financial statements: Classification by the borrower of a term loan that contains a repayment on demand clause

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

(a) As a result of the adoption of HKFRS 3 (Revised), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements. These include the following changes in accounting policies :

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within twelve months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (Revised), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

(b) As a result of the adoption of HKAS 27 (Revised), the following changes in accounting policies will be applied as from 1 January 2010 :

– Any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, with impact on goodwill or profit or loss, respectively.

– If the Group loses control of a subsidiary, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals with impact on profit or loss.

In accordance with the transitional provisions in HKAS 27 (Revised), these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated. In respect of the partial disposal of interests in certain subsidiaries during the year, the impact of the change in accounting policy has been that the deficit of HK$7 million between the consideration received and the carrying amount of the share of net assets disposed of has been recognised directly in equity ("other reserves"). Had the previous accounting policy been applied, this amount would have been recognised in profit or loss.

(c) In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28 "Investments in associates", and HKAS 31 "Interests in joint ventures", the following policies will be applied as from 1 January 2010 :

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if re-acquired on profit or loss. Previously such transactions were treated as partial disposals with impact on profit or loss.

Consistent with the transitional provisions in HKFRS 3 (Revised) and HKAS 27 (Revised), these new accounting policies will be applied prospectively to transactions in current or future period and therefore previous periods have not been restated.

(d) As part of the Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards of ownership of an asset to the lessee. Prior to the amendment, land has been classified as under an operating lease when the title to that land is not expected to pass to the Group at the end of the lease term.

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, the directors of the Company concluded that no reclassification was necessary.

(e) HK - Int 5 clarifies that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified in total by the borrower as a current liability in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

In order to comply with the requirements set out in HK – Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities. As the Group did not have long-term loan with a repayment on demand clause, the application of HK – Int 5 has had no impact on the financial position as of 1 January 2009, 1 January 2010 and 31 December 2010 of the Group.

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2010:

HKFRS 1 (Amendment)	(ii)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HKFRS 1 (Amendment)	(iv)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	(iv)	Disclosures: Transfers of financial assets
HKFRS 9	(vi)	Financial instruments
HKFRSs (Amendments)	(vii)	Improvements to HKFRSs (2010)
HKAS 12 (Amendment)	(v)	Deferred tax: Recovery of underlying assets
HKAS 24 (Revised)	(iii)	Related party disclosures
HKAS 32 (Amendment)	(i)	Classification of right issues
HK(IFRIC) – Int 14 (Amendment)	(iii)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	(ii)	Extinguishing financial liabilities with equity instruments

(i) Effective for annual periods beginning on or after 1 February 2010.
(ii) Effective for annual periods beginning on or after 1 July 2010.
(iii) Effective for annual periods beginning on or after 1 January 2011.
(iv) Effective for annual periods beginning on or after 1 July 2011.
(v) Effective for annual periods beginning on or after 1 January 2012.
(vi) Effective for annual periods beginning on or after 1 January 2013.
(vii) Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

Apart from the adoption of HKFRS 9 which may have an effect on the classification and the treatment of fair value changes of existing available-for-sale investments, the adoption of these new/revised HKFRSs will have no significant impact on the results and the financial position of the Group.

2. BASIS OF PREPARATION

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

As at 31 December 2010, the Group had net current liabilities of HK$37 million, excluding the outstanding settlement obligations and related accrued expenses of HK$870 million in respect of certain court proceedings as detailed in note 14. As set out in note 17, the Company subsequently discharged all its obligations in respect of these court proceedings on 31 January 2011.

Subject to any unforeseeable changes on market conditions, the directors have a reasonable expectation that the Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the individual business liquidity and cash flow requirements for the next twelve months. Accolade Inc. ("Accolade"), the Company's ultimate holding company, has granted a revolving loan facility to the Company for meeting its general working capital requirements and settlement of its outstanding obligations. The directors consider that Accolade has the financial capability to provide its continuing financial support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated financial statements.

3. REVENUE

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

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

	2010	2009
	HK$ million	*HK$ million*
		(Restated)
By principal activity:		
Sales of goods and services income	**1,644**	1,540
Licensing income	**123**	148
Attributable to continuing operations	**1,767**	1,688
Attributable to discontinued operations		
Sales of goods and services income	**146**	643
	1,913	2,331

4. SEGMENT REPORTING

The Group currently organises its operations into the following reportable operating segments. The Group disposed of its OEM manufacturing services business during the year of which form principally the Electronics Manufacturing Services Division of the Group. The results of the Electronics Manufacturing Services Division are presented as discontinued operations.

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

(a) Segment information

2010	Branded distribution: Emerson HK$ million	Branded distribution: Distribution and licensing HK$ million	Branded distribution: Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Revenue:								
Sales of goods and provision of services to external customers	1,605	39	–	–	1,644	146	–	1,790
Licensing income from external customers	57	66	–	–	123	–	–	123
Total	1,662	105	–	–	1,767	146	–	1,913
Results:								
Segment results	154	38	4		196	(4)		192
Unallocated corporate expenses				(21)	(21)			(21)
					175			171
(Loss)/gain on disposal of property, plant and equipment	(3)	(42)		1	(44)	(8)		(52)
Gain on disposal of available-for-sale investments	7	–		–	7	–		7
Impairment loss recognised in respect of –								
Property, plant and equipment	–	–		–	–	(13)		(13)
Brands and trademarks	–	(72)		–	(72)	–		(72)
Goodwill				(516)	(516)	–		(516)
Available-for-sale investments				(1)	(1)	–		(1)
Gain/(loss) on disposal of subsidiaries				76	76	(2)		74
Written back/(allowance) for doubtful debts				6	6	(1)		5
Loss on financial derivatives				(18)	(18)	–		(18)
Settlement of court proceedings				(76)	(76)	–		(76)
Interest income				2	2	–		2
Finance costs				(48)	(48)	(49)		(97)
Tax				(36)	(36)	–		(36)
Loss for the year					(545)	(77)		(622)
Assets:								
Segment assets	1,085	2,187	(1,158)	125	2,239	–	–	2,239
Liabilities:								
Segment liabilities	677	3,704	(4,080)	1,835	2,136	–	–	2,136
Other information:								
Depreciation and amortisation	5	1	–	1	7	47	–	54
Capital expenditure	2	–	–	–	2	1	–	3

2009 (Restated)	Branded distribution Emerson HK$ million	Distribution and licensing HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Inter-segment elimination HK$ million	Consolidated HK$ million
Revenue:								
Sales of goods and provision of services to external customers	1,514	25	–	1	1,540	643	–	2,183
Licensing income from external customers	51	97	–	–	148	–	–	148
Inter-segment sales	–	10	–	–	10	–	(10)	–
Total	1,565	132	–	1	1,698	643	(10)	2,331
Results:								
Segment results	45	20	2		67	(7)		60
Unallocated corporate expenses				(47)	(47)			(47)
					20			13
(Loss)/gain on disposal of property, plant and equipment	(1)	63		2	64	–		64
Change in fair value of investment properties	–	–		–	–	(2)		(2)
Impairment loss recognised in respect of –								
Property, plant and equipment	–	–		–	–	(14)		(14)
Brands and trademarks	–	(110)		–	(110)	–		(110)
Goodwill				(55)	(55)	–		(55)
Available-for-sale investments				(2)	(2)	–		(2)
Gain on disposal of subsidiaries				3	3	–		3
Allowance for doubtful debts				–	–	(5)		(5)
Change in fair value of exchangeable bonds				1	1	–		1
Loss on financial derivatives				(92)	(92)	–		(92)
Settlement of court proceedings				(969)	(969)	–		(969)
Interest income				2	2	7		9
Finance costs				(72)	(72)	(19)		(91)
Tax				(6)	(6)	(1)		(7)
Loss for the year					(1,216)	(41)		(1,257)
Assets:								
Segment assets	1,133	1,942	(629)	667	3,113	3,298	(2,711)	3,700
Liabilities:								
Segment liabilities	799	1,962	(2,312)	1,817	2,266	2,985	(2,433)	2,818
Other information:								
Depreciation and amortisation	6	4	–	4	14	54	–	68
Capital expenditure	35	1	–	–	36	1	–	37

(b) Geographical information

	Revenue		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
		(Restated)		(Restated)		(Restated)
Asia	**84**	141	**83**	364	**–**	3
North America	**1,679**	1,539	**422**	404	**2**	21
Europe	**4**	8	**–**	1	**–**	–
Unallocated	**–**	–	**1,609**	1,677	**–**	12
	1,767	1,688	**2,114**	2,446	**2**	36

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

The impairment loss on goodwill is attributable to the Group's investment in its 40%-owned subsidiary, Sansui Electric Co., Ltd. It represents the excess of its carrying value over its fair value based on the market capitalisation at the end of the reporting period.

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
The tax charge/(credit) comprises:						
Current year provision						
Hong Kong	**1**	1	**–**	–	**1**	1
Overseas	**10**	5	**–**	–	**10**	5
(Over)/under provision in prior year						
Hong Kong	**(3)**	–	**–**	–	**(3)**	–
Overseas	**1**	(3)	**–**	1	**1**	(2)
Deferred tax						
Hong Kong	**2**	–	**–**	–	**2**	–
Overseas	**25**	3	**–**	–	**25**	3
	36	6	**–**	1	**36**	7

7. LOSS FOR THE YEAR

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

	Continuing Operations		**Discontinued Operations**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Depreciation of property, plant and equipment:						
Owned assets	**6**	12	**41**	41	**47**	53
Leased assets	**–**	1	**6**	13	**6**	14
	6	13	**47**	54	**53**	67
Operating lease rentals:						
Land and buildings	**19**	24	**5**	5	**24**	29
Property, plant and equipment	**1**	1	**3**	3	**4**	4
	20	25	**8**	8	**28**	33
Finance costs:						
Interest on bank overdrafts and loans wholly repayable within five years	**1**	8	**28**	12	**29**	20
Interest on obligations under finance leases	**–**	–	**–**	1	**–**	1
Interest on debenture	**6**	14	**–**	–	**6**	14
Interest on amounts due to related companies	**31**	32	**–**	–	**31**	32
Others	**10**	18	**21**	6	**31**	24
	48	72	**49**	19	**97**	91
Auditors' remuneration:						
Current year	**10**	10	**–**	–	**10**	10
Under provision in prior year	**–**	–	**2**	–	**2**	–
	10	10	**2**	–	**12**	10
Staff costs:						
Salaries and other benefits	**85**	99	**14**	19	**99**	118
Retirement benefit costs	**7**	14	**12**	3	**19**	17
	92	113	**26**	22	**118**	135

	Continuing Operations		Discontinued Operations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Cost of inventories recognised as expenses	**1,392**	1,370	**15**	511	**1,407**	1,881
Amortisation of other assets included in other expenses	**1**	1	**–**	–	**1**	1
(Written back)/allowance for doubtful debts	**(6)**	–	**1**	5	**(5)**	5
Loss/(gain) on disposal of property, plant and equipment	**44**	(64)	**8**	–	**52**	(64)
Gain on disposal of available-for-sale investments	**(7)**	–	**–**	–	**(7)**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**13**	14	**13**	14
Impairment loss recognised in respect of available-for-sale investments	**1**	2	**–**	–	**1**	2
Change in fair value of investment properties	**–**	–	**–**	2	**–**	2
Change in fair value of exchangeable bonds	**–**	(1)	**–**	–	**–**	(1)
Loss on financial derivatives	**18**	92	**–**	–	**18**	92
Net foreign exchange loss/(gain)	**–**	16	**–**	(1)	**–**	15
Interest income	**(2)**	(2)	**–**	(7)	**(2)**	(9)

8. DISCONTINUED OPERATIONS

The results of the discontinued operations for the year :

	2010	2009
	HK$ million	*HK$ million*
Revenue	**146**	643
Cost of sales	**(110)**	(629)
Gross profit	**36**	14
Other income	**20**	36
Distribution costs	**–**	(1)
Administrative expenses	**(53)**	(48)
Other expenses	**(31)**	(22)
Finance costs	**(49)**	(19)
Tax	**–**	(1)
Loss before non-controlling interests	**(77)**	(41)
Non-controlling interests	**9**	–
	(68)	(41)

9. LOSS PER SHARE

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

	2010	2009
	HK$ million	*HK$ million*
Loss:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation:		
From continuing operations	**(560)**	(1,225)
From discontinued operations	**(68)**	(41)
	(628)	(1,266)

	2010	2009
	Number of ordinary shares million	*Number of ordinary shares million*
Shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**460.2**	460.2

Discontinued operations:

Basic loss per share for the discontinued operations is HK$0.15 (2009: HK$0.09) per share, based on the loss from the discontinued operations and the weighted average numbers of ordinary shares presented above.

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

10. ACCOUNTS AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of accounts and bills receivables (net of allowance for doubtful debts) is as follows:

	2010	2009
	HK$ million	*HK$ million*
0 – 3 months	**72**	138
3 – 6 months	**–**	1
Over 6 months	**1**	2
	73	141

11. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from related companies are unsecured, non-interest bearing and have no fixed terms of repayment. Included in the amounts due to related companies was an amount of HK$681 million (2009: HK$545 million) which is unsecured, bearing interest at the Hong Kong dollar prime rates plus 0.25% per annum and repayable on demand except for an amount of HK$671 million (2009: HK$535 million) which is subject to repayment on 31 January 2012. The remaining balance is unsecured, non-interest bearing and repayable on demand.

12. ACCOUNTS AND BILLS PAYABLE

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

	2010	2009
	HK$ million	*HK$ million*
0 – 3 months	**42**	163
3 – 6 months	**1**	1
Over 6 months	**8**	25
	51	189

13. ACCRUED LIABILITIES AND OTHER PAYABLES

	2010		2009	
	Current	**Non – Current**	Current	Non – Current
	HK$ million	***HK$ million***	*HK$ million*	*HK$ million*
Accrued expenses and provisions	**116**	**32**	169	35
Other payables	**273**	**29**	214	47
Other borrowings	**–**	**–**	41	–
Deposits received	**1**	**–**	7	2
	390	**61**	431	84

14. SETTLEMENT OF COURT PROCEEDINGS

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

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

As at 31 December 2010, the outstanding balance of the settlement obligations together with the related accrued expenses were HK$870 million.

As set out in note 17, the Company subsequently discharged all its obligations under the Settlement Agreement on 31 January 2011.

15. LEGAL PROCEEDINGS

In 2005, certain plaintiffs obtained a default judgment against a defunct entity, GrandeTel Technologies, Inc., which was an associate of the Group before its disposal in 2004, for approximately US$37 million in the United States of America ("USA"). In December 2006, an action was filed by these plaintiffs claiming that the Company should be responsible for the amount of the default judgment. The case went to trial in December 2010 / January 2011 and judgment has not yet been handed down.

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

16. BANKING AND OTHER BORROWING FACILITIES

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

		2010	2009
		HK$ million	*HK$ million*
(a)	Legal charges over brands and trademarks, account receivables, inventories and bank balances	**–**	572
(b)	Legal charges over available-for-sale investments	**30**	47
(c)	Legal charges over plant and machineries	**–**	30
(d)	Legal charges over freehold buildings outside Hong Kong	**–**	20
(e)	Pledge of brands and trademarks	**–**	602
(f)	Pledge of freehold buildings outside Hong Kong	**–**	71
(g)	Pledge of investment properties	**–**	39
(h)	Pledge of listed shares of certain subsidiaries	**312**	225
(i)	Pledge of bank deposits	**30**	27
		372	1,633

17. EVENT AFTER THE REPORTING PERIOD

On 31 January 2011, the Company discharged all its outstanding settlement obligations in respect of the court proceedings as detailed in note 14, with financial assistance from Accolade. There are 9,853,882 shares in Emerson Radio Corp. pledged to a financial institution as partial security for bridging financing facilities granted to certain subsidiaries of Accolade for the sole purpose of discharging such settlement obligations of the Company.

DIVIDENDS

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year 2010, the Group's loss attributable to shareholders was HK$628 million as compared to a loss of HK$1,266 million for the year 2009. The loss for 2010 included recognition of impairment losses of HK$588 million on intangible assets comprising HK$516 million on the goodwill in a 40%-owned subsidiary, Sansui Electric Co., Ltd., as represented by the excess of its carrying value over its fair value based on the market capitalisation, and HK$72 million on certain trademarks consequent upon the continuing shrinkage in the global consumer electronics markets. These impairment losses are non-cash and non-recurring in nature and would have no material impact on the Group's cash flow position.

The revenue for the continuing operations was HK$1,767 million for the year as compared to HK$1,688 million for 2009. The gross profit from continuing operating activities was HK$375 million as compared to HK$318 million for 2009.

The Group's businesses used to comprise Electronics Manufacturing Services Division ("EMS") and Branded Distribution Division ("BD"). The EMS had been making operating losses consecutively for some years. In view of the continuing deterioration of profit margins in manufacturing the consumer electronics products, the escalation of operating costs in the PRC and the consistent appreciation of RMB, it was anticipated that the EMS would not be able to turn around in the foreseeable future. In order to optimize the utilisation of the Group's resources in the other profitable operations, the loss-making EMS was disposed of to a third party in December 2010. At present, the core business of the Group is represented entirely by BD. As such, the revenue and results of BD have been presented as Continuing Operations in the Group's consolidated financial statements for the year while those of EMS have been presented as Discontinued Operations.

THE BRANDED DISTRIBUTION DIVISION

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

Emerson

Emerson is a popular brand in the North America focusing on various entry level and moderately priced audio and video products and household appliances. The trade name "Emerson Radio" dates back to 1912 and is one of the oldest and well respected brands in the consumer electronics industry.

Emerson's revenue for 2010 was HK$1,662 million as compared to HK$1,565 million for 2009. Its operating profit increased from HK$45 million for 2009 to HK$154 million for 2010. The improvement in the operating profit was mainly attributable to the implementation of effective operational strategies of leveraging Emerson's core competencies to offer a broader variety of consumer electronics products and household electrical appliances to customers in the North America.

It is anticipated that the series of economic stimulus policies and measures implemented by the government of the United States would continue to bear fruit and improve the consumers' sentiment. The Group is cautiously optimistic of the business performance of Emerson in 2011.

Global Licensing

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

The revenue of this segment was HK$105 million for 2010 as compared to HK$122 million for 2009. The operating profit for 2010 was HK$38 million as compared to HK$20 million for 2009. The decrease in revenue was attributable to the continuing sluggishness of the consumer markets in Europe. The improvement in operating profit was principally resulted from the implementation of effective cost control measures.

Despite the consumer electronics markets remain uncertain, the current mode of licensing operations for the Akai, Sansui and Nakamichi trademarks has been contributing stable and regular income to the Group. The Group will continue to focus on expanding its licensing operations for these brands by improving their competitive edge and market awareness worldwide.

THE ELECTRONICS MANUFACTURING SERVICES DIVISION

The EMS used to provide OEM manufacturing services including high precision engineering contract services to both overseas and domestic customers prior to its disposal in December 2010. Since the Group is not prepared to engage itself in any manufacturing business in the future, the revenue and results of EMS have been presented as Discontinued Operations in the Group's consolidated financial statements for the year. The EMS revenue for 2010 was HK$146 million as compared to HK$643 million for 2009. The EMS net loss for 2010 was HK$77 million as compared to a loss of HK$41 million in 2009. The substantial decrease in revenue was attributable to the complete shift of EMS's business from the manufacture of finished products to the provision of sub-contracting services. The deterioration in the net loss was attributable to the continuing shrinkage of profit margins and the substantial inflation of operating costs in the PRC.

Looking ahead, the Group will endeavor to focus on the branded distribution operations and maximize the return for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had total assets of HK$2,239 million which were financed by total equity of HK$103 million including non-controlling interests of HK$703 million and total liabilities of HK$2,136 million. The Group had a current ratio of approximately 0.35 as compared to that of approximately 0.53 at 31 December 2009.

As at 31 December 2010, the Group had HK$188 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources, borrowings from related companies and short-term borrowings which were charged by banks at floating interest rates. As at 31 December 2010, the Group had HK$19 million short-term bank borrowings.

The Group had inventories of approximately HK$189 million as at 31 December 2010 representing an increase of HK$10 million as compared to the previous year.

As at 31 December 2010, the Group's gearing ratio was 1,390% which is calculated based on the Group's net borrowings of HK$1,432 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK$103 million.

As at 31 December 2010, the Group had net current liabilities of HK$37 million, excluding the outstanding settlement obligations and related accrued expenses of HK$870 million in respect of certain court proceedings as detailed in note 14. As set out in note 17, the Company subsequently discharged all its obligations in respect of these court proceedings on 31 January 2011.

Subject to any unforeseeable changes on market conditions, the directors have a reasonable expectation that the Group will be able to generate sufficient funds from its business to continue in operational existence for the foreseeable future based on the assessment of the individual business liquidity and cash flow requirements for the next twelve months. Accolade has granted a revolving loan facility to the Company for meeting its general working capital requirements and settlement of its outstanding obligations. The directors consider that Accolade has the financial capability to provide its continuing financial support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing these consolidated financial statements. As at 31 December 2010, Accolade had through its subsidiary provided HK$681 million to the Group and out of which HK$671 million is subject to repayment only on 31 January 2012.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are in either US dollars, Canadian dollars, Japanese yen or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Canadian dollars and Japanese yen against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

CHARGES ON GROUP ASSETS

As at 31 December 2010, certain of the Group's assets with a total carrying value of approximately HK$372 million were pledged to secure banking and other borrowing facilities granted to the Group. Details are set out in note 16.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the year under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. Details of corporate governance are set out in the annual report.

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

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

LEGAL PROCEEDINGS

Details of the legal proceedings of the Group are set out in note 15.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the year ended 31 December 2010.

EVENT AFTER THE REPORTING PERIOD

Details of event after the reporting period is set out in note 17.

MODIFIED AUDITORS' OPINION IN RESPECT OF EMPHASIS OF MATTER

The report of the auditors on the Group's consolidated financial statements will be modified to include the disclosure of an emphasis of matter about the Group's ability to continue as a going concern as below:

"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 disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2 which indicates that the Group incurred a loss of HK$628 million during the year ended 31 December 2010 and, as of that date, the Group's current liabilities exceeded its current assets by HK$37 million excluding the outstanding settlement obligations and related accrued expenses of HK$870 million in respect of certain court proceedings as detailed in note 14.

These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is dependent on the financial support of its ultimate holding company, Accolade Inc. which has granted a revolving loan facility to the Company for meeting its general working capital requirements and settlement of its outstanding obligations. The consolidated financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern."

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors. The financial information set out in this preliminary announcement represents an extract from these consolidated financial statements and has been agreed by the Company's auditors, Moore Stephens.

On behalf of the Board
Ho Wing On, Christopher
Chairman

Hong Kong, 30 March 2011

As at the date of this announcement, the Board of the Company comprises: Mr. Ho Wing On Christopher, Mr. Ma Chi Chiu, Mrs. Asprey Lai Shan Christine and Mr. Hon Tak Kwong as executive directors and Mr. Chong Chin Sheng Henry, Mr. Tsoi Hak Kong Herbert and Mr. Martin Ian Wright as independent non-executive directors.