KWANG SUNG ELECTRONICS H.K. CO. LIMITED

光 星 電 子 香 港 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

2010 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Kwang Sung Electronics H.K. Co. Limited (the "Company") announced the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Turnover	*3, 4*	**680,481**	592,280
Cost of sales		**(587,618)**	(517,780)
Gross profit		**92,863**	74,500
Other income	*5*	**8,712**	5,749
Selling and distribution expenses		**(21,308)**	(19,148)
Administrative expenses		**(19,804)**	(16,627)
Research and development expenses		**(35,658)**	(31,066)
Other operating expenses		**(10,398)**	(10,100)
Finance costs		**(389)**	–
Profit before taxation		**14,018**	3,308
Taxation	*6*	**(6,325)**	(39,592)
Profit (loss) for the year	*7*	**7,693**	(36,284)
Profit (loss) for the year attributable to:			
Owners of the Company		**8,087**	(35,774)
Non-controlling interests		**(394)**	(510)
		7,693	(36,284)
Earnings (loss) per share	*9*	***HK cents***	*HK cents*
Basic		**2.50**	(11.13)
Diluted		**2.50**	(11.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) for the year	**7,693**	(36,284)
Other comprehensive income (expense):		
Exchange differences arising on translation of foreign operations	**7,851**	6,907
Surplus on revaluation of land and buildings held for own use	**6,470**	9,167
Deferred tax	**(2,609)**	(826)
Surplus on revaluation of land and buildings held for own use, net of deferred tax	**3,861**	8,341
Other comprehensive income for the year, net of tax	**11,712**	15,248
Total comprehensive income (expense) for the year	**19,405**	(21,036)
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	**19,799**	(21,328)
Non-controlling interests	**(394)**	292
	19,405	(21,036)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**134,364**	71,301
Investment property		**5,100**	4,100
Goodwill		**5,857**	5,857
Club memberships		**600**	673
Intangible assets	*10*	**17,623**	18,532
Investments in equity securities	*11*	**–**	–
Deposits for purchase of property, plant and equipment		**164**	4,245
		163,708	104,708
Current assets			
Inventories		**82,673**	57,100
Trade and other receivables	*12*	**140,070**	143,013
Amounts due from shareholders		**9,946**	10,592
Cash and cash equivalents		**133,505**	179,386
		366,194	390,091
Current liabilities			
Trade and other payables	*13*	**84,456**	85,537
Tax payables		**43,286**	42,712
Bank borrowing – due within one year		**13,844**	111
		141,586	128,360
Net current assets		**224,608**	261,731
Total assets less current liabilities		**388,316**	366,439
Capital and reserves	*14*		
Share capital		**32,390**	32,390
Reserves		**338,972**	319,173
Equity attributable to owners of the Company		**371,362**	351,563
Non-controlling interests		**2,622**	3,016
Total equity		**373,984**	354,579
Non-current liabilities			
Bank borrowing – due after one year		**–**	83
Derivative financial liabilities	*15*	**6,452**	7,391
Deferred tax liabilities		**7,880**	4,386
		14,332	11,860
		388,316	366,439

Notes:

1. BASIS OF PREPARATION

The annual results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. 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 ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvement to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results, of the Group in the future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Classification of Rights Issues[2]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Fundings Requirement[4]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[7]

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

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

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair value at the end of subsequent accounting periods.

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

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

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for annual period beginning on 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods. As the directors of the Company expect no counterparties that did not previously meet the definition of a related party may come within the scope of the standard, the application of this standard will not have any effect on the Group's operating results, financial position or comprehensive income nor any impact on disclosure.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of electronic components. The Group's operations are divided into two reportable segments: composite components segment and unit electronic components segment.

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segments:

	Composite components		**Unit electronic components**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**391,814**	422,027	**288,667**	170,253	**680,481**	592,280
Segment profit (loss)	**7,327**	7,087	**4,183**	(6,610)	**11,510**	477
Net unallocated operating income					**2,508**	2,831
Profit before taxation					**14,018**	3,308

Segment profit/loss represents the profit earned by/loss from each segment without allocation of part of other income and amortisation of intangible assets. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Composite components		**Unit electronic components**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**178,618**	203,184	**145,047**	51,198	**323,665**	254,382
Unallocated assets					**206,237**	240,417
Consolidated assets					**529,902**	494,799
Segment liabilities	**43,793**	62,148	**39,530**	20,859	**83,323**	83,007
Unallocated liabilities					**72,595**	57,213
Consolidated liabilities					**155,918**	140,220

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than cash and cash equivalents, intangible assets, goodwill, part of other receivables, amounts due from shareholders, deposits for purchase of property, plant and equipment and investment property. Assets used jointly by reportable segments are allocated on the basis of the production capacity; and
- all liabilities are allocated to reportable segments other than part of other payables, derivative financial liabilities, current and deferred tax liabilities.

Geographical information

The Group's operation is principally located in Hong Kong and other parts of the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Turnover		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC (other than Hong Kong)	**330,562**	354,537	**76,611**	41,954
Hong Kong	**152,039**	91,945	**7,566**	5,666
Korea	**141,510**	103,561	**55,887**	28,454
Others	**56,370**	42,237	**–**	–
	680,481	592,280	**140,064**	76,074

Note: Non-current assets excluded goodwill, intangible assets and deposits for purchase of property, plant and equipment.

4. TURNOVER

Turnover represents the sales value of goods supplied to customers less goods returned and trade discounts.

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Interest income from bank deposits	**637**	1,823
Interest income from proceeds receivables from disposal of equity securities	**81**	65
Rental income	**312**	249
Gain on disposal of property, plant and equipment	**1,707**	830
Scrap sales	**169**	214
Realised gain on marketable securities	**–**	14
Reversal of impairment loss on trade and other receivables	**160**	308
Value added tax refund (note)	**2,748**	1,022
Increase in fair value of derivative financial liabilities	**939**	517
Increase in fair value of investment property	**1,000**	400
Others	**959**	307
	8,712	5,749

Note: A tax concession has been granted by the PRC tax authority to one of the Company's PRC subsidiaries which is engaged in the export sales of electronic products. Under this concession, the PRC subsidiary is entitled to a refund of value added tax paid in excess of the rate stipulated in tax concession. The amount of value added tax refund is recognised as other income on an accrual basis.

6. TAXATION

	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Provision for the year	**3,674**	1,042
Under-provision in prior years	**–**	35,996
	3,674	37,038
PRC Corporate Income Tax		
Provision for the year	**1,708**	2,095
Under (over)-provision in prior years	**58**	(185)
	1,766	1,910
	5,440	38,948
Deferred tax		
Charged for the year	**885**	644
	6,325	39,592

Notes:

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Provision for the PRC Corporate Income Tax for Shenzhen Kwang Sung Electronics Co., Ltd. ("Shenzhen Kwang Sung") and Kwang Sung Electronics Trading (Shenzhen) Co., Ltd. is calculated at 22% and 25% (2009: 20% and 25%) of estimated assessable profits for the year, respectively.

The Korea Branch and a subsidiary operated in Korea are subject to corporate income tax at a rate of 10% (2009: 11%). No provision for taxation has been made for two years ended 31 December 2010 and 2009 as the Korea Branch and the subsidiary had no assessable profits for both years.

(b) The Group carries out manufacturing activities in the PRC through its subsidiary, Shenzhen Kwang Sung and under the terms of a processing agreement with a third party factory, and has substantial involvement in these manufacturing activities undertaken in the PRC. The profits earned are thus considered to be partly arising and derived from the manufacturing activities carried out in the PRC and partly from other activities performed in Hong Kong. Accordingly, the Group claimed a 50:50 offshore concession in respect of Hong Kong Profits Tax which had been agreed with the Hong Kong Inland Revenue Department (the "HKIRD") in the year of assessment 1999/2000.

In 2008, the HKIRD enquired the Group the basis of its 50:50 offshore claims for the years of assessment 2001/02 to 2006/07 in relation to the Group's manufacturing activities carried out in the PRC, and issued an additional assessment of approximately HK$3,318,000 for the year of assessment 2001/02 on the basis that the Group was not eligible to the 50:50 offshore claims for profits derived from manufacturing activities carried out by Shenzhen Kwang Sung. The Company lodged an objection against the additional assessment and purchased a tax reserve certificate of approximately HK$3,318,000 as demanded by the HKIRD in 2008.

In March 2009, the HKIRD issued another demand note for additional tax payable for the year of assessment 2002/03 amounted to approximately HK$6,424,000 in relation to the above 50:50 offshore claims. The Company lodged an objection against the additional assessment and purchased a tax reserve certificate of approximately HK$6,424,000 as demanded by the HKIRD in 2009.

In March 2010, the HKIRD issued another demand note for additional tax payable for the year of assessment 2003/04 amounted to approximately HK$9,334,000 in relation to the above 50:50 offshore claims. The Company lodged an objection against the additional assessment and purchased a tax reserve certificate of approximately HK$9,334,000 as demanded by the HKIRD in the year ended 31 December 2010.

The Group's operation has remained unchanged since 1999/2000, in view of the stringent approach adopted by the HKIRD in treating 50:50 manufacturing offshore profits claim, the Group had made provision for the previously 50:50 offshore claims of approximately HK$35,996,000 during the year ended 31 December 2009, however, a sum of tax expense of approximately HK$9,946,000 should be borne by two shareholders.

(c) In 2007, the Shenzhen Local Tax Bureau enquired the related party transactions and transfer price policy of Shenzhen Kwang Sung for the five years from 1 January 2002 to 31 December 2006. Shenzhen Kwang Sung had submitted the requested information to the Shenzhen Local Tax Bureau and estimated that an additional income tax payable of approximately HK$1,408,000 in respect of the enquiries was required. Full provision for the estimated additional income tax payable of approximately HK$1,408,000 was made in the 2007 financial statements.

In 2008, the scope of enquiries regarding the transfer price policy of Shenzhen Kwang Sung from Shenzhen Local Tax Bureau has been changed to cover the five years from 1 January 2003 to 31 December 2007. Directors of the Company reassessed the matter and estimated that the Group would have to pay in total of approximately HK$4,445,000. Accordingly, an additional provision for PRC Corporate Income Tax of approximately HK$3,037,000 was made in the 2008 financial statements.

During the year ended 31 December 2010, the Company has obtained an agreement from the Shenzhen Local Tax Bureau to its proposed settlement.

(d) Pursuant to Shen Guo Shui Fa 2008 notice 145, Shenzhen Kwang Sung is subject to PRC Corporate Income Tax at a rate of 20% in 2009, 22% in 2010 and 24% in 2011. From 1 January 2012 onwards, the applicable tax rate will be 25%.

(e) The basic Korean Corporate Tax rates for year starting on or after 1 January 2009 are 11% on the first KRW200,000,000 of the tax base and 22% for the excess. The tax rates are 10% and 22% for 2010. In addition to the basic tax rate, there is a resident surcharge of 10% on the income tax liability.

The taxation for the years can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**14,018**	3,308
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**2,629**	2,667
Tax effect of non-deductible expenses for tax purpose	**2,767**	1,481
Tax effect of non-taxable income for tax purpose	**(828)**	(1,191)
Tax effect of concession on patents (note)	**–**	(1,876)
Deferred tax asset in respect of tax losses and other temporary differences not recognised	**1,699**	2,700
Under-provision in prior years	**58**	35,811
Taxation for the year	**6,325**	39,592

Note: According to Hong Kong Inland Revenue Ordinance S.16(1)g, the sum expensed for the registration of patents used in the trade, profession or business which produces profits are allowed to be deducted from the Hong Kong Profits Tax.

7. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) for the year is arrived at after charging (crediting):		
Auditors' remuneration	**650**	450
Minimum lease payments under operating leases		
– hire of properties	**4,093**	4,527
Staff costs (including directors' remunerations)		
– salaries, wage, allowance and other benefits in kind	**83,965**	74,708
– retirement scheme contributions	**1,871**	1,787
	85,836	76,495
Cost of inventories recognised as an expense	**587,618**	517,780
Amortisation of intangible assets	**1,145**	855
Impairment loss on trade receivables (included in other operating expenses)	**2,723**	196
Net foreign exchange (gains) losses	**(247)**	2,746
Write down of inventories (included in cost of sales)	**179**	4,394
Depreciation	**16,791**	18,177
Less: amount recorded under government grant	**(66)**	(40)
Amount charged to the consolidated income statement	**16,725**	18,137
Net rental income	**(312)**	(249)

Cost of inventories includes approximately HK$55,640,000 (2009: HK$57,130,000) relating to staff costs, depreciation and minimum lease payments in respect of rented premises, of which amounts are also included in the respective total amounts disclosed separately above.

Minimum lease payments include an amount of approximately HK$675,000 (2009: HK$704,000) for staff quarters which is also included and disclosed in staff costs.

8. DIVIDENDS

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

9. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of approximately HK$8,087,000 (2009: loss for the year of approximately HK$35,774,000) and the weighted average number of ordinary shares of 323,897,000 (2009: 321,325,000) in issue during the year.

Weighted average number of ordinary shares

	Number of shares	
	2010	2009
	'000	*'000*
Issued ordinary shares at 1 January	**323,897**	315,362
Effect of new shares issued	**–**	5,963
Weighted average number of ordinary shares	**323,897**	321,325

(b) Diluted earnings (loss) per share

Diluted earnings per share are the same as basic earnings per share for the year ended 31 December 2010 because the Company had no outstanding dilutive potential shares during the year.

The computation of diluted loss per share does not assume the concession of the Company's outstanding share options since their exercise would result in decrease in loss per share for the year ended 31 December 2009.

	Number of shares
	2009
	'000
Weighted average number of ordinary shares used in calculating basic loss per share	321,325
Deemed issue of ordinary shares under the Company's share option scheme for nil consideration	329
Weighted average number of ordinary shares used in calculating diluted loss per share	321,654

10. INTANGIBLE ASSETS

	Patents	
	2010	2009
	HK$'000	*HK$'000*
Cost		
At 1 January	**19,387**	–
Exchange adjustments	**257**	(63)
Additions	**–**	11,407
Acquired on acquisition of a subsidiary	**–**	8,043
At 31 December	**19,644**	19,387
Amortisation		
At 1 January	**855**	–
Exchange adjustments	**21**	–
Charge for the year	**1,145**	855
At 31 December	**2,021**	855
Carrying values		
At 31 December	**17,623**	18,532

The patents entitle the Group to manufacture products using Wiretape™ cabling technology over 17 years from the date of acquisition. The carrying values will therefore be amortised over the useful lives of 17 years.

11. INVESTMENTS IN EQUITY SECURITIES

	2010	2009
	HK$'000	*HK$'000*
Unlisted equity securities, at cost		
At 1 January	**1,500**	1,500
Less: impairment loss recognised	**(1,500)**	(1,500)
At 31 December	**–**	–

In view of significant operating losses incurred by the investee, full impairment loss had been made for the cost of investment in that entity of HK$1,500,000 in previous years.

On 31 December 2007, the Group disposed of an investment in equity securities with carrying value of approximately HK$1,684,000 to another shareholder of that entity at KRW200,000,000. Pursuant to the sales and purchase agreement dated 31 December 2007, the consideration should be settled on or before 30 June 2008. On 28 September 2009, the Group agreed to extend the repayment of sales proceeds by installments of KRW100,000,000 (equivalent to approximately HK$666,000) each, payable on 30 June 2010 and 31 December 2010 respectively. The outstanding sales proceeds receivable bears an interest at 6% per annum.

12. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade and bills receivables	**119,064**	131,125
Less: allowance for doubtful debts	**(13,194)**	(10,582)
	105,870	120,543
Short-term loans to key management personnel and employees	**128**	667
Proceeds receivable from disposal of equity securities	**688**	1,333
Tax reserve certificates	**19,075**	9,742
Deposits, prepayments and other receivables	**14,309**	10,728
	140,070	143,013

(a) Ageing analysis

The Group allows an average credit period of 30 to 90 days to its trade customers. Included in trade receivables are trade and bills receivables (net of allowance for doubtful debts) presented based on the due date with the following ageing analysis as of the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Current	**74,887**	87,641
Less than 1 month	**23,089**	21,462
1 to 3 months	**6,650**	8,432
More than 3 months but less than 12 months	**1,244**	3,008
	30,983	32,902
	105,870	120,543

Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for doubtful debts during the year, including specific loss component, is as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 January	**10,582**	10,694
Impairment loss recognised	**2,772**	196
Reversal of impairment loss	**(160)**	(308)
At 31 December	**13,194**	10,582

13. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**65,825**	71,653
Accrued expenses and other payables	**18,631**	13,884
	84,456	85,537

Included in trade and other payables are trade payables presented based on the due date with the following ageing analysis as of the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
Due within 1 month or on demand	**58,584**	52,554
Due after 1 month but within 3 months	**7,241**	19,099
	65,825	71,653

The average credit period on purchases of goods is 0 - 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. CAPITAL AND RESERVES

	Attributable to owners of the Company											
	Share capital	**Share premium**	**Capital reserve**	**Other reserve**	**Contribution reserve**	**Properties revaluation reserve**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	31,536	55,921	604	–	–	10,045	7,493	(25,193)	278,739	359,145	–	359,145
Total comprehensive income (expense) for the year	–	–	–	–	–	8,341	–	6,105	(35,774)	(21,328)	292	(21,036)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,025	3,025
Contributions from shareholders *(note 6(b))*	–	–	–	–	9,946	–	–	–	–	9,946	–	9,946
Deemed acquisition of additional interest in a subsidiary	–	–	–	301	–	–	–	–	–	301	(301)	–
Shares issued according to a patent transfer agreement	854	2,645	–	–	–	–	–	–	–	3,499	–	3,499
Lapse of share options	–	–	(604)	–	–	–	–	–	604	–	–	–
Transfer	–	–	–	–	–	–	941	–	(941)	–	–	–
At 31 December 2009	32,390	58,566	–	301	9,946	18,386	8,434	(19,088)	242,628	351,563	3,016	354,579
Total comprehensive income (expense) for the year	–	–	–	–	–	3,861	–	7,851	8,087	19,799	(394)	19,405
Transfer	–	–	–	–	–	–	942	–	(942)	–	–	–
At 31 December 2010	32,390	58,566	–	301	9,946	22,247	9,376	(11,237)	249,773	371,362	2,622	373,984

15. DERIVATIVE FINANCIAL LIABILITIES

	2010	2009
	HK$'000	*HK$'000*
Fair value		
At 1 January the date of acquisition	**7,391**	7,908
Fair value change credited to the consolidated income statement	**(939)**	(517)
At 31 December	**6,452**	7,391

In March 2009, the Group has entered into a patent transfer agreement (the "Agreement") with an independent third party (the "Seller"). The consideration of approximately HK$10,242,000 was partially satisfied by issuing 8,534,933 shares of the Company at HK$0.41 per share to the Seller and the remaining consideration of approximately HK$6,743,000 will be settled in cash along with put options ("Options") on period from the end of third year to the end of forth year after the transaction, under either condition:

(i) the Group will not be required to make further payment if the share price of the Company is higher than HK$1.2; or

(ii) if the share price of the Company is lower than HK$1.2, the Group will be required to pay the difference of the basis price (being HK$1.2) and the share price, multiple the number of shares sold to the seller.

The details of the Options were set out in the Agreement and the Company's announcement dated 30 March 2009.

The fair value of the Options granted is estimated at the date of grant using binomial model taking into account the terms and conditions upon which the Options were granted. The inputs into the model were as follows:

	2010	2009
Dividend yield	**0%**	1%
Expected volatility	**87%**	85%
Risk-free interest rate	**0.8%**	1.7%
Expected life	**2.75 years**	3.75 years
Weighted average share price	**HK$0.630**	HK$0.475

The binomial model has been used to estimate the fair value of the Options. The variables and assumptions used in computing the fair value of the Options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

DIVIDEND

The Board of the Company did not recommend the payment of final dividend in respect of the year ended 31 December 2010 (2009: Nil). The Group's long-term dividend policy is to distribute not less than 30% of its net profit as dividend each financial year, and the Board will review this dividend policy from time to time to ensure optimum returns to shareholders.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") will be held at Conference Hall 03, 1/F, Core Building 1, Phase 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Friday, 27 May 2011 at 10:00 a.m. The Notice of AGM will be published on the websites of the Company at www.kse.com.hk and the Stock Exchange at www.hkex.com.hk, and despatched to shareholders on or about Tuesday, 26 April 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2011 to Friday, 27 May 2011, both days inclusive, during the period, no transfer of shares will be registered. To be eligibility for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 24 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The electronic industry has gradually recovered its strength during 2010. Thanks to the efforts in research and development, the Group has been able to launch several innovative products during the year, which drove revenue growth of the Group and underscored the Group's leading position in the consumer electronics industry. For the year ended 31 December 2010, the Group achieved a turnover of HK$680,481,000, an increase of 14.9% compared with last year.

Turnover

Turnover increased 14.9% to HK$680,481,000 compared with HK$592,280,000 in 2009, mainly attributable to the surge in sales of unit electronic components. Turnover from composite components business decreased by 7.2% from HK$422,027,000 in 2009 to HK$391,814,000 in 2010. Sales of unit electronic components achieved a significant growth of 69.6% from HK$170,253,000 in 2009 to HK$288,667,000 in 2010.

Cost of Sales

Cost Structure

The overall cost of sales increased by 13.5% from HK$517,780,000 in 2009 to HK$587,618,000 in 2010, which was in line with turnover. Despite tough operation environment to the industry in the PRC, the rate of increase in cost of sales is lower than that of turnover. This is primarily attributable to the change in products mix, effective cost control measure and greater effect of economies of scales.

Gross Profit

Gross profit was HK$92,863,000 which represented an increase of 24.6% from HK$74,500,000 in 2009. The increase in gross profit was mainly driven by the growth in turnover in 2010. In addition, some of the new products launched had higher gross profit margin. Accordingly, the gross profit margin rose slightly from 12.6% in 2009 to 13.6% in 2010.

Other Income

Other income increased by 51.5% from HK$5,749,000 in 2009 to HK$8,712,000 in 2010. The increase was primarily due to increase in value added tax refund of HK$1,726,000, increase in gain on disposal of property, plant and equipment of HK$877,000 and increase in fair value of investment property of HK$600,000.

Selling and Distribution Expenses

Selling and distribution expenses increased by 11.3% from HK$19,148,000 in 2009 to HK$21,308,000 in 2010. The increase was due to larger sales volume and the continuous increase in costs.

Administrative Expenses

Administrative expenses increased by 19.1% from HK$16,627,000 in 2009 to HK$19,804,000 in 2010. The increase was a result of additional management and administrative costs incurred to support the expansion of business.

Research and Development Expenses

Research and development expenses increased by 14.8% from HK$31,066,000 in 2009 to HK$35,658,000 in 2010, which was in line with the increase in turnover.

Other Operating Expenses

Other operating expenses were kept at the same level as compared with 2009.

Finance Costs

The finance costs were HK$389,000 in 2010 while no finance costs incurred in 2009. The amount was attributable to the increase in bank borrowing.

Taxation

In 2008, the HKIRD enquired the Company about the basis of its 50:50 offshore claims in relation to its manufacturing activities carried out by Shenzhen Kwang Sung and a third party processing factory in the PRC and the deductibility of lease rentals since year of assessment 2001/02. The Company has lodged objections, made provision of HK$35,996,000 for the previously 50:50 offshore claims and deduction of lease rentals in 2009 and purchased tax reserve certificates of HK$19,075,000 as demanded by the HKIRD.

Subsequent to 31 December 2010, the Company received a letter from the HKIRD that the HKIRD has not agreed to the objection lodged by the Company on its 50:50 offshore claims in respect of its manufacturing profits derived under the processing arrangement with Shenzhen Kwang Sung and the deductibility of lease rentals. A settlement proposal has been made by the HKIRD on the additional profits tax assessment for the years of assessment 2001/02 to 2005/06. As up to the date of this results announcement, the Company does not have any decision on the proposal.

For the sake of prudence, the Group has adopted a conservative approach to assume no 50:50 offshore claim in relation to its manufacturing activities carried out by Shenzhen Kwang Sung and non-deduction of lease rentals to calculate Hong Kong Profits Tax. As a result of increased pre-tax profit, the provision for Hong Kong Profits Tax for the year increased by 252.6% from HK$1,042,000 in 2009 to HK$3,674,000 in 2010.

Moreover, the PRC Corporate Income Tax decreased by 7.5% from HK$1,910,000 in 2009 to HK$1,766,000 in 2010. On the other hand, deferred tax charge increased by 37.4% to HK$885,000.

As there was no further provision made for the previously 50:50 offshore claims and non-deduction of lease rentals, the overall tax expenses significantly decreased by 84.0% from HK$39,592,000 in 2009 to HK$6,325,000 in 2010.

Profit for the Year

As a result of the combined effects of the factors cited above, the Group recorded a profit for the year attributable to owners of the Company of HK$8,087,000 in 2010, as compared with a loss for the year attributable to owners of the Company of HK$35,774,000 in 2009. Basic earnings per share were HK2.50 cents (2009: Basic loss per share was HK11.13 cents).

Financial Condition, Liquidity and Financial Resources

The Group primarily finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Korea.

As at 31 December 2010, the Group had cash and bank balances of HK$133,505,000 and net current assets of HK$224,608,000. Shareholders' funds amounted to HK$373,984,000 as at 31 December 2010.

The current ratio of the Group, being the ratio of current assets to current liabilities, decreased from 3.04 in 2009 to 2.59 in 2010. Gearing ratio, in terms of total liabilities to total assets, increased from 0.28 in 2009 to 0.29 in 2010. The decrease in current ratio and the increase in gearing ratio were mainly due to increase in capital expenditure and increase in bank borrowing to enhance our working capital.

As at 31 December 2010, the bank borrowing was HK$13,844,000. With the cash and bank balances of HK$133,505,000 and the banking facilities of HK$129,595,000, the Group is confident that it can meet its current and future operational and capital expenditure requirements.

Foreign Exchange Exposure, Hedging and Off Balance Sheet Financial Instruments

The Group has been focusing on its own core business and follows a prudent financial policy. It has never invested in any highly leveraged or speculative derivative products. In this respect, the Group has continued to adopt a conservative approach towards financial risk management.

The Group is exposed to foreign currency risks primarily in sales and purchases which give rise to receivables, payables and cash balances that are denominated in United States Dollars ("USD"), Japanese Yen ("JPY"), and Renminbi ("RMB") as well as Korean Won ("KRW"). With the exchange rate of the Hong Kong Dollar ("HKD") pegged to the USD, the Group does not expect any significant fluctuation in the USD/ HKD exchange rate in the foreseeable future. For other currencies such as JPY, RMB and KRW, the Group has taken steps to ensure that net exposure is kept at acceptable levels. It buys and sells foreign currencies at spot rates when necessary to address short term imbalance.

With its production workforce based in the PRC, most wages and salaries and factory overheads of the Group are denominated in RMB. As the deposit interest rate differential between the RMB and USD has been within a manageable range in terms of exchange rate risk, the directors of the Company are of the view that it is not necessary for the Group to purchase any foreign exchange forward or options contracts to hedge against exchange rate risks. However, the Group will closely monitor the exchange rate trend.

Investment Activities

On 14 May 2010, the Group has entered into an agreement to acquire a parcel of land in Korea at a consideration of HK$52,120,000 to construct a new facility for strengthening the Group's research and development, manufacturing, and sales and marketing as well as overall administration to better expedite the Group's future business growth. The Group has settled all the balances and completed the acquisition in July 2010.

Other than the above, the Group did not make any material acquisitions or disposals of any of its subsidiaries or associated companies during the year.

Charges on Assets

As at 31 December 2010, the bank borrowing of HK$13,758,000 was secured by the Company's land and buildings in Korea with carrying amount of HK$21,603,000 for a maximum credit amounted of KRW2,400,000,000 (equivalent to HK$16,510,000).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2010.

Employees and Remuneration Policy

As at 31 December 2010, the Group had about 904 employees, of whom 45 were based in Hong Kong, 767 in the PRC and 92 in Korea. Staff costs increased by 12.2% from HK$76,495,000 in 2009 to HK$85,836,000 in 2010. The increase was mainly due to the expansion of business and provision of incentive payment during the year.

Business Review

Composite Components Business

For the year ended 31 December 2010, the composite components business remained as the Group's major revenue source, accounting for 57.6% of the total turnover of the Group as compared with 71.3% in 2009. Despite the gradual recovery of the global economy, the fast change in market trends has dampened the demand for traditional home audio tuner modules. Therefore, the segmental turnover was HK$391,814,000, a decrease of 7.2% as compared with HK$422,027,000 in 2009.

The turnover from tuner modules for home audio systems declined by 26.3% to HK$142,492,000 (2009: HK$193,259,000), representing 36.4% (2009: 45.8%) of the total turnover from the composite components business. Sales of tuner modules for car audios decreased by 15.2% to HK$88,665,000 during 2010 (2009: HK$104,545,000), accounting for 22.6% (2009: 24.8%) of the total turnover from the composite components business.

The traditional home audio product market was adversely affected by the fast changing industry development and the trend of electronic products integrating the functions of smartphones, personal/notebook computers and television reception devices. To keep abreast of the market trends of multifunctionality and inter-connectivity with different consumer electronic products such as smartphones and televisions, the Group has developed solution products for smartphone docking systems and a General Radio Receiver ("GRR™") Interface Protocol for multimedia products.

To cater for the new market demand trends for various turnkey solutions, the Group has redeployed its research and development resources to create an innovative GRR™. A GRR™ is a unique radio frequency physical interface protocol which can convert digital signals with various applications in hybrid digital radio ("HD Radio"), digital wireless microphone, digital wireless audio, WiFi internet radio, digital audio broadcasting ("DAB"), and AM/FM tuner.

Sales of the Group's wireless solutions have increased by 35.8% to HK$104,505,000 (2009: HK$76,956,000), mainly due to the launch of new FM transmitters for LCD and LED televisions during the year. This new product has attracted orders from a renowned television manufacturer which has successfully boosted sales amidst the global economic recovery during the year.

As at 31 December 2010, the sales of DAB products and digital multimedia broadcasting ("DMB") products of the Group dipped by 34.6% to HK$15,800,000 compared with HK$24,175,000 in 2009. The decrease in sales was mainly due to the keen competition in the DAB and DMB product market. However, the rapid evolution of digital technology and different standards in DAB in various countries present an opportunity for the Group in applying its strength in research and development. The Group has launched a turnkey solution in a printed circuit board, the world's first solution for DAB/DAB+/DMB-A in a digital pocket radio, in May 2010. This product has been successfully field tested and delivered to the United Kingdom, Sweden and France as well as Australia during the year.

In 2010, the Group also launched Wiretape™, an innovative flat flexible cable product designed to remove the hassle of handling multiple connecting wires in homes, offices or automobiles. This breakthrough technology of Wiretape™ has earned the appreciation of the industry, generating initial sales to retail customers in Europe in 2010.

In addition, the sales of tuner modules for HD Radios achieved HK$12,601,000, an increase of 126.5% compared with HK$5,564,000 in 2009. Through strong relationships with existing customers, the Group is working with Japanese customers to explore more innovative applications in the future.

Unit Electronic Components Business

During the year, turnover from the unit electronic components business achieved remarkable growth amounting to HK$288,667,000 when compared with HK$170,253,000 in 2009, and accounted for 42.4% of the Group total. Apart from the organic growth from rising sales of its existing products of coils and traditional transformers, the Group has also launched a planar transformer, an innovative product, which was put into mass production in 2010 and boosted sales of the business segment. The Group was the first company in the world to put a planar transformer into mass production, and it is being applied in LED and LCD televisions enabling lighter and flatter form factors. The Group expects this innovative product to be a new growth driver in the coming years as they are widely recognised by the market as having good potential.

Operational Efficiency

On the other hand, with go-live of an Enterprise Resources Planning ("ERP") system in the second half of 2010, the Group intends to improve its business processes including research and development, procurement, production, inventory control, sales, cost control, and financial management. This improvement enables the Group to make business and management decisions more effectively and enhance operational efficiency.

PROSPECTS

Looking forward, the Group expects that its tuner modules for home and car audio systems should remain as the major revenue contributors. The Group intends to continue its heavy emphasis on research and development as it is a core competence in driving the Group's sustained development. Moreover, the Group plans to march forward by delivering innovative products for emerging high-growth applications in the future.

To accelerate the pace to commercialize the Group's innovative GRR™ Interface Protocol, it has promoted to major chain-store retailers and international manufacturers to launch the GRR™ Interface Protocol in 2011, either on an OEM (original equipment manufacturer) basis or by manufacturing applicable end-products based on the GRR™ Interface Protocol technology to be sold through manufacturers and retailers. The Group will work to generate favorable returns from this innovative product in the coming years.

With the trend of the television market towards flatter and lighter television sets, the Group's newly developed planar transformers and GRR™ solutions for LCD and LED televisions, for which the Group has applied patents and a trademark, enabling such form factors are expected to continue gaining in popularity. Moreover, the Group is planning to apply its technology in planar transformers to the electronic systems for electric and hybrid vehicles, where profit margins are relatively higher and with greater market potential. This automotive technology application has been undergoing field testing and is expected to be launched in 2011. With its potentially broad applications, the unique product can open a new growth market for the Group.

In addition, for the automotive electronic components segment, the Group has applied for patents and a trademark for its "Antuna™", the integrated analog and digital tuner with an antenna function for car audio systems, which can upgrade reception quality of radio signals in cars. The new product has been undergoing field-testing and expected to be launched in 2012. It is targeted to be supplied to Korean automobile manufactures in the PRC and India markets, where radio signal reception in many locations is relatively weak.

Moreover, with the success of the launch of Wiretape™ for home audio and video systems, it is expected that Wiretape™ will achieve satisfactory growth in sales in 2011. The Group is also developing the Wiretape™ application technology for smartphones and cars. The Group is promoting to car manufacturers to extend Wiretape™ sales to the automotive market as well as to expand its distribution networks globally. Tapping the burgeoning smartphone and smart television segment, the Group is optimistic in the growth potential by developing the Wiretape™ application technology in these product areas as well.

In July 2010, the Group completed acquisition of a parcel of land in Korea to construct a new facility to better expedite the Group's future business growth. Construction has started in December 2010 and is to be completed by the end of 2011. The Group believes that this new facility can enhance the Group's research and development, manufacturing, and sales and marketing as well as its overall administration. This in turn will strengthen the Group's business competitiveness and consolidate its market position in Korea.

In addition, the Group is planning to set up a new manufacturing plant in Baoying Anyi New and High Technology Industrial Zone in Jiangsu Province, the PRC, to facilitate the Group's expansion in the Mainland market as well as the export of goods to Korea and Japan. With a gross floor area of approximately 12,000 square meters, the plant is to produce electronic components for automotive, communications and household electronic products. The new plant is to be completed in two phases. Phase 1 of the plant is to commence operation near the mid of 2011 at a temporary facility provided by the local government free of charge for one-and-a-half-year until the Group completes its own production facility by the end of 2012.

The management will make every effort to fortify the Group's leadership position in the electronic components industry by providing innovative total solutions to its clients and to increase its economies of scale. The Group will also continue to strive to deliver the best returns to shareholders and high quality products to customers in the future.

Corporate Social Responsibility

As a caring corporation, the Group has been active in fulfilling its social responsibilities to stakeholders and society alike. The Group's corporate social responsibility efforts fall into the categories described below.

1. Marketplace

In the interest of shareholders, we have adhered to the business objectives of contributing to the sustainable development of the electronic industry and improving consumer electronics to heighten efficiency and deliver the best user experience. To these ends, the Group invests substantially in research and development and internal quality control to ensure the continuous delivery of high quality and reliable products to customers. The Company complies with the requirements of ISO/TS 16949:2002 in the design and manufacturing of car tuners. We are also compliant with ISO 9001:2000 in the production and servicing of electronic products, specifically transformers, intermediate frequency transformers, antennas, filters, coils, coil inductors, electrical meters, dielectric filters, tuners, tuner modules, wireless modules, switching mode power supplies, digital tuner modules for DAB and digital amplifiers. From time to time, the Group has earned customers' performance certificates that signify recognition of the Group's efforts and appreciation of the quality of the Group's products.

The Company recognises the need and the benefits of cooperation between the industry and universities. It hopes to harness the resources of universities and graduate schools to prepare training sessions that can help develop the business and management expertise of its professionals enabling us to compete globally. In return, the Company provides consultancy services to these institutions and financial aid and internships to students of the universities.

2. Employee Health and Welfare

Concerned about the health and work safety of its staff, the Group has appropriate safety systems and measures in place to minimise staff exposure to potentially hazardous materials or adverse working conditions. As an equal opportunity employer, the Group strives to provide a fair work environment to employees and does not tolerate any form of harassment or discrimination in respect of employment and occupation. To retain the best talent, the Group ensures its employee remuneration packages are competitive and that rewards are linked with performance excellence.

With a view to nurture their professional development, the Group also provides in-house training to employees, not only to upgrade their professional competency but also to boost efficiency in implementing and adhering to internal procedures and enhancing processes, while strengthening their understanding of the Group's culture. To achieve better communication within the organisation and more constructive interaction among various divisions, the Group has launched an internal seminar presentation programme to provide insights into its operations and developments within each division, thereby broadening employees' knowledge of the Group as a whole. To encourage staff to participate in the programme, prizes are to be rewarded to the best presenter of the programme.

The Group also encourages employees to take external job-related courses and sponsors such initiatives when appropriate. As a part of the job orientation, all new employees are required to take programs on topics including internal control and information protection as well as ISO and quality management systems.

It also arranges regular health checks for all employees to ensure their health and therefore their productivity at work. In case of sickness, employees are protected by comprehensive group medical insurance policies. Retirement and comprehensive pension funds are also provided to employees in accordance to relevant legislation.

3. Environment and Community

The Company complies with the requirements of ISO 14001:2004 in its environmental management systems. The Group also continues to make sure that its products comply with the European Union's environmental protection guidelines, including the Directive on the Restriction of the use of certain Hazardous Substances in Electrical Equipment ("RoHS") in manufacturing activities. All products manufactured by the Group are lead-free and RoHS compliant.

The Group also encourages employees to save energy and resources. To cut down on paper consumption, it encourages double-sided printing and printing when only necessary. It also relays energy-saving tips to staff members through a daily learning program. During the year, the Company also made donations to charities to help the needy.

OTHER INFORMATION

Corporate Governance

The Company is committed to achieving high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provisions as set out in Appendix 14, Code on Corporate Governance Practices, of the Listing Rules throughout the year ended 31 December 2010.

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent.

Model Code for Securities Transactions by Directors

The Company has adopted Appendix 10, Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the code of practice for carrying out securities transactions by the directors of the Company. The Company, having made specific enquiries to all directors of the Company, confirmed that throughout the year ended 31 December 2010, all directors have complied with the code provisions as set out in the Model Code. The relevant employees who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

Review of Accounts

The Audit Committee of the Company, which is comprised of all independent non-executive directors and a non-executive director of the Company, has reviewed the financial results of the Group for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group, and has reviewed and discussed with the management on the effectiveness of the Group's system regarding the internal controls and accounts.

Publication of the Final Results and Annual Report

This results announcement has been published on the Company's website at www.kse.com.hk and the website of the Stock Exchange at www.hkex.com.hk. The 2010 annual report will be despatched to shareholders on or about 26 April 2011, which will be also made available on the websites of the Company and the Stock Exchange.

By Order of the Board
Kwang Sung Electronics H.K. Co. Limited
YANG Jai Sung
Executive Director

Hong Kong, 25 March 2011

As at the date of this announcement, the Board of the Company comprises non-executive director Mr. YANG Ho Sung (Chairman), executive directors Mr. YANG Jai Sung and Mr. LEE Kyu Young, and independent non-executive directors Dr. KIM Chung Kweon, Dr. HAN Byung Joon and Mr. KIM Chan Su.