

TONGDA GROUP HOLDINGS LIMITED

# 2012 Annual Report

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Biographical Details of Directors and Senior Management	10
Corporate Governance Report	14
Report of the Directors	23
Independent Auditors' Report	35
Consolidated Income Statement	37
Consolidated Statement of Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes in Equity	41
Consolidated Statement of Cash Flows	42
Statement of Financial Position	44
Notes to Financial Statements	45
Five-Year Financial Summary	116

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Ya Nan (*Chairman*)  
Mr. Wang Ya Hua (*Vice Chairman*)  
Mr. Wong Ah Yu  
Mr. Wong Ah Yeung  
Mr. Choi Wai Sang  
Mr. Wang Ming Che

### Independent Non-executive Directors

Mr. Ting Leung Huel Stephen  
*MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD*  
Mr. Cheung Wah Fung, Christopher, *JP*  
Dr. Yu Sun Say, *GBS, SBS, JP*

## AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen  
Mr. Cheung Wah Fung, Christopher  
Dr. Yu Sun Say

## REMUNERATION COMMITTEE

Mr. Wang Ya Nan  
Mr. Ting Leung Huel Stephen  
Mr. Cheung Wah Fung, Christopher  
Dr. Yu Sun Say

## NOMINATION COMMITTEE

Mr. Wang Ya Nan  
Mr. Ting Leung Huel Stephen  
Mr. Cheung Wah Fung, Christopher  
Dr. Yu Sun Say

## COMPANY SECRETARY

Ms. Chan Sze Man

## AUDITORS

Ernst & Young  
*Certified Public Accountants*

## AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan  
Mr. Wang Ya Hua

## PRINCIPAL BANKERS

*In Hong Kong:*  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
The Bank of Tokyo-Mitsubishi UFJ Limited  
KBC Bank N.V., Hong Kong Bank  
China Construction Bank (Asia) Corporation Limited

### *In the PRC:*

Bank of China Limited  
China Construction Bank Corporation  
China Merchant Bank

## LEGAL ADVISERS

### *As to Hong Kong law:*

Michael Li & Co.  
Hui & Lam

### *As to PRC law:*

Fujian Xieli & Partners Law Firm

### *As to Cayman Islands law:*

Conyers Dill & Pearman, Cayman

## INVESTOR RELATIONS

Strategic Financial Relations Limited  
Unit A, 29/F, Admiralty Centre  
18 Harcourt Road  
Hong Kong

## REGISTERED OFFICE

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681GT  
George Town  
Grand Cayman  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1201-03, 12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2570 8128  
Fax: (852) 2510 0991  
Website: <http://www.tongda.com>  
Email (Investor Relations): [ir@tongda.com.hk](mailto:ir@tongda.com.hk)

## LISTING INFORMATION

Listed on the Hong Kong Stock Exchange (Main Board)  
Stock short name: Tongda  
Stock code: 698  
Board lot: 10,000 shares

## HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited  
18/F, Fook Lee Commercial Centre  
Town Place, 33 Lockhart Road  
Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman KY1-1110  
Cayman Islands

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Group" or "Tongda Group") for the year ended 31 December 2012 (the "Year") on behalf of the Board of Directors. With our innovative precision technology and fashionable product design as well as advanced and reliable one-stop solutions, Tongda Group has progressed along with international renowned handsets, notebook computers and electrical appliances customers for years and maintained a leading position in one-stop solution for consumer electronics casings in the international market. The continuous growth in total turnover of the Group evidenced the significant accomplishments we have achieved in business development and operating results. For the Year, Tongda Group succeeded in attracting Templeton Strategic Emerging Markets Fund, a major global investment fund, to become our strategic shareholder, which fully demonstrates the confidence the investment community has on the Group's core advantages and prospect.

During the Year under review, benefited from the increasing business of smartphone and notebook computer casings, the Group's total turnover increased by 8.3% to HK\$3,408,091,000 (2011: HK\$3,147,119,000), gross profit increased by 20.7% to HK\$730,647,000 (2011: HK\$605,343,000) and gross profit margin was 21.4% (2011: 19.2%). Profit attributable to shareholders recorded HK\$300,005,000 (2011: HK\$250,308,000), representing an increase of 19.9% year-on-year. For the Year, the Group strived to optimize its product mix, focusing on developing high value-added products and integrating its production lines to improve efficiency and control costs, thereby contributing to the increase of its net profit margin to 8.8%.

The Group has always been committed to generating satisfactory returns for its shareholders and maintaining a stable dividend policy. The Board recommended the payment of a final dividend of HK1.2 cents per share (2011: HK1.0 cent) for the Year. Together with the interim dividend of HK0.8 cent per share paid, the total dividend for the Year will amount to HK2.0 cents (2011: HK1.7 cents), representing a dividend payout ratio of 31.4%.

The management of Tongda Group has always kept abreast of the customer requirements with unique vision, promoted business diversification and enhanced the technological content of its products. For the Year, the Group discerned the market opportunities of 4G (the 4th generation wireless communication system) and initiated the development of LDS antenna applicable to 4G mobile equipment. LDS antenna technology is superior to the physical antenna technology in the past as it can save the tiny and complicated space of the handsets and tablets internal structure and reduce antenna disturbance. Currently, Tongda Group is the only one-stop service provider of integrating antenna and casings vertically with LDS antenna technology in the PRC market. As the rapid popularization of 4G mobile equipment, the Group would enjoy incomparable competitive advantage in technology, which will lay a solid foundation for the rapid growth in the next 3 to 5 years.

We will also continue our development into high-tech and creative design with a focus on producing high value-added products to consolidate the image and status of Tongda Group as an innovative high-tech corporation. As the IML(In-Mould Lamination) technology becomes more mature, the Group has evolved from an expert of fashionable casing decoration into a one-stop service provider of casing products with advanced functions and decorations, and further extended its business into the more creative and higher-precision technological field. For the Year, we commenced mass production of high-precision casings and casing with embedded structures of handsets, with higher margins and became one of the few providers acquainted with LDS antenna technology. We will continue to deepen our cooperation with suppliers of advanced materials and research new materials to meet the trend of constantly changing casing design, and expect to improve our profit margin by those high-tech and innovative products and further expand the customer base of the Group and secure more orders in future, which will generate substantial profit in the long run.

## Chairman's Statement

The huge and strong international renowned consumer electronics customer base of the Group was the driving force behind our rapid business growth within past few years. To deepen our long-term business relationship with customers, the Group will put more emphasis on product quality and provide employees with technological training to create high-quality products. The Group will also take full advantage of the synergy of each business division by implementing lean management and stringent cost-control strategy, so as to further improve the overall efficiency of the production lines, and adhere to prudent financial policy to lay a solid foundation for the future.

Facing with the challenging global economy and the increasingly fierce competition in the industry, the Group will take its focused, professional and specialized advantages to consolidate its leading position in the consumer electronics casings industry. With the international customer network, unparalleled advanced technology and craftsmanship, diversified high value-added product portfolio and flexible and effective integration of production lines, the Group takes full advantage of the opportunities in the consumer electronics product market. The Management expects to further increase the market share of the Group in consumer electronics product field and promote high value-added product portfolio, so as to bring long-term returns and create considerable values for shareholders.

### APPRECIATION

On behalf of the Board, I wish to thank all customers and shareholders for supporting and trusting the Group over the years and would also like to express my gratitude to all the staff for their dedication and contribution. We will continue to work closely with shareholders and employees and enjoy the development results.

*Chairman*

**Wang Ya Nan**

Hong Kong, 14 March 2013

## 1. FINANCIAL POSITION

Despite that the overall economic environment remained volatile in 2012, the demand for high-end consumer electronics products, such as smartphone, was increasingly stronger and provided constant support to the casings and related components businesses of the Group. The Group recorded an increase of 8.3% in turnover to HK\$3,408,091,000 (2011: HK\$3,147,119,000) for the Year. Benefited from the development of high value-added products and increasingly expanding product portfolio as well as implementation of effective cost-control measures, the gross profit of the Group increased by 20.7% to HK\$730,647,000 (2011: HK\$605,343,000) compared to that of last year and the gross profit margin increased from 19.2% of last year to 21.4%. Profit attributable to owners of the Company increased from HK\$250,308,000 in 2011 to HK\$300,005,000, representing an increase of 19.9% and the overall net profit margin of the Group rose to 8.8% (2011: 8.0%).

As of 31 December 2012, the Group had pledged deposits, cash and cash equivalent balances of approximately HK\$313,899,000 (2011: HK\$311,184,000)

## 2. OPERATIONAL INFORMATION BY DIVISION

### (a) Electrical Fittings Division

The Group devoted efforts to expand its own IML (“In-mould Lamination”) and IMD (“In-mould Decoration”) technological application and constantly enhanced its scientific research capability to meet consumers’ increasing demand for high-tech products. In view of the increasing demand for high value-added electrical fittings products and casing products with functions and decorations on the market, the Group launched more high quality products to further expand customer base. For the Year, casings and parts maintained satisfactory growth, which resulted in a 6.0% growth in revenue of the electrical fittings division to HK\$2,813,423,000 (2011: HK\$2,653,549,000), representing 83% of the total turnover.

#### *i. Handsets*

Turnover of the Group’s handset business increased by 9.5% to HK\$1,556,058,000 from HK\$1,420,412,000 last year, representing 55% of the turnover in the electrical fittings division. For the Year, the global sales of smartphones still maintained a rapid growth, and with the wider recognition and increasing market share of domestic handset brands in the international market, the Group strengthened its cooperation with renowned mobile phone manufacturers such as ZTE and Huawei, which drove up the orders of handset high-precision casings and casings with embedded structures. The Group has discerned the market opportunities and successfully deepened the relationship with customers through strengthening the combination of handset’s decorative and the functional components and timely developed and launched more high value-added products. For the Year, our major renowned-brand customers include Huawei, ZTE, Nokia, TCL, Lenovo and other rapidly growing domestic brands. Utilising our high-tech and creative design, the Group selected to complement for the high-end handset models to enhance profit margin.

### ii. *Notebook Computers*

During the Year, the Group's notebook computer business recorded an increase of 23.6% in turnover from HK\$449,179,000 last year to HK\$555,040,000, representing 20% of the turnover of the electrical fittings division. As one of the preferred component suppliers of notebook computers of Lenovo, a worldwide renowned computer brand, the Group benefited from the further increasing market share of the brand in global computer market, and orders from the brand posted a satisfactory growth. For the Year, the Group also took advantage of its leading technology to launch other products of notebook computer components, such as casings of portable hard disk and mouse, to expand its revenue base. Meanwhile, the Group committed to apply IML and IMD printing technology to research and develop quality metal casings and fittings. The Group continued to maintain close cooperation relationship with other notebook computer customers and partners, including Dell, HP, Toshiba, NEC and Taiwan's top four computer manufacturers, namely, Asus, Acer, Quanta and Compal. In addition to the increasing in Lenovo's market share, the Group also actively supplied high-precision components to enjoy higher average price and gross profit of products. For the Year, the average price of products rose in line with the popularity of metal casings.

### iii. *Electrical Appliances*

In the first half of 2012, the weak performance of domestic real estate market and the absorption of the accumulated stock of electrical products customers substantially dragged the sales of electrical products. Fortunately, the situation improved in the second half, which mitigated the impact on the electrical products business of the Group. The segment turnover for the period decreased by 10.4% to HK\$702,325,000 (2011: HK\$783,958,000), accounting for 25% of the total turnover of the electrical fittings division. The Group kept long-term cooperation relationship with domestic leading electrical appliances brands, including Midea, Haier and Gree, and produced components for high-end electrical appliances, such as glass for touch screen and casing of appliance composed of plastic, so as to ensure the Group's leading position in the decorative and functional casings business of high end electrical appliances.

### (b) **Ironware Parts Division**

Through technology innovations and more efficient use of resources, the Group focused on producing aluminum parts with various surfaces effects and high-precision metal components. Due to the increase in product categories and the replacement of plastic casings of some electrical appliances by metal casings, segment turnover increased by 30.5% to HK\$491,631,000 (2011: HK\$376,865,000) year on year.

### (c) **Communication Facilities Division and Other Business**

The Communication Facilities Division of the Group which focuses on the production of satellite TV receivers and set top boxes, posted a decrease of 11.7% in turnover to HK\$103,037,000 (2011: HK\$116,705,000) for the Year.

(d) Total turnover analysis (by products) for the years ended 31 December 2012 and 2011:

	2012	2011
Electrical Fittings Division	83%	84%
i. Handsets	46%	45%
ii. Notebook Computers	16%	14%
iii. Electrical Appliances	21%	25%
Ironware Parts Division	14%	12%
Communication Facilities and Other Business	3%	4%

### 3. PROSPECTS

Despite that the global economy still faced uncertainties, the growth of China's economy was relatively stable and medium and high-end consumer electronics products had considerable development potential. With the success of its strategic business deployment, the Group will continue to focus on smartphone, notebook computer and tablet computer business and expand its high value-added product portfolio, and become a one-stop service provider of casing products with functional components and decorations. Meanwhile, the Management will follow the principle of fiscal prudence and proactively consolidate operational strength, which will enable the Group to maintain a long-term and stable growth of business performance amid the increasingly complicated operational environment.

For smartphones, the Group will continue to increase investment in research and developing new technology and products and the direction will be on ultra-thin and functional components. In order to seize the market opportunities and complement the development of leading handset brand customers in domestic 4G (the 4th generation wireless communication system) handset business, the Group has initiated the development of Laser Direct Structuring technology applicable to 4G mobile equipment. Related products are expected to be put into trial production at the end of this year and commercial production will commence next year. According to iHS Suppli, it is expected that handset users using 4G LTE in the world will increase to 744 million in 2015 which will create huge demand for handsets. As the shipment of smartphones in the world and China is continuously growing, renowned handset brands all to the prospects of the market, which reflects ample business opportunities in the smartphone market.

For notebook computers, the development trend of the Group will be towards the integration of ultra-thin and functional components while metal coating and other metal effects will be the new key area for research. In addition, the Group will devote particular effort to promote the application of core technology of IML to other computer-related products. As there is an improving sign of electrical appliance market and the central government offers environmental protection and energy saving allowances, we are positive on the prospects of electrical appliance business. In view that the casings of electrical appliances (such as rice cookers, air-conditioners and washing machines) will follow the development trend of handset and notebook computer casings and heading towards the use of components with advanced functions and equipped with high-end ironware casing, therefore, the Group will take full advantage of the synergy of each business division to raise further the overall efficiency of the production line.



The Group remains optimistic about its business performance for the coming year. The Management will continue to adopt the formulated business strategy, keep abreast of the market requirements and actively seize opportunities related to potential high-end consumer electronics products. We will maintain our advantages in advanced technology and craftsmanship, diversified high value-added product portfolio and flexible and effective integration of production lines, and reward the Group with greater profit. In addition, we will be committed to maintaining a healthy financial position and continue to strengthen good relationship with banks for more favorable financing terms to support our future expansion plan. The Group will always maintain a stable dividend policy and bring long-term and greater returns for shareholders.

#### 4. CASH FLOWS AND FINANCIAL RESOURCES

During the year, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China.

As at 31 December 2012, it has cash and bank and pledged deposits balance of HK\$313,899,000 and without holding any structural investment contract. In February 2013, the Group entered into a three-year bank loan of HK\$350,000,000 which is used in ordinary course of business and fixed assets addition. In view of the current economic situation, the Group will allocate its resources carefully and with prudence focusing on developing more high profit and high value-added products, and applying IML technology in more productions so as to gain maximum benefit from IML technology. Furthermore, the Group will closely monitor market trends and look for merger and acquisition opportunities at suitable time to help speed up business development and also strengthen and raise its industry position of the Group.

As at 31 December 2012, the Group had total assets of HK\$4,203,968,000 (2011: HK\$3,738,632,000); net current assets of HK\$859,873,000 (2011: HK\$886,383,000) and equity of HK\$2,192,877,000 (2011: HK\$1,915,140,000).

The Group's cash and bank balances of about HK\$313,899,000, of which HK\$92,439,000 has been pledged to bank to secure trade facilities (2011: HK\$57,400,000).

The gearing ratio of the Group (consolidated net borrowings/total equity) was 15.8% (2011: 17.5%).

The Company's bank loans are with annual effective interest rates of Hong Kong Interbank Offered rate ("HIBOR") plus 1.15% and 1.5%. Other than the Company's bank loans, the effective interest rates of the bank and other borrowings range from 5.60% to 7.87% per annum, respectively.

#### 5. CAPITAL EXPENDITURE

The total capital expenditure incurred for 2012 was HK\$285,986,000 (2011: HK\$193,802,000), mainly used to acquire production equipments and the building of staff dormitory.

### 6. TREASURY POLICY

The Group's sales were principally denominated in Hong Kong dollars, RMB and United States dollars while purchases were transacted mainly in Hong Kong dollars, RMB and United States dollars. As the foreign currency risks generated from the sales and purchases can be set off with each other and the fluctuation of Renminbi in 2012 did not materially affect the costs and operations of the Group for the year, the directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Other than the information disclosed above, the Group had no material acquisitions nor disposals of subsidiaries and associated companies in the financial year ended 31 December 2012, no contingent liabilities as at 31 December 2012 and at the reporting date, and no future plans for material investments nor acquisitions of material capital assets as at 31 December 2012 and at the reporting date.

### 7. HUMAN RESOURCES

As at 31 December 2012, the Group employed a total of 13,000 employees (31 December 2011: 11,600 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 31 December 2012 amounted to HK\$555,210,000 (2011: HK\$510,982,000).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wang Ya Nan**, aged 55, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He graduated with a Master of Business Administration degree in Xiamen University. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

**Mr. Wang Ya Hua**, aged 57, is the Vice Chairman and the general manager of the Group. He is responsible for the overall management of the Group with special focus on product development, preparation and monitoring of annual production plans and operating budget. He is also required to give direction of the day-to-day operations to the operation unit located at Xiamen, Fujian Province. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

**Mr. Wong Ah Yu**, aged 60, is the deputy general manager of the Group and the general manager of Tongda Electrics Company Limited, Shishi City, Fujian. He is responsible for overseeing the operation unit of the Group in Shishi city, Fujian Province ("Shishi") and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wang Ya Hua and Wang Ya Nan.

**Mr. Wong Ah Yeung**, aged 63, is the deputy general manager of the Group and the general manager of Tongda Ironware (Shenzhen) Company Limited ("Tongda Ironware"). He is responsible for overseeing the operation unit of the Group in Shenzhen, Guangdong Province and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the ironware and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan and the father of Mr. Wang Ming Che.

**Mr. Choi Wai Sang**, aged 57, is an executive director and is responsible for the development of overseas market and the technical support of the Group's product development. He joined the Group in December 1988. He graduated with a Bachelor and Master of Science degrees in electrical engineering from the University of Illinois, USA.

**Mr. Wang Ming Che**, aged 37, is an executive director and the Deputy General Manager of Tongda Ironware. He is responsible for overseeing the operation unit and the sales of the Group in Shenzhen. He joined the Group since 2002. Mr. Wang is the son of Mr. Wong Ah Yeung.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Yu Sun Say**, *G.B.S. S.B.S, J.P.*, aged 74, joined the Company as an independent non-executive director in October 2007. Dr. Yu is the Chairman of the H.K.I. Group of Companies and a director of a number of manufacturing and investment companies. He is an Independent non-executive director of Wong's International (Holdings) Limited. He served as member of the Preparatory Committee for the Hong Kong Special Administrative Region and as a Hong Kong Affairs Adviser. He is currently a member of the Standing Committee of the Chinese People's Political Consultative Conference, a member of the Standing Committee of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

**Mr. Ting Leung Huel Stephen**, *MH, FCCA, FCPA (PRACTISING), ACA, CTA(HK), FHKIoD*, aged 59, is an independent non-executive director of the Company and joined the Company in December 2000. Mr. Ting is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. Mr. Ting is a member of the 9th, 10th and 11th Chinese People's Political & Consultative Conference, Fujian. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited and an independent non-executive director of six listed companies, namely, China SCE Property Holdings Limited, Computer and Technologies Holdings Limited, Dongyue Group Limited, JLF Investment Company Limited, Texhong Textile Group Limited and Tong Ren Tang Technologies Company Limited.

**Mr. Cheung Wah Fung, Christopher**, *JP*, aged 61, is an independent non-executive director of the Company and joined the Company in September 2004. Mr. Cheung is currently the member of Legislative Council of the Hong Kong Special Administrative Region, the independent non-executive director of Fujian Holdings Limited and the chairman of Christfund Securities group of companies. He serves as a member of the National Committee of the Chinese People's Political Consultative Conference, chairman of the Hong Kong Securities Professionals Association, elected director of the Hong Kong Chinese General Chamber of Commerce, director of the Chinese Overseas Friendship Association, director of the Friends of Hong Kong Association, member of the Standing Committee of the Federation of Commerce and Industry of Guangdong Province, Honorary Chairman of Hong Kong Federation of Fujian Associations.

## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

**Ms. Chan Sze Man**, aged 32, is the Chief Financial Officer and Company Secretary since 2011 and is responsible for the corporate finance, accounts and company secretarial functions of the Group. Ms. Chan graduated from the Hong Kong University of Science and Technology with a Bachelor's Degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in June 2010 and have over 10 years of working experience in the field of accounting, auditing and financial management.

**Mr. Hui Wai Man, Anthony**, BSc, aged 45, is the deputy general manager of a subsidiary of the Group. He is mainly responsible for the sales and marketing activities of the Group in Hong Kong & overseas. He is also responsible for the overall purchasing management of the Group. He has over 15 years experience in the field of electronic market. He joined the Group in April 2003.

**Mr. Shu Yuen Shu**, aged 74, is the senior management consultant of the Group. He assists the Group's General Manager to formulate corporate strategies and staff training, and to implement the Group's quality control program. He holds a Bachelor's Degree in Physics from the University of Xiamen. He joined the Group in June 1998 and has over 30 years of quality management experience in the electronics industry.

**Mr. Yuen Sik Kin**, aged 52, is the accounting manager of a subsidiary of the Group and is mainly responsible for the accounting and financial management of the operation unit of the Group in Shishi. He obtained his qualification as an accountant from the Finance Department of the People's Republic of China. He joined the Group in 1994 and has over 20 years of working experience in the accounting and finance field.

**Mr. Pan Jianjun**, aged 38, is the business manager of a subsidiary of the Group. Mr. Pan joined the Group in March 2003, he has over a decade of experience in electronics and ironware industry, served various positions in Taiwan and American invested entities.

**Mr. Zhang Haijiang**, aged 37, is the production manager of a subsidiary of the Group. Mr. Zhang joined the Group in 2002 with more than 10 years experience in production management. He served successively as Production supervisor, Production manager and Precision Parts Manager.

## Biographical Details of Directors and Senior Management

**Mr. Zhou Shuangxi**, aged 40, is the business manager of a subsidiary of the Group. He joined the Group in June 1998 and has held successively such positions as manager assistant of the integrated management department (in charge of human resources and quality management), technical manager of the R&D Centre and business manager. Mr. Zhou has nearly 13 years experience in internal management of integrated corporate operation.

**Mr. Ye Jinhuang**, aged 48, joined the Group in 2008 and is the general manager of a subsidiary of the Group. He has over 25 years experience in the plastic product industry. Beginning to engage in high-tech industry in 1986, he is currently the vice president of 廈門注塑工業協會 (Xiamen Association of the Molded Plastic Industry\*).

**Mr. You Junfeng**, aged 44, is the vice general manager of a subsidiary of the Group. With over 20 years of technical and managerial experience in the production of molded plastic components, Mr. You joined the Group in 2008 and is now responsible for the management of operations including marketing, procurement and project management.

**Mr. Xiao Ruihai**, aged 41, is the vice general manager of a subsidiary of the Group and he gained over 16 years of experience in electronic technology industry. He joined the Group in 2005 and is responsible for the business operation management in Xiamen.

**Mr. Liu Zhenzhou**, aged 55, is the vice general manager of a subsidiary of the Group, and he joined the Group in 2010. Mr. Liu has 19 years of experience in the high-tech industry and 5 years of managerial experience in touch panels and modules operations.

**Mr. Zhang Bing**, aged 39, is the engineering manager of a subsidiary of the Group, and he joined the Group in 2007. Mr. Zhang has more than 14 years experience in mould design & manufacturing as well as new product development.

**Mr. Wang Mingli**, aged 31, is the general manager of a subsidiary of the Group and he is responsible for the sales and promotion of the notebook computer business. He is graduated from Macquarie University in Australia and majored in Accounting. He has gained accounting and audit experiences before joining the Group. Mr. Wang joined the Group in October 2008 and he is the son of Mr. Wong Ah Yu.

**Mr. Lu Chaohui**, aged 36, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2006. Mr. Lu has more than 17 years of experience in the field of plastic with proficient business operational experience.

**Mr. Wong Mingsik**, aged 33, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2005 and in charge of corporate finance, business, sales and production of the operation unit in Shenzhen. Mr. Wong graduated from University of Central Lancashire in the UK with MSc, Business Management and BA(Hons), Accounting and Financial Studies. He is the son of Mr. Wong Ah Yeung.

**Mr. Hu Jun**, aged 44, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2011 and has more than 17 years of experience in business operation and engineering in Ironware industry. Mr. Hu graduated with a Master of Business and Administration degree in City University of Macau, and had his college education in Hunan Institute of Engineering.

\* For identification purpose only

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing the shareholder value and safeguarding interest of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has complied with the code provisions of the Code of Best Practice (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout 2012 with certain deviations in respect of the distinctive roles of chairman and chief executive officer and the appointment of non-executive Directors with specific terms. The following summarizes the Company’s corporate governance practices and explains deviations, if any, from the CG Code.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding Directors’ securities transactions adopted by the Company throughout the year ended 31 December 2012.

## BOARD OF DIRECTORS

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company’s overall operation.

As at 31 December 2012 and at the date of this report, the Board comprises six executive Directors (including the chairman of the Board) and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

### EXECUTIVE DIRECTORS

Mr. Wang Ya Nan (*Chairman*)  
Mr. Wang Ya Hua (*Vice Chairman*)  
Mr. Wong Ah Yu  
Mr. Wong Ah Yeung  
Mr. Choi Wai Sang  
Mr. Wang Ming Che

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say  
Mr. Cheung Wah Fung, Christopher  
Mr. Ting Leung Huel Stephen

The Board is also responsible for the establishment of the internal control of the Company. The Board discusses with the management regularly to ensure that internal control is operating effectively.

The Board is responsible for maintaining proper account records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations. The Board is bound to manage the Company in a responsible and effective manner, and therefore every Director should ensure that he carries out his duty in good faith and in compliance with the standards of the applicable laws and regulations, and acts in the best interests of the Company and its shareholders at all times.

The three independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

All Directors have given time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Group believes that the structure of the Board is most suitable for the Group's existing operation and is most beneficial to the shareholders' interest. However, a review of the structure will be done regularly to see if any change is needed.

The Board Meets regularly on a quarterly basis. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the company secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expenses of the Company. Directors who are considered to have conflict of interest or material interest in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

The Board held 4 meetings during the year with attendance record as follows:

<b>Attendance at Board meeting</b>	<b>Number of meetings attended (4 meetings in total)</b>
<b>Executive Directors:</b>	
Mr. Wang Ya Nan	4/4
Mr. Wang Ya Hua	4/4
Mr. Wong Ah Yu	4/4
Mr. Wong Ah Yeung	4/4
Mr. Choi Wai Sang	4/4
Mr. Wang Ming Che	4/4
<b>Independent Non-Executive Directors:</b>	
Mr. Ting Leung Huel Stephen	4/4
Mr. Cheung Wah Fung, Christopher, <i>JP</i>	4/4
Dr. Yu Sun Say, <i>GBS, SBS, JP</i>	4/4



The Board held 4 meetings during the year under review. The Chief Financial Officer and company secretary attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

During the current year ended under reviewed, Directors had participated in different continuous professional development (the "CPD") to develop and refresh their knowledge and skills and each Directors provided their records of training to the Company respectively. The Company is of the view that all Directors meet the A.6.5 of the CG Code and details as follow:

	<i>Notes</i>
Mr. Wang Ya Nan	2, 3 and 4
Mr. Wang Ya Hua	2, 3 and 4
Mr. Wong Ah Yu	3 and 4
Mr. Wong Ah Yeung	3 and 4
Mr. Choi Wai Sang	3 and 4
Mr. Wang Ming Che	3 and 4
Dr. Yu Sun Say	3 and 4
Mr. Cheung Wah Fung, Christopher	1, 3 and 4
Mr. Ting Leung Huel Stephen	1, 3 and 4

*Notes:*

1. Annual updated conferences for different regulations (including but not limit to accounting, tax and Listing Rules).
2. Attending overseas tertiary institution by physical attendances.
3. Attending CPD Seminars.
4. Reading related journals or/and learning materials.

All Directors, including independent non-executive Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has delegated a schedule of responsibilities to each of the executive directors. Mr. Wang Ya Nan, the Chairman and the Chief Executive Officer of the Board, who requires to establish the Company's strategic direction, set the Company's objectives and plans, and provide leadership and ensure availability of resources in the attainment of such objectives. He is also required to control, supervise and monitor the capital, corporate finance, technical and human resources of the Group. Mr. Wang Ya Hua, the Vice Chairman of the Board, implements the decisions of the Board and manages strategies and plans approved by the Board; and prepares and monitors the annual production plans and operating budget. He is also required to give direction of the day-to-day operation in one of the main operation unit of the Group in Xiamen. Mr. Wong Ah Yu oversees the operation unit in Shishi and requires to give direction of the day-to-day operation. Mr. Wong Ah Yeung and Mr. Wang Ming Che oversee the operation unit in Shenzhen and require to give direction of the day-to-day operation. Mr. Choi Wai Sang is responsible for the marketing function of the overseas market and product development.

According to A.2.1. of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wang Ya Nan currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Also, vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The balance of power is further ensured by the following reasons:

- Audit Committee (the "AC") is comprised exclusively of all independent non-executive Directors; and
- The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advices when considered necessary.

The Board believes that the present structure is considered to be appropriate under the current size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang Ya Nan, and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, namely Dr. Yu Sun Say, *GBS, SBS, JP*, Mr. Cheung Wah Fung, *Christopher, JP*, and Mr. Ting Leung Huel Stephen respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the retirement by rotation and re-election of Directors in the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting. According to A.4.1 of the CG Code, it requires that all non-executive directors should be appointed for a specific term, subject to re-election. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

## REMUNERATION COMMITTEE

The remuneration committee (the “RC”) was set up on 8 March 2005 with written terms of references to oversee the remuneration policy and structure for all Directors and senior management. The RC comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the RC. The terms of reference of RC are in compliance with Listing Rules. The role of the RC is to recommend to the Board a framework for remunerating the Directors and senior management and to determine specific remuneration packages for them. They are provided with sufficient resources by the Company to discharge its duties.

The remuneration package for executive Directors comprises a basic salary and voluntary contributions to MPF by the Company in accordance with CG Code B.12(c)(ii). All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors’ remuneration are set out in note 8 to the financial statements in this annual report.

The Company has adopted the Share Option Scheme (the “Scheme”) on 24 June 2002. The purpose of the Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

The RC held 1 meeting during the year with attendance record as follows:

<b>Attendance at RC meeting</b>	<b>Number of meetings attended (1 meeting in total)</b>
<b>RC members:</b>	
Mr. Wang Ya Nan	1/1
Mr. Ting Leung Huel Stephen	1/1
Mr. Cheung Wah Fung, Christopher, <i>JP</i>	1/1
Dr. Yu Sun Say, <i>GBS, SBS, JP</i>	1/1

## AUDIT COMMITTEE

The AC comprises all independent non-executive Directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in “A Guide for Effective Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible to review and supervise the internal control system of the Group and transactions with connected persons (if any).

The Group’s unaudited interim results for the six months ended 30 June 2012 and audited annual results for the year ended 31 December 2012 have been reviewed by the AC which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

The AC held 2 meetings during the year with attendance record as follows:

<b>Attendance at AC meeting</b>	<b>Number of meetings attended (2 meetings in total)</b>
<b>AC members and attendants:</b>	
Mr. Wang Ya Nan (ceased to serve as a member of AC from 1 April 2012)	1/1
Mr. Choi Wai Sang (ceased to serve as a member of AC from 1 April 2012)	1/1
Mr. Ting Leung Huel Stephen	2/2
Mr. Cheung Wah Fung, Christopher, <i>JP</i>	2/2
Dr. Yu Sun Say, <i>GBS, SBS, JP</i>	2/2

## NOMINATION COMMITTEE

The nomination committee (the "NC") was set up on 14 March 2012 with written terms of references to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The NC comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Wang takes the chair of the NC. The terms of reference of NC are in compliance with Listing Rules.

The role and function of the NC include to identify individuals suitably qualified to become Board on the selection of individuals nominated for directorships and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive.

The NC held 1 meeting during the year with attendance record as follows:

<b>Attendance at NC meeting</b>	<b>Number of meetings attended (1 meeting in total)</b>
<b>NC members:</b>	
Mr. Wang Ya Nan	1/1
Mr. Ting Leung Huel Stephen	1/1
Mr. Cheung Wah Fung, Christopher, <i>JP</i>	1/1
Dr. Yu Sun Say, <i>GBS, SBS, JP</i>	1/1

## AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 December 2012 are as follows:

<b>Services</b>	<b>Fees HK\$'000</b>
Annual audit	2,570
Non-audit services	286
	2,856

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group in accordance with statutory requirements and accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements for the Group are published in a timely manner. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquires, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The accounting systems and internal control of the Group are designed to prevent any misappropriation of the Group's assets, any unauthorised transactions as well as to ensure the accuracy of the accounting records and the true and fairness of the financial statements.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and half-yearly reports, other inside information announcements and other financial disclosures required under Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 35 to 36 of this annual report.

## INTERNAL CONTROL

The Directors assume the responsibility for maintaining and reviewing the effectiveness of the Group's internal controls, and through the Company's Audit Committee, kept regularly apprised of significant risks that may impact on the Group's performance. Appropriate policies and control procedures have been designed, implemented and reviewed to ensure that assets are safeguarded against improper use or disposal; established system, relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

In addition to the internal control function carried out internally by the Group, an external independent audit firm, Baker Tilly Hong Kong Business Services Ltd. has been appointed to review and appraise the internal control system of the Group. The annual internal control review plan of the Group covers major activities and material controls (including operational, financial and compliance) of the Group's business and service units. A report on the result of assessment and recommendations from Baker Tilly Hong Kong Business Services Ltd. was provided to the Audit Committee in March 2013.

Based on the review carried out by Baker Tilly Hong Kong Business Services Ltd. and the auditor's report from Ernst & Young, the Audit Committee and the Board concluded that there are no material irregularities nor areas of concern that would have significant adverse impact on the Company's financial position or results of operations, and that the internal control systems are adequate and effective and the Company's accounting staff and resource for financial reporting function are adequate.

## COMPANY SECRETARY

As at 31 December 2012, the company secretary of the Company is Ms. Chan Sze Man and a written confirmation had been received by the Company from Ms. Chan to confirm she took no less than 15 hours of relevant professional training during the year ended 2012. The Company is on the view that Ms. Chan complied with the Listing Rules 3.29.

## EXTERNAL AUDITORS

Currently, the Group's external auditors are Ernst & Young. Ernst and Young has been appointed as the external auditors of the Company by the shareholders of the Company at the Annual General Meeting 2012. The AC is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The AC has given their opinion on the fee charged by the external auditors to the Company and has approved the appointment of Ernst & Young as auditors, which the Board fully concurred with such approval of the AC. The responsibilities of the external auditors on the financial statements are set out in the "Independent Auditors' Report" on pages 35 to 36 of this annual report.

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Rooms 1201-03, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Rooms 1201-03, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

## COMMUNICATION WITH SHAREHOLDERS

The Directors recognize the importance of long-term support from the shareholders of the Company. The Company attaches great priority to establish effective communication with its shareholders and investors. In an effort to enhance such communications, the Company provides information relating to the Company and its business in its annual report and also disseminates such information electronically through its web site at <http://www.tongda.com>.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the CG Code's principle to encourage shareholders' participation.

The Board will review regularly the Group's operation and corporate governance of the Company in order to ensure compliance of the articles of association of the Company, the laws of the Cayman Islands and regulations and to protect the interest of its shareholders. During the year ended 31 December 2012, a special resolution was proposed for the amendment of the respective provisions of the Articles of the Company and being approved by the Shareholders, further details can be referred to the circular of the Company dated 23 April 2012. The amended and restated provisions of the Articles of the Company is available on the website at <http://www.hkex.com.hk> and on the website of the Company at <http://www.tongda.com>.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2012.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 37 to 115.

An interim dividend of HK0.8 cent per ordinary share was paid on 6 September 2012.

The directors recommend the payment of a final dividend of 1.2 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 2 July 2013. This together with the interim dividend of HK0.8 cent per ordinary share gives a total of HK2.0 cents per ordinary share for the year (2011: HK1.7 cents per ordinary share). The proposed final dividend will be paid on 10 July 2013 following approval at the 2012 Annual General Meeting. Details are set out in note 11 to the financial statements.

## SUMMARY FINANCIAL INFORMATION

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



### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and the investment property of the Group during the year are set out in notes 13 and 14 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

### PRE-EMPTIVE RIGHTS

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

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK\$795,286,000, of which approximately HK\$57,160,000 has been proposed after the reporting period as a final dividend. This includes the Company's share premium account in the amount of HK\$659,964,000 as at 31 December 2012, which may be distributed in the form of fully paid bonus shares.

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$1,727,000.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 47.6% of the total sales for the year and sales to the largest customer included therein amounted to 19.9%. Purchases from the Group's five largest suppliers accounted for 12.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to 4.8%.

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

## DIRECTORS

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

### **Executive directors:**

Mr. Wang Ya Nan (*Chairman*)  
Mr. Wang Ya Hua (*Vice chairman*)  
Mr. Wong Ah Yu  
Mr. Wong Ah Yeung  
Mr. Choi Wai Sang  
Mr. Wang Ming Che

### **Independent non-executive directors:**

Mr. Ting Leung Huel Stephen  
Mr. Cheung Wah Fung, Christopher, JP  
Dr. Yu Sun Say, GBS, SBS, JP

In accordance with article 108(A) of the Company's articles of association, Mr. Wong Ah Yu, Mr. Wong Ah Yeung, and Mr. Choi Wai Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the interests and long positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Notes		
Mr. Wang Ya Nan	167,700,000	2,296,490,000	1, 2	2,464,190,000	51.73
Mr. Wang Ya Hua	37,920,000	2,000,490,000	1	2,038,410,000	42.79
Mr. Wong Ah Yu	43,160,000	2,000,490,000	1	2,043,650,000	42.90
Mr. Wong Ah Yeung	50,000,000	2,000,490,000	1	2,050,490,000	43.05
Mr. Wang Ming Che	8,000,000	–		8,000,000	0.17
Mr. Choi Wai Sang	19,750,000	78,750,000	3	98,500,000	2.07
Dr. Yu Sun Say	2,500,000	–		2,500,000	0.05

### Long positions in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	41,300,000
Mr. Wang Ya Hua	41,300,000
Mr. Wong Ah Yu	41,300,000
Mr. Wong Ah Yeung	41,300,000
Mr. Choi Wai Sang	10,000,000
Mr. Wang Ming Che	8,000,000
Mr. Ting Leung Huel Stephen	5,950,000
Mr. Cheung Wah Fung, Christopher, JP	5,950,000
Dr. Yu Sun Say, GBS, SBS, JP	3,950,000
	199,050,000

As at 31 December 2012, Mr. Wang Ya Nan has granted a put option for the grantee to sell all or part of 300,000,000 ordinary shares to him apart from being the holder of 41,300,000 options under the Share Option Scheme as stated above.

Details of the above put option are set out in the Company's announcement dated 28 March 2013.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Notes:

1. 2,000,490,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").
2. 296,000,000 shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.
3. These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

Save as disclosed above, as at 31 December 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 29 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participants	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the year	Exercised during the year	At 31 December 2012			
<b>Directors</b>							
Mr. Wang Ya Nan	59,300,000	-	(18,000,000)	41,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Wang Ya Hua	59,300,000	-	(18,000,000)	41,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Wong Ah Yu	59,300,000	-	(18,000,000)	41,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Wong Ah Yeung	59,300,000	-	(18,000,000)	41,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280

## SHARE OPTION SCHEME (continued)

Name or category of participants	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the year	Exercised during the year	At 31 December 2012			
<b>Directors</b>							
Mr. Choi Wai Sang	10,000,000	-	-	10,000,000	16 February 2008 and 31 May 2010	16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.315 and 0.280
Mr. Wang Ming Che	16,000,000	-	(8,000,000)	8,000,000	25 September 2009 and 31 May 2010	25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.2262 and 0.280
Mr. Ting Leung Huel Stephen	8,450,000	-	(2,500,000)	5,950,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Cheung Wah Fung, Christopher, JP	8,450,000	-	(2,500,000)	5,950,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Dr. Yu Sun Say, GBS, SBS, JP	3,950,000	-	-	3,950,000	16 February 2008 and 31 May 2010	16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.315 and 0.280

## SHARE OPTION SCHEME (continued)

Name or category of participants	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the year	Exercised during the year	At 31 December 2012			
<b>Other employees</b>							
In aggregate	25,500,000	-	-	25,500,000	9 March 2007, 16 February 2008 and 31 May 2010	10 March 2007 to 9 March 2017, 16 February 2008 to 15 February 2018, and 31 May 2010 to 30 May 2013	0.485 0.315 and 0.280
	309,550,000	-	(85,000,000)	224,550,000			

Notes to the table of share options outstanding during the year:

- \* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The weighted average closing price of the Company's share immediately before the exercise dates of the share options was HK\$0.284 per share.

## SUBSTANTIAL SHAREHOLDERS

At 31 December 2012, the following parties were interested in 5% or more of the Company's issued share capital as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	2,000,490,000 (L)*	42.00 (L)*
E-Growth Resources Limited	2	Directly beneficially owned	296,000,000 (L)*	6.21 (L)*
Templeton Asset Management Limited		Investment Manager	300,000,000 (L)*	6.30 (L)*
Templeton Asset Management Limited	3	Investment Manager	300,000,000 (S)*	6.30 (S)*
Templeton Strategic Emerging Markets Funds, IV, LDC		Investment Manager	300,000,000 (L)*	6.30 (L)*
Templeton Strategic Emerging Markets Funds, IV, LDC	3	Investment Manager	300,000,000 (S)*	6.30 (S)*

Note:

- \* The letter "L" denotes a long position and "S" denotes a short position.
- 1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% by each of the Wong Brothers.
- 2. The issued share capital of E-Growth Resources Limited is held and beneficially owned as to 100% by Mr. Wang Ya Nan.
- 3. The aggregate interests of short position were held as physically settled unlisted derivative interests.

Save as disclosed above, as at 31 December 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### Lease of an investment property

A subsidiary of the Company has been leasing the Group's investment property in Shanghai to a related company controlled by a director of the Company. Pursuant to the Company's announcement dated 21 April 2011, the annual cap for the lease agreement were HK\$2,848,000 (equivalent to approximately RMB2,400,000), HK\$3,000,000 (equivalent to approximately RMB2,400,000) and HK\$1,300,000 (equivalent to approximately RMB1,000,000) for each of the three years ended/ending 31 December 2013, respectively. Further details are set out in note 34(a)(v) to the financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions* under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules before the bulk printing date of the annual report. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.



### DISCLOSURE PURSUANT TO RULE 13.18 AND 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.18 and 13.21 of Chapter 13 of the Listing Rules, the following disclosures are included in respect of the Company's loan agreements, which impose specific performance obligations on the Company's shareholders.

On 29 August 2011, the Company as borrower, entered into a term loan facility agreement up to a principal amount of HK\$210,000,000. Under this agreement, specific performance obligations are imposed as follows:

- (i) the Wong Brothers collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right of the Company, free from any security;
- (ii) the Wong Brothers collectively procure Landmark Worldwide Holdings Limited ("Landmark Worldwide") not to or cease to be the single largest shareholder of the Company;
- (iii) the Wong Brothers collectively do not or cease to own, directly or indirectly, 100% of the beneficial interest in Landmark Worldwide, carrying 100% of the voting right of Landmark Worldwide, free from any security;
- (iv) Mr. Wang Ya Nan is not, or ceases to be chairman of the Company; and
- (v) any one of more of the Majority Shareholders do not cease to actively involve in the board of directors of the Company, management and business of the Company and its subsidiaries from time to time.

### DIRECTORS' SERVICE CONTRACTS

Each of the Wong Brothers and Mr. Choi Wai Sang, being the executive directors of the Company, has entered into a service agreement with the Company for an initial fixed term of three years commencing from 1 December 2000, and which will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. Such notice shall not expire until after the aforementioned initial fixed term.

Mr. Wang Ming Che, an executive director, has entered into a service contract with the Company for an initial term of three years commencing from 18 March 2008, renewable automatically for successive terms of one year and may be terminated by either party by giving not less than three months' written notice at the end of the initial term or any time thereafter.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## CONTRACT OF SIGNIFICANCE

Save as the continuing connected transactions disclosed above, no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

## COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 2012, none of the Directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiries of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

## EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 29 to the financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report and maintained a sufficient public float throughout the year ended 31 December 2012.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Wang Ya Nan**

TONGDA GROUP HOLDINGS LIMITED

*Chairman*

Hong Kong

14 March 2013



**To the shareholders of Tongda Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Tongda Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 37 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**AUDITORS' RESPONSIBILITY**

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

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

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

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

# Independent Auditors' Report



**To the shareholders of Tongda Group Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**  
*Certified Public Accountants*  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong  
14 March 2013

# Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
REVENUE	5	<b>3,408,091</b>	3,147,119
Cost of sales		<b>(2,677,444)</b>	(2,541,776)
Gross profit		<b>730,647</b>	605,343
Other income and gains, net	5	<b>17,217</b>	39,778
Selling and distribution expenses		<b>(81,868)</b>	(70,435)
Administrative expenses		<b>(210,575)</b>	(172,142)
Other operating expenses, net		<b>(9,043)</b>	(14,466)
Finance costs	6	<b>(48,991)</b>	(53,268)
Share of profits and losses of associates		<b>3,516</b>	2,124
PROFIT BEFORE TAX	7	<b>400,903</b>	336,934
Income tax expense	9	<b>(67,389)</b>	(77,419)
PROFIT FOR THE YEAR		<b>333,514</b>	259,515
Attributable to:			
Owners of the Company	10	<b>300,005</b>	250,308
Non-controlling interests		<b>33,509</b>	9,207
		<b>333,514</b>	259,515
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
– Basic		<b>HK6.37 cents</b>	HK5.36 cents
– Diluted		<b>HK6.36 cents</b>	HK5.30 cents

Details of the dividends are disclosed in note 11 to the financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
PROFIT FOR THE YEAR		<b>333,514</b>	259,515
<hr/>			
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation		<b>3,603</b>	5,905
Income tax effect	27	<b>(594)</b>	(974)
Exchange differences on translation of foreign operations			
– subsidiaries		<b>6,847</b>	56,522
– associates		<b>151</b>	1,327
<hr/>			
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<b>10,007</b>	62,780
<hr/>			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b>343,521</b>	322,295
<hr/>			
Attributable to:			
Owners of the Company	10	<b>309,571</b>	309,512
Non-controlling interests		<b>33,950</b>	12,783
<hr/>			
		<b>343,521</b>	322,295
<hr/>			

# Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>1,229,728</b>	1,077,552
Prepaid land lease payments	15	<b>33,723</b>	34,026
Investment property	14	<b>51,961</b>	50,976
Goodwill	16	<b>22,751</b>	22,751
Prepayments	19	<b>62,921</b>	59,141
Investments in associates	18	<b>40,881</b>	46,986
Long term deposits	20	<b>32,452</b>	32,040
Deferred tax assets	27	<b>3,703</b>	3,703
<b>Total non-current assets</b>		<b>1,478,120</b>	1,327,175
<b>CURRENT ASSETS</b>			
Inventories	21	<b>801,981</b>	672,876
Trade and bills receivables	22	<b>1,455,801</b>	1,303,892
Prepayments, deposits and other receivables		<b>151,557</b>	118,823
Due from a related company	25	<b>2,528</b>	4,550
Tax recoverable		<b>82</b>	132
Pledged deposits	23	<b>92,439</b>	57,400
Cash and cash equivalents	23	<b>221,460</b>	253,784
<b>Total current assets</b>		<b>2,725,848</b>	2,411,457
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	24	<b>1,014,378</b>	857,218
Accrued liabilities and other payables		<b>115,185</b>	122,831
Due to a non-controlling shareholder of a subsidiary	25	<b>54</b>	54
Tax payable		<b>172,047</b>	162,332
Interest-bearing bank and other borrowings	26	<b>564,311</b>	402,639
<b>Total current liabilities</b>		<b>1,865,975</b>	1,545,074
<b>NET CURRENT ASSETS</b>		<b>859,873</b>	866,383
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,337,993</b>	2,193,558



# Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	26	88,769	236,911
Loan from a non-controlling shareholder of a subsidiary	25	7,331	7,331
Deferred tax liabilities	27	49,016	34,176
Total non-current liabilities		145,116	278,418
Net assets		2,192,877	1,915,140
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	28	47,633	46,783
Reserves	30(a)	2,054,473	1,811,464
		2,102,106	1,858,247
<b>Non-controlling interests</b>		90,771	56,893
Total equity		2,192,877	1,915,140

**Wang Ya Nan**  
Director

**Wang Ya Hua**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2012

Notes	Attributable to owners of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total			
	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 2012	46,783	636,109	22,045	16,092	22,543	48,779	287	156,210	909,399	1,858,247	56,893	1,915,140	
Profit for the year	-	-	-	-	-	-	-	-	300,005	300,005	33,509	333,514	
Other comprehensive income for the year:													
Gain on property revaluation, net of tax	-	-	-	-	3,009	-	-	-	-	3,009	-	3,009	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	6,557	-	6,557	441	6,998	
Total comprehensive income for the year	-	-	-	-	3,009	-	-	6,557	300,005	309,571	33,950	343,521	
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	2,453	2,453	
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	(2,525)	(2,525)	
Transfer to statutory reserve	-	-	-	-	-	21,980	-	-	(21,980)	-	-	-	
Shares issued upon exercise of share options	28(ii), 29, 30(b)	850	23,855	(5,478)	-	-	-	-	-	19,277	-	19,277	
Final 2011 dividends declared	11	-	-	-	-	-	-	-	(46,833)	(46,833)	-	(46,833)	
Interim 2012 dividend	11	-	-	-	-	-	-	-	(38,106)	(38,106)	-	(38,106)	
At 31 December 2012	47,633	659,964*	16,567*	16,092*	25,552*	70,759*	287*	162,767*	1,102,485*	2,102,106	90,771	2,192,877	

Notes	Attributable to owners of the Company											Non-controlling interests	Total equity
	Issued capital	Share premium account	Share option reserve	Warrant reserve	Capital reserve	Asset revaluation reserve	Statutory reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total		
	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 2011	46,049	613,649	23,212	1,180	16,092	17,612	22,697	287	101,937	773,281	1,615,996	46,537	1,662,533
Profit for the year	-	-	-	-	-	-	-	-	-	250,308	250,308	9,207	259,515
Other comprehensive income for the year:													
Gain on property revaluation, net of tax	-	-	-	-	-	4,931	-	-	-	4,931	-	4,931	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	54,273	-	54,273	3,576	57,849
Total comprehensive income for the year	-	-	-	-	-	4,931	-	-	54,273	250,308	309,512	12,783	322,295
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(2,427)	(2,427)
Transfer to statutory reserve	-	-	-	-	-	-	26,082	-	-	(26,082)	-	-	
Exercise of warrants	28(i), 30(b)	544	16,206	(430)	-	-	-	-	-	-	16,320	-	16,320
Expiry of warrants	30(b)	-	-	(750)	-	-	-	-	-	750	-	-	
Shares issued upon exercise of share options	28(i), 29, 30(b)	190	6,254	(1,167)	-	-	-	-	-	-	5,277	-	5,277
Final and special 2010 dividends declared	11	-	-	-	-	-	-	-	-	(56,110)	(56,110)	-	(56,110)
Interim 2011 dividend	11	-	-	-	-	-	-	-	-	(32,748)	(32,748)	-	(32,748)
At 31 December 2011	46,783	636,109*	22,045*	-	16,092*	22,543*	48,779*	287*	156,210*	909,399*	1,858,247	56,893	1,915,140

\* These reserve accounts comprise the consolidated reserves of HK\$2,054,473,000 (2011: HK\$1,811,464,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>400,903</b>	336,934
Adjustments for:			
Finance costs	6	<b>48,991</b>	53,268
Share of profits and losses of associates		<b>(3,516)</b>	(2,124)
Depreciation	7	<b>136,005</b>	119,896
Amortisation of prepaid land lease payments	7	<b>788</b>	785
Amortisation of prepayments	7	<b>1,577</b>	1,461
Impairment of investments in associates	7	<b>5,951</b>	5,000
Bank interest income	5	<b>(2,360)</b>	(922)
Loss/(gain) on disposal of items of property, plant and equipment	7	<b>1,126</b>	(45)
Changes in fair value of an investment property	7	<b>(1,054)</b>	(1,707)
Impairment of trade receivables	7	<b>3,077</b>	10,617
Write-back of impairment of trade receivables	7	<b>(1,630)</b>	(1,990)
Write-off of trade receivables	7	<b>640</b>	826
Provision against obsolete inventories	7	<b>6,102</b>	9,992
		<b>596,600</b>	531,991
Increase in inventories		<b>(135,207)</b>	(210,619)
Increase in trade and bills receivables		<b>(153,996)</b>	(293,620)
Increase in prepayments, deposits and other receivables		<b>(32,731)</b>	(6,041)
Decrease/(increase) in amounts due from associates		<b>1,876</b>	(3,674)
Decrease in amounts due to associates		<b>1,945</b>	-
Increase in trade and bills payables		<b>157,160</b>	201,335
Increase/(decrease) in accrued liabilities and other payables		<b>(7,646)</b>	30,752
Increase/(decrease) in an amount due from a related company		<b>2,022</b>	(4,550)
Decrease in an amount due to a related company	3	-	(1,862)
Decrease in an amount due to a non-controlling shareholder of a subsidiary		-	(135)
Cash generated from operations		<b>430,023</b>	243,577
Interest paid		<b>(48,991)</b>	(53,268)
Hong Kong profits tax paid		<b>(30)</b>	(787)
Overseas taxes paid		<b>(43,395)</b>	(20,109)
Net cash flows from operating activities		<b>337,607</b>	169,413

# Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		2,360	922
Dividend received from an associate	18	–	1,500
Purchases of items of property, plant and equipment		(265,890)	(177,380)
Proceeds from disposal of items of property, plant and equipment		361	3,520
Acquisition of associates		–	(3,892)
Increase in prepaid land lease payments		–	(2,332)
Increase in long term deposits		(20,508)	(30,980)
Increase in pledged bank deposits		(35,039)	(18,291)
Decrease in restricted bank balances		–	5,199
<b>Net cash flows used in investing activities</b>		<b>(318,716)</b>	(221,734)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		466,658	501,713
Repayment of bank loans		(453,128)	(314,305)
Proceeds from exercise of warrants		–	16,320
Proceeds from exercise of share options		19,227	5,277
Capital contribution from a non-controlling shareholder of a subsidiary		2,453	–
Dividend paid to a non-controlling shareholder of a subsidiary		(2,525)	(2,427)
Dividends paid		(84,939)	(88,858)
<b>Net cash flows from/(used in) financing activities</b>		<b>(52,254)</b>	117,720
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(33,363)</b>	65,399
Cash and cash equivalents at beginning of year		253,784	183,698
Effect of foreign exchange rate changes, net		1,039	4,687
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>221,460</b>	253,784
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>	23		
Cash and bank balances		221,460	253,784
<b>Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows</b>		<b>221,460</b>	253,784

# Statement of Financial Position

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	17	117,862	120,690
<b>CURRENT ASSETS</b>			
Due from subsidiaries	17	1,088,736	1,120,511
Prepayments, deposits and other receivables		540	553
Cash and cash equivalents	23	389	2,138
Total current assets		1,089,665	1,123,202
<b>CURRENT LIABILITIES</b>			
Due to a subsidiary	17	–	43
Accrued liabilities and other payables		891	818
Interest-bearing bank borrowings	26	258,094	157,984
Total current liabilities		258,985	158,845
<b>NET CURRENT ASSETS</b>		<b>830,680</b>	964,357
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>948,542</b>	1,085,047
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	26	88,769	236,911
<b>Net assets</b>		<b>859,773</b>	848,136
<b>EQUITY</b>			
Issued capital	28	47,633	46,783
Reserves	30(b)	812,140	801,353
<b>Total equity</b>		<b>859,773</b>	848,136

**Wang Ya Nan**  
Director

**Wang Ya Hua**  
Director

# Notes to Financial Statements

## 1. CORPORATE INFORMATION

Tongda Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company consists of investment holding. The principal activities of the Company’s subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the subsidiaries’ principal activities during the year.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a leasehold building in Hong Kong classified as property, plant and equipment and the investment property which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The impact of amendments to HKFRS 7 and HKAS 12 are further explained below. The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKFRS 7 Amendments require extensive quantitative and qualitative disclosures on transfer transactions of financial assets, including transferred financial assets that are not derecognised in their entirety and transferred financial assets that are derecognised in their entirety but for which the Group retains continuing involvement. The relevant disclosures can be found in note 37 to the financial statements. In accordance with the transitional provision of the HKFRS 7 Amendments, no comparative information for the disclosures required by the amendments is provided by the Group.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale has been rebutted by the Group as the Group's investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Accordingly deferred tax has been determined on the basis of recovery through use. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>3</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>2</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>2</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup> Amendments to a number of HKFRSs issued in June 2012 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.



### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

*The Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

- (a) *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- (b) *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivables. The Company's investments in subsidiaries are stated at cost less any impairment losses.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group, has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

### Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of disposed operation and the portion of the cash-generating unit retained.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and an investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Related parties** *(continued)*

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### **Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value, over the following estimated useful lives:

Leasehold building in Hong Kong	Over the lease terms
Leasehold buildings in Mainland China	Over the lease terms
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Plant and machinery	10-12 years
Furniture, fixtures and office equipment	3-10 years
Motor vehicles	5-10 years

Estimated residual values are determined as 5% to 10% of the original purchase cost of each individual underlying asset.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Investment property

An investment property is an interest in a land and a building (including the leasehold interest under an operating lease for a property which would meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, an investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair value of an investment property are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.



### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### **Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivables under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

#### **Investments and other financial assets**

##### *Initial recognition and measurement*

The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, pledged deposits, trade and bills receivables, other receivables, and an amount due from a related company.

##### *Subsequent measurement*

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of financial assets** *(continued)*

##### *Financial assets carried at amortised cost (continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

##### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank and other borrowings, amounts due to non-controlling shareholders of subsidiaries and related companies, and a loan from a non-controlling shareholder of a subsidiary.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial liabilities** *(continued)*

#### *Subsequent measurement*

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Income tax** *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Foreign currencies** *(continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) dividend income, when the shareholder's right to receive payment has been established.

#### **Employee benefits**

##### *Share-based payments*

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Employee benefits *(continued)*

#### *Share-based payments (continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### *Retirement benefit schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

## 3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:



### 3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

#### **Judgement** *(continued)*

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### **Estimation uncertainty**

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

##### *Provision against inventories*

The management of the Group reviews an aged analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

##### *Impairment of trade receivables and other receivables*

Impairment of trade receivables and other receivables is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed.

##### *Estimation of fair value of a leasehold building in Hong Kong and an investment property*

As described in notes 13 and 14 to the financial statements, the leasehold building located in Hong Kong and the investment property located in Mainland China were revalued at the end of the reporting period on an open market, existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was HK\$22,751,000 (2011: HK\$22,751,000). More details are given in note 16.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

#### Estimation uncertainty *(continued)*

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management most estimated the expected future cash flows from the asset or cash-generating unit and chose a suitable discount rate in order to calculate the present value of those cash flows.

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the electrical fittings segment produces accessories for electrical appliance products including handsets, notebook computers and other electrical appliance products;
- (b) the ironware parts segment is a supplier of metallic casings and other ironware parts for electrical and electronic appliances; and
- (c) the communication facilities and others segment comprises a supply of electronic components and the trading of electrical appliances, the Group's management services business and the corporate income and expense items.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains, net, corporate and other unallocated expenses, finance costs and share of profits and losses of associates are excluded from such measurement.

Segment assets exclude investments in associates, goodwill, deferred tax assets, tax recoverable, pledged deposits, and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 4. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue, profit and certain assets and liabilities information for the Group's operating segments for the years ended 31 December 2012 and 2011.

### Group

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	2,813,423	2,653,549	491,631	376,865	103,037	116,705	-	-	3,408,091	3,147,119
Intersegment sales	21,759	7,383	36,555	19,542	-	4,950	(58,314)	(31,875)	-	-
<b>Total</b>	<b>2,835,182</b>	<b>2,660,932</b>	<b>528,186</b>	<b>396,407</b>	<b>103,037</b>	<b>121,655</b>	<b>(58,314)</b>	<b>(31,875)</b>	<b>3,408,091</b>	<b>3,147,119</b>
Segment results before depreciation and amortisation	538,986	496,182	53,088	20,586	6,303	(16,299)	-	-	598,377	500,469
Depreciation	(119,035)	(104,464)	(12,697)	(12,709)	(4,273)	(2,723)	-	-	(136,005)	(119,896)
Amortisation	(708)	(707)	(1,577)	(1,460)	(80)	(79)	-	-	(2,365)	(2,246)
<b>Segment results</b>	<b>419,243</b>	<b>391,011</b>	<b>38,814</b>	<b>6,417</b>	<b>1,950</b>	<b>(19,101)</b>	<b>-</b>	<b>-</b>	<b>460,007</b>	<b>378,327</b>
Unallocated income									17,217	39,778
Corporate and other unallocated expenses									(30,846)	(30,027)
Finance costs									(48,991)	(53,268)
Share of profits and losses of associates									3,516	2,124
<b>Profit before tax</b>									<b>400,903</b>	<b>336,934</b>
Income tax expense									(67,389)	(77,419)
<b>Profit for the year</b>									<b>333,514</b>	<b>259,515</b>
Other segment information:										
Impairment losses/write-down recognised in the income statement*	(177)	(4,563)	(1,932)	(8,716)	(13,661)	(13,156)	-	-	(15,770)	(26,435)
Impairment losses reversed in the income statement**	702	126	-	1,733	928	131	-	-	1,630	1,990
Capital expenditure***	271,644	173,866	13,045	19,115	1,297	821	-	-	285,986	193,802
<b>Segment assets</b>	<b>3,528,125</b>	<b>3,149,188</b>	<b>528,019</b>	<b>431,446</b>	<b>2,142,010</b>	<b>627,024</b>	<b>(2,375,502)</b>	<b>(853,782)</b>	<b>3,822,652</b>	<b>3,353,876</b>
Unallocated assets									381,316	384,756
<b>Total assets</b>									<b>4,203,968</b>	<b>3,738,632</b>
<b>Segment liabilities</b>	<b>1,835,915</b>	<b>1,834,514</b>	<b>246,546</b>	<b>200,954</b>	<b>1,249,321</b>	<b>273,338</b>	<b>(2,194,834)</b>	<b>(1,321,372)</b>	<b>1,136,948</b>	<b>987,434</b>
Unallocated liabilities									874,143	836,058
<b>Total liabilities</b>									<b>2,011,091</b>	<b>1,823,492</b>

\* Included impairment of trade receivables and investments in associates, write-off of trade receivables and provision against obsolete inventories.

\*\* Included write-back of impairment of trade receivables.

\*\*\* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION *(continued)*

## Geographical information

(a) Revenue from customers  
Group

	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	3,069,857	2,895,032	106,312	37,481	67,322	68,229	164,600	146,377	3,408,091	3,147,119
(b) Non-current assets	1,370,314	1,215,824	-	-	-	-	40,471	37,911	1,410,785	1,253,735

The revenue information above is based on the locations of the customers.

The non-current assets information above is based on the locations of the assets and excludes investments in associates, goodwill and deferred tax assets.

## Information about major customers

During the year ended 31 December 2012, revenue of approximately HK\$679,364,000, representing 19.93% of the Group's revenue, was derived from sales by the electrical fittings segment to a single customer, including sales to a group of entities which are known to be under common control of that customer.

During the year ended 31 December 2011, revenue of approximately HK\$443,734,000 and HK\$391,008,000, representing 14.10% and 12.42% of the Group's revenue, respectively, were derived from sales by the electrical fittings segment to two customers, including sales to a group of entities which are known to be under common control of the respective customers.

## 5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>		
Sale of:		
Electrical fittings	2,813,423	2,653,549
Ironware parts	491,631	376,865
Communication facilities and others	103,037	116,705
	<b>3,408,091</b>	3,147,119
<b>Other income and gains, net</b>		
Bank interest income	2,360	922
Gross rental income with nil outgoings	4,581	4,292
Sale of scrap materials	4,568	4,140
Government grants*	3,463	751
Foreign exchange differences, net	(2,645)	25,465
Others	4,890	4,208
	<b>17,217</b>	39,778

\* There are no unfulfilled conditions or contingencies relating to these grants.

## 6. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
		<b>Group</b>
Interest expenses on bank and other loans wholly repayable within five years	18,287	12,715
Interest expenses on discounted bills	30,704	40,553
	<b>48,991</b>	53,268

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>2,677,444</b>	2,541,776
Depreciation	<b>136,005</b>	119,896
Amortisation of prepaid land lease payments	<b>788</b>	785
Amortisation of prepayments	<b>1,577</b>	1,461
Research and development costs**	<b>85,049</b>	68,623
Minimum lease payments under operating leases of leasehold land and buildings	<b>21,510</b>	18,476
Employee benefit expense (excluding directors' remuneration-note 8):		
Salaries and wages	<b>555,210</b>	510,982
Pension scheme contributions	<b>15,160</b>	12,187
Less: amounts included in research and development costs	<b>(8,630)</b>	(9,875)
	<b>561,740</b>	513,294
Auditors' remuneration	<b>2,570</b>	2,470
Impairment of investments in associates* (note 18)	<b>5,951</b>	5,000
Impairment of trade receivables*	<b>3,077</b>	10,617
Write-back of impairment of trade receivables*	<b>(1,630)</b>	(1,990)
Write-off of trade receivables*	<b>640</b>	826
Provision against obsolete inventories	<b>6,102</b>	9,992
Changes in fair value of an investment property	<b>(1,054)</b>	(1,707)
Loss/(gain) on disposal of items of property, plant and equipment*	<b>1,126</b>	(45)

## 7. PROFIT BEFORE TAX *(continued)*

\* Impairment of investments in associates, impairment and write-back of impairment of trade receivables, write-off of trade receivables and loss/(gain) on disposal of items of property, plant and equipment are included in "Other operating expenses, net" on the face of the consolidated income statement.

\*\* Included in the research and development costs are items of plant and equipment amounted to HK\$17,267,000 (2011: HK\$16,917,000) which are capitalised under property, plant and equipment in the consolidated statement of financial position and are depreciated over their estimated useful lives.

Cost of inventories sold includes HK\$624,541,000 (2011: HK\$579,765,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against obsolete inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Fees	<b>3,960</b>	3,960
Other emoluments:		
Salaries, allowances and benefits in kind	<b>1,940</b>	1,940
Pension scheme contributions	<b>183</b>	174
	<b>2,123</b>	2,114
	<b>6,083</b>	6,074

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

## Directors' remuneration (continued)

## (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2012 HK\$'000	2011 HK\$'000
Mr. Ting Leung Huel, Stephen	180	180
Mr. Cheung Wah Fung, Christopher, JP	150	150
Dr. Yu Sun Say, GBS, SBS, JP	150	150
	<b>480</b>	<b>480</b>

Except for the above fees of HK\$480,000 (2011: HK\$480,000), there were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

## (b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2012				
<i>Executive directors:</i>				
Mr. Wang Ya Nan	870	360	55	1,285
Mr. Wang Ya Hua	630	360	32	1,022
Mr. Wong Ah Yu	630	360	32	1,022
Mr. Wong Ah Yeung	630	360	32	1,022
Mr. Choi Wai Sang	360	260	32	652
Mr. Wang Ming Che	360	240	-	600
	<b>3,480</b>	<b>1,940</b>	<b>183</b>	<b>5,603</b>



## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### Directors' remuneration (continued)

#### (b) Executive directors (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2011				
<i>Executive directors:</i>				
Mr. Wang Ya Nan	870	360	54	1,284
Mr. Wang Ya Hua	630	360	30	1,020
Mr. Wong Ah Yu	630	360	30	1,020
Mr. Wong Ah Yeung	630	360	30	1,020
Mr. Choi Wai Sang	360	260	30	650
Mr. Wang Ming Che	360	240	–	600
	3,480	1,940	174	5,594

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

### Five highest paid employees

The five highest paid employees during the year included four (2011: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2011: one), highest paid employee are as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>1,093</b>	1,298
Pension scheme contributions	<b>14</b>	12
	<b>1,107</b>	1,310

The above remuneration of the non-director highest paid employee fell within the band of HK\$1,000,000 to HK\$1,500,000 (2011: HK\$1,000,000 to HK\$1,500,000).

## 9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	<b>25</b>	42
Underprovision/(overprovision) in prior years	<b>29</b>	(115)
	<b>54</b>	(73)
Current – Elsewhere		
Charge for the year	<b>66,396</b>	58,281
Underprovision/(overprovision) in prior years	<b>(13,260)</b>	6,509
	<b>53,136</b>	64,790
Deferred (note 27)	<b>14,199</b>	12,702
Total tax charge for the year	<b>67,389</b>	77,419

## 9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the applicable statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries operate to the tax expense at the effective tax rate is as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Profit before tax	400,903	336,934
Tax at the applicable tax rates	100,085	85,277
Lower applicable tax rates enjoyed by the Group	(33,956)	(37,660)
Estimated tax effect of net income that is not taxable in determining taxable profit	1,468	11,643
Profit attributable to associates	(897)	(531)
Adjustments in respect of current tax of prior years	(13,260)	6,394
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	13,949	12,296
Tax charge at the Group's effective rate	67,389	77,419

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the corporate income tax rate for all enterprises in Mainland China is 25%.

Under the relevant laws and regulations in the PRC, certain subsidiaries of the Group operating in Mainland China are exempted from Corporate Income Tax ("CIT") for two years from their respective first profit-making years and are eligible for a 50% reduction in CIT for the following three years.

福建省石獅市通達電器有限公司(Tongda Electrics Company Limited, Shishi City, Fujian), 通達(廈門)科技有限公  
司(Tongda (Xiamen) Technology Limited) ("Xiamen Technology"), and 深圳通達電子有限公司(Shenzhen Tongda  
Electronic Company Limited) are awarded as High New Technology Enterprises and are subject to a preferential tax  
rate of 15%.

The share of tax attributable to associates amounting to HK\$308,000 (2011: HK\$209,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

## 10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a profit of HK\$77,349,000 (2011: HK\$90,365,000) which has been dealt with in the financial statements of the Company (note 30(b)). The balance included dividend income from a subsidiary of HK\$92,000,000 (2011: HK\$110,000,000) and management fee from a subsidiary of HK\$2,400,000 (2011: HK\$2,400,000).

## 11. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Dividends paid during the year:		
Final in respect of the financial year ended		
31 December 2011 – HK1 cent per ordinary share (2011: final and special dividends of HK1 cent and HK0.2 cent per ordinary share, in respect of the financial year ended 31 December 2010)	46,833	56,110
Interim – HK0.8 cent (2011: HK0.7 cent) per ordinary share	38,106	32,748
	<b>84,939</b>	88,858
Proposed final dividend:		
Final – HK1.2 cents (2011: HK1 cent) per ordinary share	57,160	46,783

The proposed final dividend of HK1.2 cents per ordinary share (2011: HK1 cent per ordinary share) for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,711,510,000 (2011: 4,673,263,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(continued)*

The calculations of basic and diluted earnings per share are based on:

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company	<b>300,005</b>	250,308
	<b>'000</b>	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>4,711,510</b>	4,673,263
Effect of dilutive potential ordinary shares:		
Share options	<b>5,533</b>	44,617
Warrants	–	3,380
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>4,717,043</b>	4,721,260

## 13. PROPERTY, PLANT AND EQUIPMENT

## Group

	Leasehold building in Hong Kong HK\$'000	Leasehold buildings in Mainland China HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>31 December 2012</b>								
Cost or valuation:								
At 1 January 2012	37,200	288,931	28,342	1,119,894	38,287	32,695	22,887	1,568,236
Additions	-	441	1,654	215,467	7,386	5,159	55,879	285,986
Disposals	-	-	-	(3,096)	(905)	(750)	-	(4,751)
Transfer	-	19,334	381	8,333	32	-	(28,080)	-
Transfer to prepayments (note 19)	-	-	-	-	-	-	(5,067)	(5,067)
Surplus on revaluation	2,800	-	-	-	-	-	-	2,800
Exchange realignment	-	1,415	133	5,584	177	154	113	7,576
At 31 December 2012	40,000	310,121	30,510	1,346,182	44,977	37,258	45,732	1,854,780
Accumulated depreciation:								
At 1 January 2012	-	75,218	13,026	366,970	16,436	19,034	-	490,684
Provided for the year	803	13,647	4,072	109,765	4,656	3,062	-	136,005
Disposals	-	-	-	(1,946)	(671)	(647)	-	(3,264)
Reversal upon revaluation	(803)	-	-	-	-	-	-	(803)
Exchange realignment	-	369	58	1,841	75	87	-	2,430
At 31 December 2012	-	89,234	17,156	476,630	20,496	21,536	-	625,052
Net book value:								
At 31 December 2012	40,000	220,877	13,354	869,552	24,481	15,722	45,732	1,229,728

An analysis of the cost or valuation of the property, plant and equipment of the Group is as follows:

At cost	-	310,121	30,510	1,346,182	44,977	37,258	45,732	1,814,780
At 31 December 2012 valuation	40,000	-	-	-	-	-	-	40,000
At 31 December 2012	40,000	310,121	30,510	1,346,182	44,977	37,258	45,732	1,854,780

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

### Group (continued)

	Leasehold building in Hong Kong HK\$'000	Leasehold buildings in Mainland China HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>31 December 2011</b>								
Cost or valuation:								
At 1 January 2011	32,000	275,501	21,491	894,219	28,054	28,532	32,988	1,312,785
Additions	-	-	5,860	164,820	9,187	2,832	11,103	193,802
Disposals	-	-	-	(4,954)	(280)	-	-	(5,234)
Transfer	-	-	-	21,249	73	-	(21,322)	-
Transfer to prepayments (note 19)	-	-	-	-	-	-	(1,500)	(1,500)
Surplus on revaluation	5,200	-	-	-	-	-	-	5,200
Exchange realignment	-	13,430	991	44,560	1,253	1,331	1,618	63,183
At 31 December 2011	37,200	288,931	28,342	1,119,894	38,287	32,695	22,887	1,568,236
Accumulated depreciation:								
At 1 January 2011	-	58,867	9,244	260,200	12,652	14,787	-	355,750
Provided for the year	705	13,479	3,389	95,245	3,505	3,573	-	119,896
Disposals	-	-	-	(1,497)	(262)	-	-	(1,759)
Reversal upon revaluation	(705)	-	-	-	-	-	-	(705)
Exchange realignment	-	2,872	393	13,022	541	674	-	17,502
At 31 December 2011	-	75,218	13,026	366,970	16,436	19,034	-	490,684
Net book value:								
At 31 December 2011	37,200	213,713	15,316	752,924	21,851	13,661	22,887	1,077,552
An analysis of the cost or valuation of the property, plant and equipment of the Group is as follows:								
At cost	-	288,931	28,342	1,119,894	38,287	32,695	22,887	1,531,036
At 31 December 2011 valuation	37,200	-	-	-	-	-	-	37,200
At 31 December 2011	37,200	288,931	28,342	1,119,894	38,287	32,695	22,887	1,568,236

### 13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's leasehold buildings situated in Hong Kong were revalued at the end of the reporting period by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at an open market value of HK\$40,000,000 (2011: HK\$37,200,000). A revaluation surplus of HK\$3,603,000 (2011: HK\$5,905,000), resulting from the above valuation, has been credited to other comprehensive income.

The Group's leasehold buildings situated in Hong Kong at valuation of HK\$40,000,000 (2011: HK\$37,200,000) are held under long term leases. The Group's leasehold buildings situated in Mainland China are held under medium term leases.

Had all of the Group's leasehold building situated in Hong Kong been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately HK\$11,394,000 (2011: HK\$11,652,000).

As at 31 December 2012, one of the Group's buildings with a net carrying amount of HK\$40,000,000 (2011: HK\$37,200,000) was pledged to secure bank loans granted to the Group (note 26).

As at 31 December 2012, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Xiamen city and Shishi city, Fujian, the PRC with net book values of HK\$6,730,000 (2011: HK\$6,808,000) and HK\$40,392,000 (2011: HK\$31,396,000) respectively, and the respective title ownership certificates are currently under application. The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

### 14. INVESTMENT PROPERTY

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January	<b>50,976</b>	46,977
Transfer to prepaid land lease payments (note 15)	<b>(318)</b>	–
Change in fair value	<b>1,054</b>	1,707
Exchange realignment	<b>249</b>	2,292
	<hr/>	<hr/>
Carrying amount at 31 December	<b>51,961</b>	50,976



## 14. INVESTMENT PROPERTY *(continued)*

The Group's investment property in Shanghai was revalued on 31 December 2012 by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, on an open market, existing use basis at HK\$51,961,000 (2011: HK\$50,976,000). The investment property in Shanghai is leased to a related company controlled by a director of the Company under operating leases, further details of which are included in notes 32(a) and 34(a)(v) to the financial statements.

As at 31 December 2012, the Group has not yet obtained the title ownership certificates for certain of its buildings situated in Shanghai and currently applying for the title ownership certificates. The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of certain land on which the buildings are located, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

The land of the investment property located in Shanghai is held under a medium-term lease.

## 15. PREPAID LAND LEASE PAYMENTS

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January	<b>34,811</b>	31,716
Additions	–	2,332
Transfer from investment property (note 14)	<b>318</b>	–
Amortisation recognised during the year	<b>(788)</b>	(785)
Exchange realignment	<b>170</b>	1,548
	<b>34,511</b>	34,811
Carrying amount at 31 December	<b>34,511</b>	34,811
Current portion included in prepayments, deposits and other receivables	<b>(788)</b>	(785)
	<b>33,723</b>	34,026
Non-current portion	<b>33,723</b>	34,026

The leasehold lands are held under medium term leases and are situated in Mainland China.

## 16. GOODWILL

HK\$'000

**Cost**

Balance at 1 January 2011, 31 December 2011,  
1 January 2012 and 31 December 2012

31,809

**Accumulated impairment losses**

Balance at 1 January 2011, 31 December 2011,  
1 January 2012 and 31 December 2012

9,058

**Carrying amount**

Balance at 1 January 2011, 31 December 2011,  
1 January 2012 and 31 December 2012

22,751

**Impairment testing of goodwill**

Goodwill acquired through business combinations has been allocated to the cash-generating unit of the subsidiary acquired in the prior year for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections covering a 5-year (2011: 5-year) period approved by senior management. The discount rate applied to the cash flow projections is 13% (2011: 10%) and cash flows beyond the 5-year period are extrapolated using a growth rate of 5% (2011: 5%).

Assumptions for the above cash flow projections are the budgeted operating profits made with reference to the operating profits achieved in the year immediately before the projection period, increases for expected market development, and the pre-tax discount rate of 13% (2011: 10%), which is before tax and reflect specific risks relating to the cash-generating unit.

## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted investments, at cost	79,379	79,379
Loans to subsidiaries	38,483	41,311
	117,862	120,690

## 17. INVESTMENTS IN SUBSIDIARIES *(continued)*

The balances with subsidiaries are unsecured, interest-free and are repayable on demand. The amounts advanced to the subsidiaries included in the investments in subsidiaries above were unsecured, interest-free and have no fixed terms of repayments. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2012	2011	
<b>Directly held</b>					
Tong Da Holdings (BVI) Limited#	British Virgin Islands ("BVI")	Ordinary US\$10,000	100	100	Investment holding
<b>Indirectly held</b>					
Tong Da General Holdings (H.K.) Limited	Hong Kong	Ordinary HK\$880,000	100	100	Investment holding, raw materials sourcing and trading of electrical appliance and ironware products
Ever Target Limited	Hong Kong	Ordinary HK\$4	100	100	Investment holding
Tongda Group International Limited	Hong Kong	Ordinary HK\$2	100	100	Property holding and investment holding
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian)**	PRC/Mainland China	Registered HK\$120,000,000	100	100	Manufacture and sale of accessories for electrical appliance products
福建省石獅通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian)**	PRC/Mainland China	Registered Renminbi ("RMB") RMB32,000,000	100	100	Manufacture and sale of resistors and other electronic products
廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited)**	PRC/Mainland China	Registered US\$8,903,723	100	100	Property holding
通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited)**	PRC/Mainland China	Registered HK\$50,000,000 (2011: HK\$30,000,000)	100	100	Manufacture and sale of ironware products

## 17. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2012	2011	
<b>Indirectly held (continued)</b>					
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK\$10,000	100	100	Investment holding
Tongda Overseas Macao Commercial Offshore Limited <sup>#</sup>	Macau	Ordinary MOP100,000	100	100	Trading of electrical appliance products
Tongda (Xiamen) Company Limited	Hong Kong	Ordinary HK\$100,000	100	100	Investment holding
Tongda General (H.K.) Limited	Hong Kong	Ordinary HK\$100,000	100	100	Investment holding and machinery sourcing
Tongda Smart Technology Company Limited	Hong Kong	Ordinary HK\$300,000	100	100	Investment holding
通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited) <sup>*#</sup>	PRC/Mainland China	Registered HK\$10,000,000	100	100	Manufacture and sale of accessories for electrical appliance products
通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited) <sup>*#</sup>	PRC/Mainland China	Registered HK\$10,000,000	100	100	Manufacture and sale of ironware products
石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi) <sup>*#</sup>	PRC/Mainland China	Registered HK\$18,000,000	100	100	Manufacture of accessories of electrical appliance products
石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi) <sup>*#</sup>	PRC/Mainland China	Registered HK\$28,000,000	100	100	Manufacture of accessories of electrical appliance products
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK\$100,000	100	100	Investment holding
Evertarget (Hong Kong) Limited	Hong Kong	Ordinary HK\$500,000	51	51	Trading of lifestyle consumer products
通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) <sup>***</sup>	PRC/Mainland China	Registered RMB53,776,300	75	75	Manufacture and sale of precise injection and printing parts
深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited) <sup>***</sup>	PRC/Mainland China	Registered HK\$45,000,000	75	75	Manufacture and sale of plastic injection and printing parts
Tongda (Shanghai) Company Limited <sup>#</sup>	Hong Kong	Ordinary HK\$100,000	100	100	Investment holding

## 17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2012	2011	
<b>Indirectly held</b> <i>(continued)</i>					
通達(上海)電器裝飾件有限公司**	PRC/Mainland China	Registered HK\$10,000,000	<b>100</b>	100	Property holding
通達光電有限公司 (Tongda Optical Company Limited)	Hong Kong	Ordinary HK\$800,000	<b>55</b>	55	Investment holding
通達(廈門)光電科技有限公司 (Tong Da (Xiamen) Optical Technology Company Limited)**	PRC/Mainland China	Registered HK\$50,000,000	<b>55</b>	55	Manufacture and sale of accessories for electrical appliance products
通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited)**#	PRC/Mainland China	Registered HK\$80,000,000	<b>100</b>	100	Manufacture and sale of accessories for electrical appliance products
通達(廈門)通訊有限公司 (Tongda (Xiamen) Communications Company Limited)**#	PRC/Mainland China	Registered RMB20,000,000	<b>60</b>	–	Manufacturing of electronics and communication facilities

\* Registered as wholly-foreign-owned enterprises under PRC law

\*\* Registered as foreign-invested enterprises under PRC law

# The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

## 18. INVESTMENTS IN ASSOCIATES

	2012 HK\$'000	2011 HK\$'000
Share of net assets	33,988	30,321
Goodwill on acquisition	14,308	14,308
	<b>48,296</b>	44,629
Due from associates	10,442	12,318
Due to associates	(5,845)	(3,900)
	<b>52,893</b>	53,047
Provision for impairment	(12,012)	(6,061)
	<b>40,881</b>	46,986

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group		Principal activities
			2012	2011	
Meijitsu Tongda (HK) Company Limited ("Meijitsu")	Hong Kong	Ordinary HK\$10,000	50	50	Investment holding
Meijitsu Tongda (Vietnam) Company Limited*	Vietnam	Registered Vietnamese Dong ("VND") 9,600,000,000	50	50	Manufacture and sale of label/seal for automation office products
通達名科技(深圳)有限公司*	PRC/Mainland China	Registered RMB11,000,000	50	50	Manufacture and sale of silk-screen printing products
Tongda Fuso (HK) Company Limited ("Fuso (HK)")* (Note a)	Hong Kong	Ordinary HK\$7,625,630	70	70	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited ("Fuso (Shanghai)")* (Note a)	PRC/Mainland China	Registered US\$1,300,000	70	70	Manufacture and sale of silk-screen printing products
東莞市康祥電子有限公司 ("Kangxiang")*	PRC/Mainland China	Registered RMB13,500,000	34.9	34.9	Manufacture and sale of electronic components
Justone Holdings Limited ("Justone")* (Note b)	BVI	Ordinary US\$33,333	28	28	Investment holding

## 18. INVESTMENTS IN ASSOCIATES *(continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group		Principal activities
			2012	2011	
Justone Technologies Limited* (Note b)	Hong Kong	Ordinary HK\$10,000	28	28	Investment holding
Justone (北京) 通訊技術有限公司* (Note b)	PRC/Mainland China	Registered RMB5,000,000	28	28	Provision of software platform to run integrated fixed line phone

\* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

- The directors considered that Fuso (HK) and Fuso (Shanghai) are the associates of the Company as at 31 December 2012 and 2011 because the Company did not have unilateral or joint control over Fuso (HK) and Fuso (Shanghai) but is in a position to exercise significant influence over Fuso (HK) and Fuso (Shanghai).
- During the year ended 31 December 2010, the Group acquired a 5.26% equity interest in Justone at a consideration of approximately US\$1,000,000 (equivalent to HK\$7,800,000) together with the directly attributable cost of approximately HK\$261,000 which was recorded as an available-for-sale investment at 31 December 2010. During the year ended 31 December 2011, the Group has further acquired an additional 22.74% equity interest in Justone, which then has two wholly-owned subsidiaries, namely Justone Technologies Limited and Justone (北京) 通訊技術有限公司, at a consideration of approximately US\$1,000,000 (equivalent to HK\$7,792,000) of which US\$500,000 (equivalent to HK\$3,900,000) remained unsettled as at 31 December 2011 and 2012 and included as an amount due to an associate. The aggregate consideration of approximately US\$2,000,000 (equivalent to HK\$15,592,000) together with the directly attributable cost of approximately HK\$261,000 was recorded as investments in associates as at 31 December 2011 and 2012. Because of the adverse operating performance of Justone, an impairment loss of HK\$5,951,000 (2011: HK\$5,000,000) was charged to the consolidated income statement for the year ended 31 December 2012.

The Group did not receive any dividend income (2011: HK\$1,500,000) from associates during the year.

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

The directors of the Company do not intend to demand settlement of the amounts due from associates until the associates have surplus funds available to those necessary to provide adequate working capital for financing their operations. Accordingly, the amounts are classified as long term receivables.

All the above associates have been accounted for using the equity method in these financial statements. The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2012 HK\$'000	2011 HK\$'000
Assets	194,918	188,768
Liabilities	102,148	102,429
Revenue	123,106	112,244
Profits	6,176	686

## 19. PREPAYMENTS

## Group

	Prepaid rental HK\$'000	Prepaid premises cost HK\$'000	Total HK\$'000
<b>31 December 2012</b>			
Cost:			
At 1 January 2012	2,305	66,905	69,210
Transfer from construction in progress (note 13)	–	5,067	5,067
Exchange realignment	11	328	339
At 31 December 2012	2,316	72,300	74,616
Amortisation:			
At 1 January 2012	442	9,627	10,069
Amortised during the year	51	1,526	1,577
Exchange realignment	2	47	49
At 31 December 2012	495	11,200	11,695
Net book value:			
At 31 December 2012	1,821	61,100	62,921
<b>31 December 2011</b>			
Cost:			
At 1 January 2011	2,198	62,364	64,562
Transfer from construction in progress (note 13)	–	1,500	1,500
Exchange realignment	107	3,041	3,148
At 31 December 2011	2,305	66,905	69,210
Amortisation:			
At 1 January 2011	374	7,834	8,208
Amortised during the year	50	1,411	1,461
Exchange realignment	18	382	400
At 31 December 2011	442	9,627	10,069
Net book value:			
At 31 December 2011	1,863	57,278	59,141



## 19. PREPAYMENTS *(continued)*

The prepaid rental represents the rental of a piece of land located in Mainland China (the "Land"). The Group has been granted the right to use the land for a period of 50 years. The prepaid premises cost represents the cost for the construction of certain premises erected on the Land. The Group has been granted the right to use these premises within the rental period of the Land. As confirmed by legal opinions issued by the PRC legal counsel, the lessor of the Land has the right to lease the Land and the leasing agreement entered into by the Group with the lessor is legally enforceable under PRC law.

The prepaid rental is amortised on the straight-line basis over the lease term of 50 years. The prepaid premises cost is amortised on the straight-line basis over the remaining lease term of the Land.

## 20. LONG TERM DEPOSITS

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Deposit for acquisition of property, plant and equipment	<b>32,452</b>	32,040

## 21. INVENTORIES

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>313,022</b>	221,802
Work in progress	<b>176,691</b>	112,453
Finished goods	<b>312,268</b>	338,621
	<b>801,981</b>	672,876

As at 31 December 2012, moulds of HK\$81,407,000 (2011: HK\$61,376,000) are included in the finished goods.

## 22. TRADE AND BILLS RECEIVABLES

	Group	
	2012	2011
	HK\$'000	HK\$'000
Trade receivables	1,342,021	1,183,844
Impairment allowances	(31,776)	(31,195)
	<b>1,310,245</b>	1,152,649
Bills receivable	<b>145,556</b>	151,243
	<b>1,455,801</b>	1,303,892

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at 31 December 2012, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Within 3 months	1,205,857	1,131,887
4 to 6 months, inclusive	213,144	165,634
7 to 9 months, inclusive	33,035	6,283
10 to 12 months, inclusive	2,611	1,220
More than 1 year	32,930	30,063
	<b>1,487,577</b>	1,335,087
Impairment allowances	(31,776)	(31,195)
	<b>1,455,801</b>	1,303,892

Certain of the above trade receivables as at 31 December 2012 were factored to a bank in exchange for cash and the related bank loans have been included as "Interest-bearing bank and other borrowings" on the face of the consolidated statement of financial position (note 26).

## 22. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in impairment allowances for trade receivables are as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>31,195</b>	22,174
Impairment of trade receivables (note 7)	<b>3,077</b>	10,617
Write-back of impairment of trade receivables (note 7)	<b>(1,630)</b>	(1,990)
Write-off of impairment of trade receivables	<b>(905)</b>	-
Exchange realignment	<b>39</b>	394
	<hr/>	<hr/>
At 31 December	<b>31,776</b>	31,195

The above impairment allowances for trade receivables are allowances for individually impaired trade receivables with a carrying amount of HK\$83,869,000 (2011: HK\$61,117,000). The individually impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	<b>1,276,818</b>	1,188,820
Within 3 months	<b>96,483</b>	77,208
4 to 6 months, inclusive	<b>23,734</b>	6,817
7 to 9 months, inclusive	<b>3,968</b>	942
10 to 12 months, inclusive	<b>1,322</b>	105
More than 1 year	<b>1,383</b>	78
	<hr/>	<hr/>
	<b>1,403,708</b>	1,273,970

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 23. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash and bank balances	221,460	253,784	389	2,138
Pledged deposits (note 26)	92,439	57,400	–	–
	<b>313,899</b>	311,184	<b>389</b>	2,138

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in RMB amounted to HK\$184,826,000 (2011: HK\$200,733,000). RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and pledged deposits earns interest at floating rates based on daily bank deposit rates.

The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 24. TRADE AND BILLS PAYABLES

	Group	
	2012 HK\$'000	2011 HK\$'000
Trade payables	720,318	678,602
Bills payable	294,060	178,616
	<b>1,014,378</b>	857,218

## 24. TRADE AND BILLS PAYABLES *(continued)*

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 31 December 2012, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>650,400</b>	655,123
4 to 6 months, inclusive	<b>298,472</b>	164,989
7 to 9 months, inclusive	<b>47,603</b>	7,479
10 to 12 months, inclusive	<b>1,922</b>	13,584
More than 1 year	<b>15,981</b>	16,043
	<b>1,014,378</b>	857,218

## 25. BALANCES WITH NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND A RELATED COMPANY

The amount due from a related company controlled by a director, Mr. Wang Ah Yeung, is unsecured, interest-free and has no fixed terms of repayment. The maximum amount outstanding during the year is HK\$4,550,000 (2011: HK\$4,550,000).

Except for a loan from a non-controlling shareholder of a subsidiary of HK\$7,331,000 which is not expected to be repaid within the next twelve months from the end of the reporting period, the amounts due to other non-controlling shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2012			2011		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Other loans, unsecured	5.6% to 6%	2013	23,117	9.36% to 11.19%	2012	26,664
Current portion of long term bank loans, secured	HIBOR + 1.15%	2013	139,900	HIBOR + 1.15%	2012	157,984
Current portion of long term bank loans unsecured	HIBOR + 1.5%	2013	118,194	–	–	–
Bank loans, unsecured	5.6% to 7.87%/ HIBOR + 2.5%/ HIBOR + 2.75%	2013	172,911	5.36% to 8.86%/ HIBOR + 2.75%	2012	64,415
Bank loans on factored trade receivables, unsecured (note 22)	5.88%	2013	110,189	4.28% to 7.7%	2012	153,576
			564,311			402,639
<b>Non-current</b>						
Bank loans, secured	–	–	–	HIBOR + 1.15%	2013	139,900
Bank loans, unsecured	HIBOR + 1.5%	2014	88,769	HIBOR + 1.5%	2013-2014	97,011
			88,769			236,911
Total			653,080			639,550
<b>Company</b>						
	Effective interest rate (%)	2012 Maturity	HK\$'000	Effective interest rate (%)	2011 Maturity	HK\$'000
<b>Current</b>						
Current portion of long term bank loans, secured	HIBOR + 1.15%	2013	139,900	HIBOR + 1.15%	2012	157,984
Bank loans, unsecured	HIBOR + 1.5%	2013	118,194	–	–	–
			258,094			157,984
<b>Non-current</b>						
Bank loans, secured	–	–	–	HIBOR + 1.15%	2013	139,900
Bank loans, unsecured	HIBOR + 1.5%	2014	88,769	HIBOR + 1.5%	2013-2014	97,011
			88,769			236,911
Total			346,863			394,895

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Analysed into:				
Bank and other borrowings repayable:				
Within one year	564,311	402,639	258,094	157,984
In the second year	88,769	236,911	88,769	236,911
	<b>653,080</b>	639,550	<b>346,863</b>	394,895
Analysed into:				
HK\$	386,863	394,895	346,863	394,895
RMB	254,434	241,216	–	–
US\$	11,783	3,439	–	–
	<b>653,080</b>	639,550	<b>346,863</b>	394,895

### Notes:

At the end of the reporting period, the Group's banking facilities were supported by:

- the pledge of bank deposits of approximately HK\$92,439,000 (2011: HK\$57,400,000) (note 23);
- corporate guarantees from the Company and certain of its subsidiaries; and
- mortgages over the Group's leasehold building in Hong Kong with a carrying amount of approximately HK\$40,000,000 (2011: HK\$37,200,000).

## 27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

**Deferred tax liabilities****Group**

	<b>Withholding taxes HK\$'000</b>	<b>Revaluation of properties HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2011	7,576	12,490	20,066
Debited to the income statement during the year (note 9)	12,296	406	12,702
Deferred tax debited to equity during the year	–	974	974
Exchange realignment	–	434	434
<hr/>			
At 31 December 2011 and 1 January 2012	19,872	14,304	34,176
Debited to the income statement during the year (note 9)	13,949	250	14,199
Deferred tax debited to equity during the year	–	594	594
Exchange realignment	–	47	47
<hr/>			
At 31 December 2012	33,821	15,195	49,016

**Deferred tax assets****Group**

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	3,703

The Group and the Company have estimated tax losses arising in Hong Kong of HK\$12,006,000 (2011: HK\$30,151,000) and HK\$8,323,000 (2011: HK\$8,323,000) respectively that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK\$3,784,000 (2011: HK\$11,812,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.



## 27. DEFERRED TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

However, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and associates of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and associates will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$409,637,000 at 31 December 2012 (2011: HK\$275,237,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 28. SHARE CAPITAL

	2012 HK\$'000	2011 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
4,763,300,000 (2011: 4,678,300,000) ordinary shares of HK\$0.01 each	47,633	46,783

## 28. SHARE CAPITAL (continued)

The following changes in the Company's issued share capital took place during the current and the prior years:

	Notes	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
<b>Issued:</b>					
As at 1 January 2011		4,604,900,000	46,049	613,649	659,698
Shares issued upon exercise of share options	(i)	19,000,000	190	6,254	6,444
Shares issued upon exercise of warrants	(ii)	54,400,000	544	16,206	16,750
		73,400,000	734	22,460	23,194
As at 31 December 2011 and 1 January 2012		4,678,300,000	46,783	636,109	682,892
Shares issued upon exercise of share options	(iii)	85,000,000	850	23,855	24,705
As at 31 December 2012		4,763,300,000	47,633	659,964	707,597

Notes:

- (i) During the year ended 31 December 2011, the subscription rights attaching to 8,000,000, 6,000,000 and 5,000,000 share options were exercised at the subscription prices of HK\$0.3150, HK\$0.2262 and HK\$0.2800 per share respectively, resulting in the issue of 19,000,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$5,277,200. An amount of HK\$1,166,832 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (ii) During the year ended 31 December 2011, 54,400,000 new ordinary shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.30 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$16,320,000. An amount of HK\$430,000 was transferred from the warrant reserve to the share premium account upon the exercise of the warrants.

### 28. SHARE CAPITAL *(continued)*

- (iii) During the year ended 31 December 2012, the subscription rights attaching to 85,000,000 share options were exercised at HK\$0.2262 per share resulting in the issue of 85,000,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$19,227,000. An amount of HK\$5,478,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

All new ordinary shares issued in the current and last years rank *pari passu* with the existing shares in all aspects.

#### Share option scheme

Details of the Company's share option scheme and the share options issued under the schemes are included in note 29 to the financial statements.

### 29. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2002, a new share option scheme of the Company (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 7 December 2000 (the "Old Scheme"). After the adoption of the New Scheme, no further options can be granted under the Old Scheme. As at 31 December 2011 and 2012, there were no outstanding share options under the Old Scheme. The New Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date. The New Scheme was expired during the year ended 31 December 2012 and no further share options can be granted under the New Scheme, thereafter, no share option scheme was adopted by the Company.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme include all directors and any full-time employees of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme may not exceed 10% of the shares of the Company in issue. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

## 29. SHARE OPTION SCHEME *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing an aggregate value of over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the official closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of each grant, in excess of HK\$5 million, are subject to shareholders' approval in a general meeting.

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer, and the amount payable on acceptance of an offer is HK\$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the New Scheme during the year:

	2012		2011	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.3186	309,550	0.3162	328,550
Exercised during the year	0.2262	(85,000)	0.2777	(19,000)
At 31 December	0.3535	224,550	0.3186	309,550

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.284 (2011: HK\$0.334) per share.

## 29. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012		
Number of options '000	Exercise price* HK\$ per share	Exercise period
10,000	0.4850	10 March 2007 to 9 March 2017
38,000	0.5860	4 July 2007 to 3 July 2017
81,000	0.3150	16 February 2008 to 15 February 2018
95,550	0.2800	31 May 2010 to 30 May 2013
<b>224,550</b>		
2011		
Number of options '000	Exercise price* HK\$ per share	Exercise period
10,000	0.4850	10 March 2007 to 9 March 2017
38,000	0.5860	4 July 2007 to 3 July 2017
81,000	0.3150	16 February 2008 to 15 February 2018
85,000	0.2262	25 September 2009 to 24 September 2012
95,550	0.2800	31 May 2010 to 30 May 2013
<b>309,550</b>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the end of the reporting period and up to the date of approval of these financial statements, the Company had 224,550,000 share options outstanding under the New Scheme, which represented approximately 4.7% of the Company's shares in issue as at those dates respectively. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 224,550,000 additional ordinary shares of the Company and additional share capital of HK\$2,245,500 and share premium of HK\$77,142,000 (before issue expenses).

### 30. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) *Capital reserve*

The capital reserve of the Group represents principally (1) the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group's reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, over the purchase consideration paid therefor; (2) the difference between the consideration paid and the net assets acquired for the further acquisition of Xiamen Optic Conduct Cable Company Limited during the year ended 31 December 2010; and (3) the difference between the consideration received and the net liabilities disposed of for the partial disposal of Tongda Optical Company Limited during the year ended 31 December 2010.

(ii) *Statutory reserve*

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to a statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set off against accumulated losses, if any, arising under certain specified circumstances. As the reserve has already reached 50% of Tongda Macao's capital fund, no transfer was made in the current year (2011: Nil).

In accordance with the relevant regulations applicable in the PRC, subsidiaries established in the PRC are required to transfer certain percentage of their profit after tax, if any, to the statutory reserve funds, which are non-distributable, before profit distributions to shareholders. The amount of the transfer is subject to the approval of the board of directors of these subsidiaries.

## 30. RESERVES (continued)

### (b) Company

	Share premium account HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2011	613,649	23,212	1,180	79,179	287	61,476	778,983
Exercise of warrants (note 28(ii))	16,206	-	(430)	-	-	-	15,776
Expiry of warrants	-	-	(750)	-	-	750	-
Profit for the year	-	-	-	-	-	90,365	90,365
Shares issued upon exercise of share options (notes 28(i) and 29)	6,254	(1,167)	-	-	-	-	5,087
Final and special 2010 dividends (note 11)	-	-	-	-	-	(56,110)	(56,110)
Interim 2011 dividend (note 11)	-	-	-	-	-	(32,748)	(32,748)
<b>At 31 December 2011 and 1 January 2012</b>	<b>636,109</b>	<b>22,045</b>	<b>-</b>	<b>79,179</b>	<b>287</b>	<b>63,733</b>	<b>801,353</b>
Profit for the year	-	-	-	-	-	77,349	77,349
Shares issued upon exercise of share options (notes 28(iii) and 29)	23,855	(5,478)	-	-	-	-	18,377
Final 2011 dividends (note 11)	-	-	-	-	-	(46,833)	(46,833)
Interim 2012 dividend (note 11)	-	-	-	-	-	(38,106)	(38,106)
<b>At 31 December 2012</b>	<b>659,964</b>	<b>16,567</b>	<b>-</b>	<b>79,179</b>	<b>287</b>	<b>56,143</b>	<b>812,140</b>

#### Notes:

- (i) Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (ii) As at 31 December 2012, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$795,286,000 subject to the restriction stated in note (i) above.
- (iii) The contributed surplus of the Company arose as a result of the Group's reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares, and represents the excess of the combined net assets of the subsidiaries then acquired by the Company, over the nominal value of the share capital of the Company issued in exchange therefor.
- (iv) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised, or transferred to retained profits should the related options expire or be forfeited.

### 31. CONTINGENT LIABILITIES

At 31 December 2012, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries, which were utilised to the extent of approximately HK\$81,331,000 (2011: HK\$42,024,000) at the end of the reporting period.

Save as disclosed above, neither the Group, nor the Company, had any significant contingent liabilities at the end of the reporting period.

### 32. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment property (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one to three years (2011: one to three years). The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Within one year	<b>6,005</b>	3,622
In the second to fifth years, inclusive	<b>7,463</b>	1,220
	<b>13,468</b>	4,842

#### (b) As lessee

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. In addition, the Group leases certain of its office properties under operating lease arrangements for terms of over five years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Within one year	<b>4,010</b>	11,338
In the second to fifth years, inclusive	<b>12,351</b>	12,620
After five years	<b>17,129</b>	20,063
	<b>33,490</b>	44,021



## 33. COMMITMENTS

In addition to the operating lease commitments set out in note 32(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Purchases of property, plant and equipment	<b>35,090</b>	33,819

The Company had no significant commitments at the end of the reporting period (2011: Nil).

## 34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		<b>Group</b>	
	Notes	<b>2012</b>	2011
		<b>HK\$'000</b>	HK\$'000
Associates:			
Sales of products	(i)	<b>1,571</b>	4,306
Purchases of raw materials and finished goods	(ii)	<b>1,872</b>	340
Technology consultancy fee	(iii)	<b>600</b>	600
Rental income	(iv)	<b>1,640</b>	1,365
A related company controlled by a director of the Company:			
Rental income	(v)	<b>2,941</b>	2,927
Sales of products	(vi)	<b>–</b>	3,049
Purchases of raw materials and finished goods	(vii)	<b>2,233</b>	–

Notes:

- (i) The sales to associates were made according to the terms similar to those offered to the Group's non-related customers.
- (ii) The purchases from associates were made according to the terms similar to those offered by the Group's non-related suppliers.
- (iii) The technology consultancy fee charged at HK\$50,000 (2011: HK\$50,000) per month was received from an associate for the provision of technology support provided by the Group.

### 34. RELATED PARTY TRANSACTIONS *(continued)*

#### (a) *(continued)*

- (iv) The rental income received from an associate was generated from the subleasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC, which was charged at cost.
- (v) The rental income received from a related company controlled by a director of the Company was charged at a monthly rate of RMB200,000.
- (vi) The sales to a related company were made on a basis mutually agreed by the Group and the related company.
- (vii) The purchases from a related company were made on a basis mutually agreed by the Group and the related company.

The related party transaction in respect of item (v) above also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

#### (b) Outstanding balances with related parties

Details of the Group's balances with its associates, non-controlling shareholders of subsidiaries and the related companies as at the end of the reporting period are disclosed in notes 18 and 25 to the financial statements, respectively.

#### (c) Compensation of key management personnel of the Group.

	2012 HK\$'000	2011 HK\$'000
Short term employee benefits	4,992	4,611
Post-employment benefits	134	140
<b>Total compensation paid to key management personnel</b>	<b>5,126</b>	<b>4,751</b>

The above compensation does not include the details of the directors' remuneration which are disclosed in note 8 to the financial statements.

### 35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Major non-cash transaction

During the year, a deposit for the acquisition of property, plant and equipment of HK\$20,096,000 (2011: HK\$16,422,000) was utilised as additions to property, plant and equipment (note 20).

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### Group

#### 2012

##### *Financial assets*

	<b>Loans and receivables HK\$'000</b>
Due from associates (note 18)	10,442
Trade and bills receivables	1,455,801
Financial assets included in prepayments, deposits and other receivables	11,877
Due from a related company	2,528
Pledged deposits	92,439
Cash and cash equivalents	221,460
	<hr/> 1,794,547 <hr/>

##### *Financial liabilities*

	<b>Financial liabilities at amortised cost HK\$'000</b>
Due to associates (note 18)	5,845
Trade and bills payables	1,014,378
Financial liabilities included in accrued liabilities and other payables	64,320
Interest-bearing bank and other borrowings	653,080
Due to a non-controlling shareholder of a subsidiary	54
Loan from a non-controlling shareholder of a subsidiary	7,331
	<hr/> 1,745,008 <hr/>

## 36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

**Group****2011***Financial assets*

	Loans and receivables HK\$'000
Due from associates (note 18)	12,318
Trade and bills receivables	1,303,892
Financial assets included in prepayments, deposits and other receivables	71,962
Due from a related company	4,550
Pledged deposits	57,400
Cash and cash equivalents	253,784
	<hr/> 1,703,906 <hr/>

*Financial liabilities*

	Financial liabilities at amortised cost HK\$'000
Due to an associate (note 18)	3,900
Trade and bills payables	857,218
Financial liabilities included in accrued liabilities and other payables	107,712
Interest-bearing bank and other borrowings	639,550
Due to a non-controlling shareholder of a subsidiary	54
Loan from a non-controlling shareholder of a subsidiary	7,331
	<hr/> 1,615,765 <hr/>

## 36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

### Company

#### *Financial assets*

	<b>2012</b>	2011
	<b>Loans and receivables</b>	Loans and receivables
	<b>HK\$'000</b>	HK\$'000
Due from subsidiaries	<b>1,088,736</b>	1,120,511
Financial assets included in prepayments, deposits and other receivables	<b>540</b>	553
Cash and cash equivalents	<b>389</b>	2,138
	<b>1,089,665</b>	1,123,202

#### *Financial liabilities*

	<b>2012</b>	2011
	<b>Financial liabilities at amortised cost</b>	Financial liabilities at amortised cost
	<b>HK\$'000</b>	HK\$'000
Due to a subsidiary	–	43
Financial liabilities included in accrued liabilities and other payable	<b>891</b>	818
Interest-bearing bank borrowings	<b>346,863</b>	394,895
	<b>347,754</b>	395,756

### 37. TRANSFERRED FINANCIAL ASSETS

#### (i) Transferred financial assets that are not derecognised in their entirety

The following table provide a summary of financial assets that have been transferred in such a way that part of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	Trade receivables  Note (a) HK\$'000	Bills receivables Notes (b) and (c) HK\$'000	Total  HK\$'000
Carrying amount of assets that continued to be recognised	110,190	37,544	147,734
Carrying amount of associated liabilities	(110,190)	(37,544)	(147,734)

Notes:

#### (a) Trade receivables factoring

As part of its normal business, the Group entered into a trade receivables factoring arrangement (the "Factoring Arrangement") and transferred certain trade receivables to a bank in the PRC. Under the Factoring Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 30 days. The Group is exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of trade receivables transferred under the Factoring Arrangement that have not been settled as at 31 December 2012 amounted to approximately HK\$110,190,000. The carrying amount of assets that continues to be recognised is approximately HK\$110,190,000.

#### (b) Discounting of bills receivable

At 31 December 2012, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of HK\$23,116,000 to a local bank and a financial institution in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the respective bank and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loan recognised due to the Discounted Bills is HK\$23,116,000 as at 31 December 2012.

#### (c) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 31 December 2012, the Group endorsed certain bills receivable accepted by certain local banks and a financial institution in the PRC (the "Endorsed Bills") with a carrying amount of HK\$14,428,000 to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse is HK\$14,428,000 as at 31 December 2012.

### 37. TRANSFERRED FINANCIAL ASSETS *(continued)*

#### (ii) Transferred financial assets that are derecognised in their entirety

##### (a) **Discounting of bills receivable**

At 31 December 2012, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$364,679,000 to certain reputable banks and a financial institution in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have maturity period from three to six months.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting of bills has been made evenly throughout the year.

##### (b) **Bills endorsement under the Law of Negotiable Instruments of the PRC**

At 31 December 2012, the Group endorsed certain bills receivable accepted by certain reputable banks in the PRC (the “Derecognised Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK\$115,358,000. The Derecognised Endorsed Bills have a maturity from one to six months at the end of the reporting period. The Group has the Continuing Involvement in relation to the endorsed bills (the “Endorsement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Endorsed Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

### 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument comprise interest-bearing bank and other borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, commodity price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 26 to the financial statements.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's and the Company's profit after tax and equity through the impact on floating rate borrowings and the Group's and the Company's equity.

	Increase/ (decrease) in percentage points	Group Increase/ (decrease) in profit after tax and equity HK\$'000	Company Increase/ (decrease) in profit after tax and equity HK\$'000
<b>2012</b>			
Hong Kong dollars	0.5%	(2,635)	(1,448)
Hong Kong dollars	(0.5%)	2,635	1,448
<b>2011</b>			
Hong Kong dollars	0.5%	(2,569)	(1,649)
Hong Kong dollars	(0.5%)	2,569	1,649

#### Commodity price risk

The major raw materials used in the production of the Group's products included plastic materials and aluminium. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group has not historically entered into any commodity derivative instruments to hedge the potential commodity price changes.

#### Foreign currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars, United States dollars and RMB. As the foreign currency risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.



## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Foreign currency risk *(continued)*

Given that the Hong Kong dollar is pegged to the United States dollar, the Group does not have a foreign currency hedging policy on it. Considering the appreciation of RMB, the Group will maintain a comparatively higher level of Hong Kong dollar borrowings than that of RMB borrowings to minimise the possible currency risk arising therefrom.

The majority of the Group's operating assets are located in Mainland China and denominated in RMB. As the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar and RMB exchange rate, with all other variables held constant, of the Group's net profit.

	<b>Increase/ (decrease) in RMB rate %</b>	<b>Increase/ (decrease) in the Group's net profit HK\$'000</b>
<b>2012</b>		
If Hong Kong dollars weakens against RMB	5	53,465
If Hong Kong dollars strengthens against RMB	(5)	(53,465)
<b>2011</b>		
If Hong Kong dollars weakens against RMB	5	31,222
If Hong Kong dollars strengthens against RMB	(5)	(31,222)

### Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit.

The credit risk of the Group's other financial assets, which comprise pledged deposits, restricted bank balances, cash and cash equivalents, amounts due from associates and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking loans and other banking facilities such as trust receipt loans.

The maturity profile of the Group's financial liabilities as at the end of reporting period, based on the contractual undiscounted payments, was as follows:

## Group

	2012				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Amount due to an associate (note 18)	5,845	-	-	-	5,845
Trade and bills payables	-	1,014,378	-	-	1,014,378
Financial liabilities included in					
accrued liabilities and other payables	64,320	-	-	-	64,320
Interest-bearing bank and other borrowings	-	211,332	360,037	90,947	662,316
Loan from a non-controlling shareholder of a subsidiary	-	-	-	7,331	7,331
Due to a non-controlling shareholder of a subsidiary	54	-	-	-	54
	<b>70,219</b>	<b>1,225,710</b>	<b>360,037</b>	<b>98,278</b>	<b>1,754,244</b>
	2011				Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Amount due to an associate (note 18)	3,900	-	-	-	3,900
Trade and bills payables	-	857,218	-	-	857,218
Financial liabilities included in					
accrued liabilities and other payables	117,810	-	-	-	117,810
Interest-bearing bank and other borrowings	-	152,576	242,520	242,939	638,035
Loan from a non-controlling shareholder of a subsidiary	-	-	-	7,331	7,331
Due to a non-controlling shareholder of a subsidiary	54	-	-	-	54
	<b>121,764</b>	<b>1,009,794</b>	<b>242,520</b>	<b>250,270</b>	<b>1,624,348</b>

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Liquidity risk *(continued)*

The maturity profile of the Company's financial liabilities as at the end of reporting period, based on the contractual undiscounted payments, was as follows:

#### Company

	On demand HK\$'000	Less than 3 months HK\$'000	2012 3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Financial liabilities included in					
accrued liabilities and other payables	891	–	–	–	891
Interest-bearing bank borrowings	–	69,661	190,452	90,947	351,060
Guarantees given to banks in connection with facilities granted to subsidiaries	–	51,838	23,855	–	75,693
	<b>891</b>	<b>121,499</b>	<b>214,307</b>	<b>90,947</b>	<b>427,644</b>

	On demand HK\$'000	Less than 3 months HK\$'000	2011 3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Due to a subsidiary	43	–	–	–	43
Financial liabilities included in					
accrued liabilities and other payables	818	–	–	–	818
Interest-bearing bank borrowings	–	39,585	119,607	242,939	402,131
Guarantees given to banks in connection with facilities granted to subsidiaries	–	3,449	37,675	–	41,124
	<b>861</b>	<b>43,034</b>	<b>157,282</b>	<b>242,939</b>	<b>444,116</b>

#### Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the equity holders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)***Capital management** *(continued)*

The Group monitors capital using a gearing ratio, which is net debt over total equity. Net debt includes interest-bearing bank and other borrowings, and a loan from a non-controlling shareholder of a subsidiary, less cash and cash equivalents and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

**Group**

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Interest-bearing bank and other borrowings	<b>653,080</b>	639,550
Loan from a non-controlling shareholder of a subsidiary	<b>7,331</b>	7,331
Less: Cash and cash equivalents	<b>(221,460)</b>	(253,784)
Less: Pledged deposits	<b>(92,439)</b>	(57,400)
<b>Net debt</b>	<b>346,512</b>	335,697
<b>Total equity</b>	<b>2,192,877</b>	1,915,140
<b>Gearing ratio</b>	<b>16%</b>	18%

**39. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 14 March 2013.

# Five-Year Financial Summary

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

## RESULTS

	<b>2012</b>	2011	2010	2009	2008
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>3,408,091</b>	3,147,119	2,348,264	1,800,254	1,393,843
Gross profit	<b>730,647</b>	605,343	407,574	302,379	217,918
Profit for the year attributable to:					
Owners of the Company	<b>300,005</b>	250,308	200,931	102,085	65,301
Non-controlling interests	<b>33,509</b>	9,207	9,314	11,746	6,041

## EARNINGS PER SHARE

	<b>2012</b>	2011	2010	2009	2008
Basic	<b>HK6.37 cents</b>	HK5.36 cents	HK4.50 cents	HK2.52 cents	HK1.64 cents
Diluted	<b>HK6.36 cents</b>	HK5.30 cents	HK4.43 cents	HK2.51 cents	HK1.64 cents

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	<b>2012</b>	2011	2010	2009	2008
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<b>1,478,120</b>	1,327,175	1,177,739	1,033,468	882,355
Current assets	<b>2,725,848</b>	2,411,457	1,838,782	1,326,000	1,190,660
Total assets	<b>4,203,968</b>	3,738,632	3,016,521	2,359,468	2,073,015
Non-current liabilities	<b>(145,116)</b>	(278,418)	(197,147)	(115,119)	(214,962)
Current liabilities	<b>(1,865,975)</b>	(1,545,074)	(1,156,841)	(863,539)	(642,721)
Total liabilities	<b>(2,011,091)</b>	(1,823,492)	(1,353,988)	(978,658)	(857,683)
Net assets	<b>2,192,877</b>	1,915,140	1,662,533	1,380,810	1,215,332
Total assets less current liabilities	<b>2,337,993</b>	2,193,558	1,859,680	1,495,929	1,430,294
Equity attributable to owners					
of the Company	<b>(2,102,106)</b>	(1,858,247)	(1,615,996)	(1,333,523)	(1,181,667)
Non-controlling interests	<b>(90,771)</b>	(56,893)	(46,537)	(47,287)	(33,665)