JU TENG INTERNATIONAL HOLDINGS LIMITED

巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3336

2012
Annual Report

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Cheng Li-Yu *(Chairman)*
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Hsieh Wan-Fu
Mr. Lo Jung-Te
Mr. Tsui Yung Kwok

Independent Non-Executive Directors
Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Authorised Representatives
Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

Company Secretary
Mr. Tsui Yung Kwok *CA, CPA, ACS*

Audit Committee
Mr. Cherng Chia-Jiun *(Chairman)*
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Remuneration Committee
Mr. Cherng Chia-Jiun *(Chairman)*
Mr. Cheng Li-Yu
Mr. Huang Kuo-Kuang
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

Nomination Committee (established On 1 April 2012)
Mr. Cheng Li-Yu *(Chairman)* (appointed on 1 April 2012)
Mr. Huang Kuo-Kuang (appointed on 1 April 2012)
Mr. Cherng Chia-Jiun (appointed on 1 April 2012)
Mr. Tsai Wen-Yu (appointed on 1 April 2012)
Mr. Yip Wai Ming (appointed on 1 April 2012)

Corporate Governance Committee (established on 1 April 2012)
Mr. Yip Wai Ming *(Chairman)* (appointed on 1 April 2012)
Mr. Cheng Li-Yu (appointed on 1 April 2012)
Mr. Huang Kuo-Kuang (appointed on 1 April 2012)
Mr. Cherng Chia-Jiun (appointed on 1 April 2012)
Mr. Tsai Wen-Yu (appointed on 1 April 2012)

Legal Advisers As To Hong Kong Laws
Chiu & Partners

Auditors
Ernst & Young

Stock Code
3336.HK and 9136.TT

Principal Bankers
Agricultural Bank of China
Bank of America
Bank of China
Bank SinoPac
China Development Industrial Bank
Chinatrust Commercial Bank
Citibank
DBS Bank
Fubon Bank
Jiu Sun International Commercial Bank
Mega International Commercial Bank
Taishin International Bank
Yuanta Commercial Bank

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong
Suites 3311-3312
Jardine House
1 Connaught Place
Central
Hong Kong

Principal Place of Business in the People's Republic of China
No.2 Gua Jing Road
Song Ling Town Economic Development District
Wu Jiang City
Jiang Su
The PRC

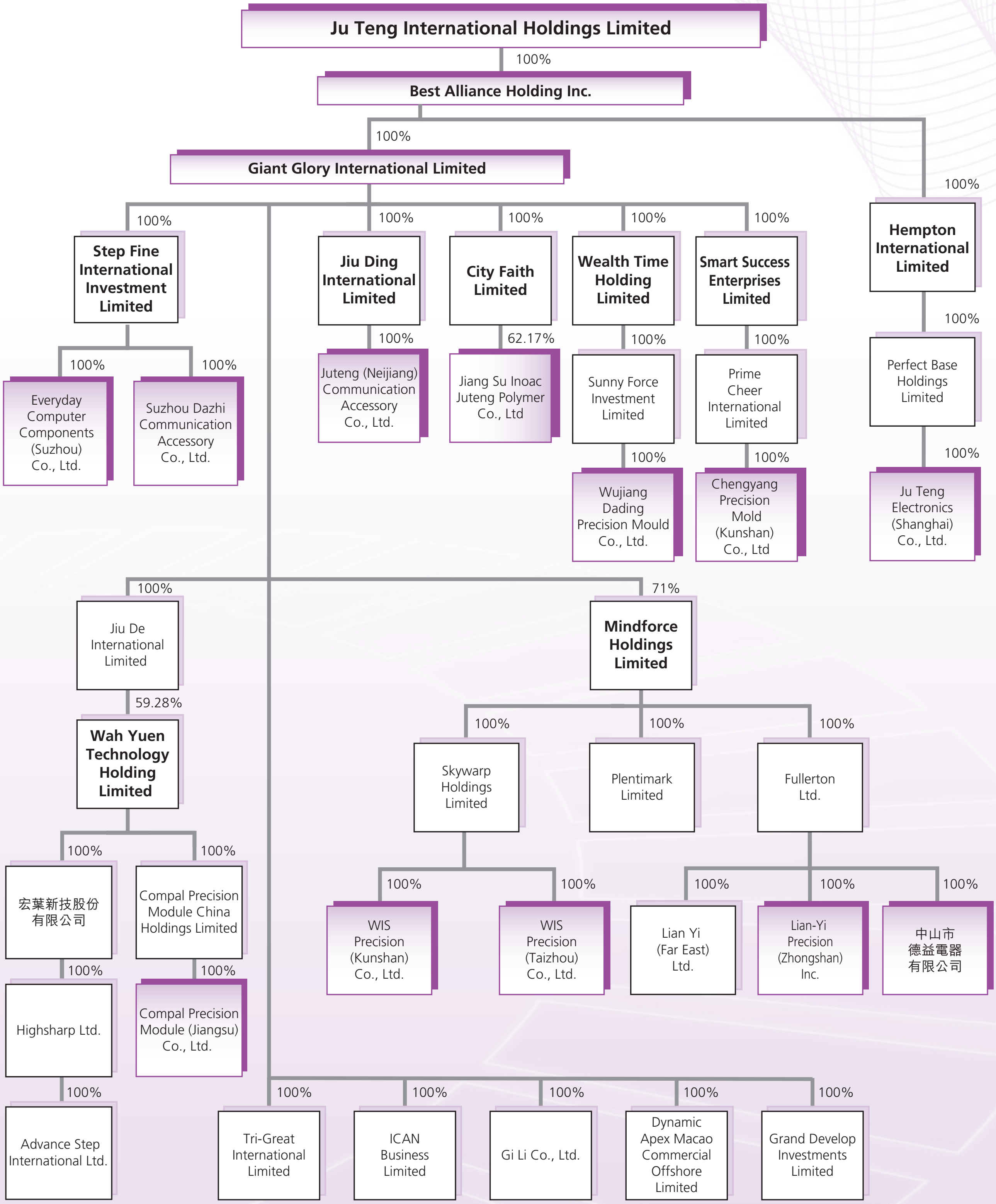
Principal Share Registrar and Transfer Office
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Website
www.irasia.com/listco/hk/juteng

GROUP STRUCTURE

As at 31 December 2012



CHAIRMAN'S STATEMENT

Overcoming Market Adversities to Attain Business Growth

2012 was a year full of changes and challenges for the personal computer ("PC") industry. In early 2012, many industry players expected to see considerable growth in annual PC sales, but unfortunately their hopes were shattered as the actual sales was far less than their expectation. Sales of Intel's Ultrabook remained sluggish and Microsoft's much-anticipated Windows 8 operating system also failed to stimulate end-of-year holiday sales, which ultimately dragged down the global annual PC shipment to approximately 350.4 million units, an approximate 3.7% year on year decrease, according to statistics released by International Data Corp. ("IDC").

Despite PC industry's poor sales that exerted much pressure on the operation of many PC makers, Ju Teng International Holdings Limited (the "Company" or "Ju Teng") nevertheless achieved impressive growth during the year with revenue increased for approximately 11.7% to approximately HK$9,201 million while profits soared approximately 134.2% to approximately HK$601 million. This growth was mainly attributable to the successful transformation efforts of the Company and its subsidiaries (collectively, the "Group") in the past two years, which emphasized on the enhancement of gross profit margin and development of casings made by various materials, thereby helping the Group to become a one-stop notebook computer casing provider and obtain more new orders.

Achieving Successful Transformation to Facilitate Product Diversification

Since 2010, Ju Teng embarked on a transformation program that focused on two aspects, namely, pricing policy and product strategies.

Two years ago, confronted with the notebook computer industry's fierce price war that impacted the Group's profits, management decided to change its sales and marketing strategy by quitting the low-price and high-volume game. Since then, the Group has prioritized on improving its product's average selling price and profit margin. As older products phased out gradually, the Group introduced more new products that garnered higher prices. As a result, the Group's gross profit margin rose from approximately 10.5% last year to approximately 15.2% in 2012, which improved its profitability substantially.

Product-wise, Ju Teng previously focused on plastic casings that accounted for approximately 90% of the Group's total revenue in the past years. Management has recognized the need for product diversification in order to broaden the Group's revenue base and achieve a healthy business growth. Thus, Ju Teng acquired computer numerical control machines to expand its metal casing operations in the past two years. The Group also invested in a new factory in Neijiang City, Sichuan Province. The second phase of the factory has already commenced production following its construction completion in late 2012. During the year, the metal casing segment accounted for approximately 20% of the Group's annual revenue, a notable increase from the approximately 10% recorded last year, which enhanced its overall gross profit margin significantly.

Apart from capacity expansion of metal casings, Ju Teng has also made technological explorations in casings made with various materials, which aims to broaden its business horizon. The Group believes that carbon fibre is a highly suitable material for light-weight casings given the fact that it is as tough as aluminum-magnesium alloy and versatile as plastic. In addition, carbon fibre has excellent heat dissipation properties and, therefore, it has already been widely used in our daily life such as in the production of Boeing airplanes, sedans and bicycles. In 2012, Ju Teng's carbon fibre casing segment commenced mass production, mainly for high-end notebook computer models, and therefore its contribution to the Group's annual revenue remained relatively small. As a leader in carbon fibre casing technology, Ju Teng is currently making technical adjustment to lower its production cost, which aims to enhance its adoption among customers and achieve a higher penetration rate in the market.

During the year, Ju Teng also achieved market diversification by tapping into the tablet PC segment. The Group undertook orders to produce plastic casings for a well-known brand. Thanks to conventional notebook computer brands' increasing participation in the table PC market, management believes that the Group's business opportunities in this segment will grow steadily.

Prospects

Looking forward, Ju Teng has identified a few industry trends that are beneficial to the Group's continuous growth.

In respect of the notebook computer market, though Windows 8 failed to save global PC shipment from its decline in 2012, IDC pointed out that PC makers might have to take some responsibility for this failure as their product launches missed the focal point of Windows 8 marketing campaign, namely the touch-screen features. Consumers delayed their purchases when they found that most of the notebook computers on shelves during holiday season were similar to traditional products that failed to deliver the promised touch-screen user experience. Having learnt their lessons, PC makers are expected to launch more products with a new touch user interface that should lure consumers back to notebook computers in the coming year. Besides, consumers' indifference to Windows 8 notebook computers was also caused by their high price tags. Industry players expect that prices of new touch-screen notebook computers will be lowered in the coming year, which will in turn drive sales growth. In addition, Microsoft also announced that it will stop supporting Windows XP in April 2014, which is expected to trigger replacement demand, in particular for enterprise notebook computers, thereby stimulating sales of notebook computer in the coming year.

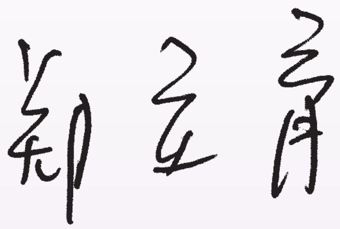
In respect of the tablet PC market, it is expected that sales will continue to be strong in 2013, which is beneficial to Ju Teng because of its plan to gain more casing orders in this segment. After Apple's dominance in the tablet PC market for two years, this market has transformed into a multi-player arena as it witnessed the birth of more instant hits such as Samsung Galaxy Tab, Amazon Kindle Fire and Google Nexus, which unveiled its huge market potential and encouraged other makers to launch similar products. Increasing competition is expected to drive prices lower in the tablet PC market, which will force manufacturers to consider non-metal casing options to reduce cost, such as plastic and hybrid casings, thus helping Ju Teng obtain more new contracts in this segment.

CHAIRMAN'S STATEMENT

In respect of casing materials, due to consumer preference for slimmer casings and better-priced products, management believes that both notebook and tablet PC makers will have to consider relatively cheaper non-metal casing solutions. Hybrid casing will be a right answer for them. Hybrid casing, through the combination of plastic injection molding and processing of composite materials, can keep notebook and tablet PCs compact and small. Hybrid casings have proven to be more cost-competitive in comparison to metal casings and thus the market demand for hybrid products is expected to grow in the future. As an industry-leading one-stop solution provider possessing comprehensive technologies in plastic, metal, carbon fiber and glass fiber casing, Ju Teng offers customers all-round services including mold development, injection molding, precision stamping, spray-painting and assembly. Thanks to these unique competitive advantages, the Group believes it will benefit directly from the increasing market demand for hybrid casings.

Overall, as casing design has already become an important differentiating factor for PC brands that are eager to stimulate consumers' buying desire with sleek casings, Ju Teng will ride on this trend and expand its business further in the coming year, particularly in the higher-margin metal and carbon fibre casing segments. Moreover, the Group will also strive for its growth in the tablet PC segment, with an aim to enhance overall capacity utilization rate, thereby enhancing its revenue and profit growth.

Last but not least, I would like to take this opportunity to express my heartfelt thanks to our shareholders for their continued support. I am also thankful to our dedicated staff who worked hand in hand with the Group to overcome adversities in the industry and achieve encouraging results during the year.



Cheng Li-Yu
Chairman

Hong Kong
19 March 2013

Business Review & Prospect

In 2012, due to continued economic weakness in the U.S. and European countries, the global personal computer industry recorded a disappointing year marked by shipment decline. Notwithstanding these challenges in the market, Ju Teng achieved remarkable results with its profits more than doubled during the year, which underscored the Group's success in corporate transformation by focusing on product diversification and improvement in gross profit margin.

During the year, Ju Teng continued to expand its production capacity, especially the metal casing segment with a higher gross profit margin. In addition, the Group also expanded its production facilities in Neijiang City, Sichuan Province, with the construction of second phase which has already commenced production after its construction completion in late 2012.

During the year, Ju Teng saw its metal casing orders growing with the expansion of production capacity in this segment. In the first half of 2012, the Group began to supply aluminum unibody casings to a Korean customer and received more metal casing orders from a number of major notebook computer brands in the second half of the year. Thanks to this impressive sales growth, the metal casing segment accounted for approximately 20% of the Group's total revenue this year in comparison to approximately 10% in the previous year.

Furthermore, Ju Teng also put great efforts in the expansion of carbon fibre casing operations during the year. For its resilient and high heat resistant properties as well as colorful surface treatment possibilities, carbon fibre casing is suitable for notebook computers at the higher end of the market. Two years ago, the Group cooperated with a Japanese company that specializes in carbon fibre technology to conduct research and development on the application of this technology in notebook computer casing. During the year, the Group's carbon fibre casing operations commenced mass production and started to contribute to its annual revenue.

In 2012, Ju Teng's plastic casing operations also made considerable progress after last year's intense price war that put some competitors out of business. Leveraging on its competitive advantage as a leader in the casing industry, the Group received more new contracts for plastic casings during the year. The Group also tapped into the tablet PC market by providing plastic casings for a popular brand, which further increased its share in the plastic casing market. In respect of pricing, Ju Teng's plastic casing orders managed to fetch higher price tags during the year after the Group abandoned its low-price and high-volume strategy, which helped the Group enhance its overall gross profit margin.

Looking ahead, apart from stimulating plastic and metal casing sales via construction of new production facilities, Ju Teng also plans to step up its research and development on carbon fibre technology. The Group aims to improve the yield rate of carbon fibre casings while lowering the production costs and selling price, thereby facilitating its market penetration. With the increasing adoption of carbon fibre casings by notebook computer brands, the Group expects its carbon fibre casing business to speed up in the coming year. The Group will also put great efforts to develop non-metal casing solutions that shall lower production costs, especially slim casings made with techniques of plastic injection molding and processing of composite materials. These hybrid casings offer the advantage of lower production cost in comparison to metal casings. Therefore, the market demand for hybrid casings is expected to pick up in the future.

In addition, thanks to the exponential growth of tablet PC in recent years and Microsoft's launch of Windows 8 operating system tailor-made for touch screens, it is expected that more tablet PCs will be introduced in the market in 2013. Therefore, Ju Teng has taken substantial efforts to reinforce cooperation with major brands by providing more casing solutions, thereby boosting the growth of its tablet PC segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Apart from business expansion, Ju Teng also pays great attention to cost control in its operations. Since Chinese workers' salary hike has slowed down recently, management believes that the coming year will see relative modest wage increase, which will help the Group transfer this cost pressure to its customers by requesting for upward price adjustment in contracts. In addition, management is also closely monitoring the development of Renminbi ("RMB"). While the value of RMB continues to trend upward, it nevertheless is moving in a markedly slower pace, which can minimize risks arising from exchange rate volatility and help Ju Teng achieve operating stability. In the coming year, the Group aims to enhance its gross profit margin further with effective cost control measures, thereby pushing its profits to a new high.

Financial Review

During the year, thanks to its aggressive expansion of metal casing operations and dedicated efforts to increase the average selling price of its products, the Group continued to achieve revenue growth, which increased for approximately 11.7% to approximately HK$9,201 million (2011: HK$8,235 million). The overall gross profit margin also rose to approximately 15.2% (2011: 10.5%).

Due to the commencement of the production of a plant in Sichuan Province, the Group recorded an increase of approximately 9.7% in operating costs and other operating expenses, including administrative expenses, selling and distribution costs and other expenses to approximately HK$651 million (2011: HK$593 million), accounting for approximately 7.1% (2011: 7.2%) of the Group's turnover.

Finance costs increased by approximately 37.8% to approximately HK$62 million (2011: HK$45 million) for the year as compared to that of 2011, which was due to an increase in bank borrowings.

The profit attributable to equity holders for the year amounted to approximately HK$601 million (2011: HK$257 million), representing an increase of approximately 134.2% when compared to last year, which was mainly attributable to the increase in the Group's turnover and gross profit margin.

Liquidity and Financial Resources

As at 31 December 2012, total bank borrowings of the Group amounted to approximately HK$4,082 million (31 December 2011: HK$2,622 million), representing an increase of approximately 55.7% as compared to that of 31 December 2011. The Group's bank borrowings include short-term loans with 1-year maturity, 2-year term loans and 3-year revolving syndicated loans. As at 31 December 2012, the Group's bank loans denominated in USD and New Taiwan Dollars are carrying the amounts of approximately HK$4,028 million (31 December 2011: HK$2,609 million) and approximately HK$54 million (31 December 2011: HK$13 million) respectively.

During the year, the Group's cashflow from operating activities decreased to approximately HK$411 million from HK$687 million during last year due to an increase in trade receivables. As a result of the purchase of fixed assets to expand its production capacity in metal casings and construction of second phase of a production plant in Sichuan Province, the Group recorded a net cash outflow from investing activities of HK$1,344 million (2011: HK$1,618 million). During the year, due to additional bank loans obtained to finance the expansion, the Group recorded a net cash inflow from financing activities of approximately HK$1,408 million (2011: HK$696 million). As at 31 December 2012, the Group had cash and bank balances of approximately HK$1,163 million (31 December 2011: HK$654 million).

As at 31 December 2012, the Group's gearing ratio, calculated as total bank borrowings of approximately HK$4,082 million (31 December 2011: HK$2,622 million) divided by total assets of approximately HK$13,249 million (31 December 2011: HK$11,373 million) was 30.8% (31 December 2011: 23.1%). The gearing ratio was increased due to the increase in bank borrowings.

Pledge of Assets

As at 31 December 2012 and 31 December 2011, the Group did not have any leasehold land and buildings and machinery pledged to secure banking facilities granted to the Group.

As at 31 December 2012 and 31 December 2011, shares of certain subsidiaries of the Group were pledged to secure banking facilities granted to the Group.

Foreign Exchange Exposure

Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation of value of RMB will have adverse effect on the Group's profitability. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses in relation to the fluctuations in the values of the USD and RMB.

Employees

As at 31 December 2012, the Group had approximately 32,000 employees (31 December 2011: 32,000 employees). The Group recorded staff costs of approximately HK$1,741 million (2011: HK$1,479 million).

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

Capital Commitment

As at 31 December 2012, the capital commitments which the Group had contracted for but were not provided for in the financial information in respect to the acquisition of land, buildings and machineries amounted to approximately HK$214 million (31 December 2011: HK$560 million).

Contingent Liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

MANAGEMENT PROFILE

Directors

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 54, is the chairman of the Group. Mr. Cheng Li-Yu is the younger brother of Mr. Cheng Li-Yen and he is one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting 27 years ago. Mr. Cheng is responsible for the Group's overall corporate strategy planning, operation management, forecast and analysis of market trend and establishment of the Group's future development direction. Mr. Cheng is currently the director of Southern Asia Management Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" in this annual report. Mr. Cheng Li-Yu was appointed as an executive Director on 15 July 2004.

Mr. Cheng is the cousin of Mr. Cheng Li-Chen, a senior management of the Group.

Mr. Cheng Li-Yen (鄭立彥), aged 59, is an executive Director. Mr. Cheng is the elder brother of Mr. Cheng Li-Yu and he is also one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting over 21 years and later joined the management of Sunrise Plastic Injection Company Limited in around 2000. Mr. Cheng is responsible for the Group's overall management of resource planning, as well as plant expansion, development and construction. Mr. Cheng was appointed as an executive Director on 10 June 2005.

Mr. Cheng is the cousin of Mr. Cheng Li-Chen, a senior management of the Group.

Mr. Huang Kuo-Kuang (黃國光), aged 52, is an executive Director. He joined the Group in February 2001 as a member of the Group's senior management and has been responsible for the Group's daily operations and for overseeing the Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd ("Suzhou Dazhi"), since their establishment. He was appointed as senior vice president of Everyday Computer and of Suzhou Dazhi in 2002. He has more than 20 years' experience in the computer industry. He is responsible for the planning of the Group's procurement strategy, as well as the execution and guidance of operation management. Mr. Huang was appointed as an executive Director on 10 June 2005.

Mr. Hsieh Wan-Fu (謝萬福), aged 49, is an executive Director. He joined the Group as senior vice president in 2003. He is responsible for the establishment of quality control system, supervision of the Group's production in spray painting, development of new technology in dust-free spray painting and promotion of the application of relevant technology in dust-free spray painting to the customers. Mr. Hsieh was appointed as an executive Director on 25 May 2006.

Mr. Lo Jung-Te (羅榮德), aged 53, is an executive Director. He joined the Group as senior vice president in 2004. He is responsible for the supervision of the manufacture and development of the Group's automatic moulding. He is also responsible for assisting with the Group's improvement in manufacturing technology of injection moulding development, expansion of new markets and product design of non-notebook computer casing. Mr. Lo was appointed as an executive Director on 25 May 2006.

Mr. Tsui Yung Kwok (徐容國), aged 44, is an executive Director, the chief financial officer and the company secretary of the Group and is responsible for the overall financial management and company secretarial functions of the Group. He holds a master degree in corporate governance and a bachelor degree in business (Accounting). He is also a member of the Institute of Chartered Accountants in Australia, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Before joining the Group in August 2004, Mr. Tsui had been the chief financial officer of a Hong Kong listed company and held a senior position in an international accounting firm in Hong Kong. He had over 20 years' experience in accounting and finance. He has been an independent non-executive director of Shenguan Holdings (Group) Limited (Stock code: 829) since 19 September 2009, SITC International Holdings Company Limited (Stock code: 1308) since 10 September 2010 and 361 Degrees International Limited (Stock code: 1361) since 1 September 2012 respectively. Mr. Tsui was appointed as an executive Director on 10 June 2005.

Independent non-executive Directors

Mr. Cherng Chia-Jiun (程嘉君), aged 58, graduated from the National Chengchi University with a Master's degree in Business Administration and a Bachelor of Science degree in Statistics. Mr. Cherng is currently an independent director of Azion Corporation, whose shares are traded on the Taiwan OTC Market. He was also the director and President of Digital United Inc., whose shares are traded on the Taiwan Emerging Market until 16 March 2009. Furthermore, he was appointed as an independent director of FSP Technology Inc. since June 2011, whose shares are listed on the Taiwan Stock Exchange Corporation ("TSEC"). From 1979 to 1998, Mr. Cherng was with the Taiwan based Institute for Information Industry (III), serving in various capacities including general manager of the Network Business Group, director of the Technology Service Group, director of the Market Intelligence Center, and program director of the Technology Research Division. Mr. Cherng was also the director of Zinwell Corporation and the supervisor of AOpen Inc., both of these companies are listed on the TSEC. Mr. Cherng was appointed as an independent non-executive Director on 31 July 2008.

Mr. Tsai Wen-Yu (蔡文預), aged 59, is an independent non-executive Director. He obtained his master degree in business administration from the National Chengchi University. He has extensive experience in accounting, taxation and corporate governance. Mr. Tsai is a certified public accountant in Taiwan. He is also the supervisor of Hua Nan Commercial Bank, and is the independent director of Maywufa Company Ltd., a company listed on the TSEC and a part-time lecturer of Shih Chien University. Mr. Tsai was appointed as an independent non-executive Director on 10 June 2005.

Mr. Yip Wai Ming (葉偉明), aged 47, is an independent non-executive Director. He has more than 23 years of experience in finance and accounting, and had held senior positions in an international accounting firm, a major European bank and listed companies in Hong Kong. Mr. Yip graduated from the University of Hong Kong with a Bachelor's degree in social sciences and from the University of London with a Bachelor's degree in law. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. He has been appointed as an independent non-executive director of BBMG Corporation (Stock code: 2009) since 28 April 2009, PAX Global Technology Limited (Stock code: 327) since 1 December 2010 and Far East Horizon Limited (Stock code: 3360) since 11 March 2011 respectively. Mr. Yip was appointed as an independent non-executive Director on 25 May 2006.

MANAGEMENT PROFILE

Senior Management

Mr. Huang Cheng Pin (黃正斌), aged 47, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Huang has over 15 years of experience in the banking field and is responsible for the Group's exports of products and imports of production materials. He also assists the board of Directors in the evaluation of investment projects as well as the Group's financial planning and funding matters.

Mr. Lu Fu-Hsing (呂福興), aged 47, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Lu has over 22 years of experience in quality control. He was appointed to assist Mr. Cheng Li-Yu in the development of the quality control system of the Group. He is also responsible for the design and enhancement of the Group's quality control, and the monitoring and rectification of the matters in relation to the operations and management of the Group.

Mr. Liao Cheng-Yuan (廖正元), aged 53, is an assistant to Mr. Cheng Li-Yu and joined the Group in 2004. He is responsible for modification and implementation of the procurement strategy. He is also responsible for the introduction of new products and the supervision of the pilot run of the Group's new products.

Mr. Chao Min-Jen (趙明仁), aged 44, is an associate vice president of the Group who joined the Group in 2002. Mr. Chao has been working in the industrial and electronics field for over 20 years. He is responsible for assisting in the price determination of the Group's products, and for supporting the sales and marketing function and aftersales services.

Mr. Liu Wei-Cheng (劉為政), aged 55, is an associate vice president of the Group who joined the Group in 2002. Mr. Liu has been working in the electronic goods casing industry for over 24 years. He is responsible for the supervision of the Group's production in plastic injection, the development of new technology in plastic injection and the improvement of the Group's production efficiency. He is also responsible for the project review on the source of development for injection moulding in progress. In addition, he helps coordinate the communication and liaison between the plastic injection moulding development unit and the injection moulding production unit.

Mr. Cheng Li-Chen (鄭立晨), aged 43, is an associate vice president of the Group who joined the Group in 2002. He has been working in the plastic product surface coating industry for over 23 years. Mr. Cheng is responsible for the planning of manufacturing process and production management of the surface coating for the Group's plastic casing products, the improvement in efficiency and cost reductions. In addition to specializing in the research and development of the new technology of three dimensional coating, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all coating production facilities of the Group.

Mr. Cheng is the cousin of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, both are executive Directors.

Mr. Yeh Chih-Yuan (葉志原), aged 47, is an associate vice president of the Group who joined the Group in 2002. He has been working in the plastic product surface coating industry for over 23 years. Mr. Yeh is responsible for the planning of manufacturing process and production management of the surface coating for the Group's plastic casing products as well as enhancing efficiency and lowering costs. In addition to specializing in the research and development of the new technology of three dimensional coating, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all coating production facilities of the Group.

Mr. Cheng Hsing-Liang (鄭行良), aged 49, is an associate vice president of the Group who joined the Group in 2003. He has been working in the electronic goods plastic casing injection moulding industry for over 25 years. He is responsible for the supervision of the Group's production in plastic injection, the development of new technology in plastic injection and the improvement of the Group's production efficiency. Meanwhile, he is also responsible for the repairs and maintenance and the improvement in production yield in relation to all injection moulding production facilities of the Group.

Mr. Chang Chin-Shin (張金獅), aged 52, is an associate vice president of the Group who joined the Group in 2003. He has been working in the plastic moulding industry for 24 years. He is responsible for the planning and implementation of the projects on the new products manufactured by the Group, as well as the coordination with customers in relation to all products of the Group during pilot runs and mass production.

Mr. Chu San-Tai (朱三泰), aged 38, is an associate vice president of the Group who joined the Group in 2003. He has 17 years of experience in quality control. He is responsible for the supervision of the Group's quality control department, all quality control system certifications, and quality control system set-up, planning and maintenance.

Mr. Chang Cheng-Fu (張正富), aged 52, is an associate vice president of the Group who joined the Group in 2004. He has 19 years of experience in electronic goods assembling. He is responsible for the assembling production of all products of the Group, primarily specializing in the improvement in production efficiency and cost reduction for the product assembling segment, and the research on new technologies including printing and laser engraving as well as the improvement in efficiency.

Mr. Cheng Yung-Chang (陳永昌), aged 52, is a vice president of the Group. He was the chairman of Chengyang Precision Mould (Kunshan) Co., Ltd, and he founded a sole proprietorship in Taiwan, namely Chengyang Industrial Co., Ltd., which was specialized in the manufacture of notebook computers moulds in 1994. In order to smoothing of the production processes by vertical integration, the Group had acquired his company in 2008 and he joined the Group since then.

Mr. Lin Feng-Chieh (林豐杰), aged 54, is a vice president of the Group who joined the Group in September 2011 and has a MBA obtained from the University of Leicester, UK. He worked at Arima Computer Corporation from 1990 to 2005, served as a senior vice president at the R & D center of notebook computer, responsible for the leading and management of the R & D team to carry out the development of notebook computer. He worked at Huafu Technology Co., Ltd., as the chief technology officer of the group and a general manager of Taiwan business from 2006 to 2008, responsible for the planning of the new technology R & D strategy of the group, and the operating strategic planning and operational management of the Taiwan business. He worked at Flextronics, an American computer business group, served as a senior director of R & D center of notebook computer from 2008 to June 2011, responsible for the leading and management of the mechanical design team to carry out the development of the notebook computer. He is currently responsible to monitor the development of new technology-related businesses of the Group.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Ju Teng International Holdings Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (the "Subsidiaries" and together with the Company, 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 Subsidiaries are set out in note 19 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 the Group at 31 December 2012 are set out in the financial statements on pages 40 to 117.

The Directors recommend the payment of a final dividend of HK$0.12 per share in respect of the year ended 31 December 2012 (2011: HK$0.08 per share) to shareholders whose names appear on the register of members of the Company on 22 May 2013.

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 is set out on page 118. This summary does not form part of the audited financial statements of the Group for the year ended 31 December 2012.

Property, Plant and Equipment

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

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 30 and 31 to the financial statements, respectively.

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, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares (the "Shares") on a pro rata basis to the existing shareholders of the Company.

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity in the financial statements, respectively.

Distributable Reserves

As at 31 December 2012, the Company's reserves available for distribution, as calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$1,004,335,000.

Charitable Contributions

During the year, the Group made charitable contributions totaling HK$133,000.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 94% of the total sales for the year and sales to the largest customer amounted to approximately 33% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. None of the Directors nor 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) of the Company had any interest in the Group's five largest customers or suppliers.

Directors

The Directors during the year were:

Executive Directors:

Mr. Cheng Li-Yu *(Chairman)*
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Hsieh Wan-Fu
Mr. Lo Jung-Te
Mr. Tsui Yung Kwok

Independent Non-Executive Directors:

Mr. Cherng Chia-Jiun
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

In accordance with article 108(A) of the Company's articles of association, Mr. Hsieh Wan-Fu, Mr. Tsui Yung Kwok and Mr. Tsai Wen-Yu will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from all the three independent non-executive Directors namely, Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

Directors' and Senior Managements' Biographies

Biographical details of the Directors and senior management of the Group are set out on pages 10 to 13 of this annual report.

Directors' Service Contracts

Each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Hsieh Wan-Fu and Mr. Lo Jung-Te, both being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cherng Chia-Jiun, being an independent non-executive Director, has been appointed for a term of two years commencing from 31 July 2008, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Tsai Wen-Yu, being an independent non-executive Director, has been appointed for a term of two years commencing from 17 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Yip Wai Ming, being independent non-executive Director, has been appointed for a term of two years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

No Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of the Subsidiaries which is not determinable by the Company or the Subsidiary(ies) within one year without payment of compensation, other than statutory compensation.

Directors' and Senior Managements' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the senior management of the Group by band for the year ended 31 December 2012 is set out below:

Remuneration bands	Number of senior management
HK$500,001 to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	7
HK$1,500,001 to HK$2,000,000	2
	13

Further details of the Directors' remuneration and the five highest paid employees are set out in note 9 and 10 to the financial statements, respectively.

Directors' Interests in Contracts

Save as disclosed in note 37 to the financial statements and in the section headed "Connected transactions and continuing connected transactions" in this report, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of the Subsidiaries was a party subsisting during or at the end of the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Save as disclosed in note 37 to the financial statements, no contract of significance had been entered into between the Company or any of the Subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

Save as disclosed in note 37 to the financial statements, no contract of significance for the provision of services to the Group by any of the controlling shareholder of the Company or any of its subsidiaries was entered into.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares

Name of Director	Nature of interest	Number and class of Shares held *(Note 1)*	Approximate percentage of shareholding
Mr. Cheng Li-Yu	Founder of a discretionary trust *(Note 2)*	290,090,986 (L) ordinary Shares	25.22%
	Beneficial owner	30,274,000 (L) ordinary Shares	2.63%
	Interest of spouse *(Note 3)*	10,518,046 (L) ordinary Shares	0.91%
Mr. Cheng Li-Yen	Beneficiary of a trust *(Note 2)*	290,090,986 (L) ordinary Shares	25.22%
Mr. Cherng Chia-Jiun	Beneficial owner	34,000 (L) ordinary Shares	0.00%
Mr. Huang Kuo-Kuang	Beneficial owner	5,673,866 (L) ordinary Shares	0.49%
	Interest of spouse *(Note 4)*	2,950,631 (L) ordinary Shares	0.26%
Mr. Hsieh Wan-Fu	Beneficial owner	2,874,432(L) ordinary Shares	0.25%
Mr. Lo Jung-Te	Beneficial owner	7,167,942 (L) ordinary Shares	0.62%
Mr. Tsai Wen-Yu	Beneficial owner	34,000 (L) ordinary Shares	0.00%
Mr. Tsui Yung Kwok	Beneficial owner	4,048,000 (L) ordinary Shares	0.35%
Mr. Yip Wai Ming	Beneficial owner	34,000 (L) ordinary Shares	0.00%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. The Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was beneficially owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include, among others, Mr. Cheng Li-Yen and Mr. Cheng Li-Yu. Mr. Cheng Li-Yen and Mr. Cheng Li-Yu were deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO.
3. Mr. Cheng Li-Yu is the husband of Ms. Lin Mei-Li and he was deemed to be interested in all the Shares in which Ms. Lin Mei-Li was interested by virtue of the SFO.
4. Mr. Huang Kuo-Kuang is the husband of Ms. Wang Shu-Hui and he was deemed to be interested in all the Shares in which Ms. Wang Shu-Hui was interested by virtue of the SFO.

(ii) Interests in Underlying Shares

Name of Director	Nature of interest	Number of underlying shares *(Note 1)*	Exercise period	Exercise price per Share	Approximate percentage of Shareholding
Mr. Cheng Li-Yen	Beneficial owner	2,194,000 (L) *(Note 2)*	N/A	N/A	0.19%
Mr. Cherng Chia-Jiun	Beneficial owner	1,000 (L) *(Note 3)*	7-11-2012 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
Mr. Huang Kuo-Kuang	Beneficial owner	1,000 (L) *(Note 3)*	7-11-2012 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
Mr. Hsieh Wan-Fu	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.03% *(Note 4)*

Name of Director	Nature of interest	Number of underlying shares *(Note 1)*	Exercise period	Exercise price per Share	Approximate percentage of Shareholding
Mr. Lo Jung-Te	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
	Beneficial owner	402,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.03% *(Note 4)*
Mr. Tsai Wen-Yu	Beneficial owner	1,000 (L) *(Note 3)*	7-11-2012 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
Mr. Tsui Yung Kwok	Beneficial owner	1,000 (L) *(Note 3)*	7-11-2012 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.02% *(Note 4)*
	Beneficial owner	251,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.02% *(Note 4)*

Name of Director	Nature of interest	Number of underlying shares *(Note 1)*	Exercise period	Exercise price per Share	Approximate percentage of Shareholding
Mr. Yip Wai Ming	Beneficial owner	1,000 (L) *(Note 3)*	7-11-2012 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2013 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2014 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2015 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2016 to 30-11-2019	HK$0.97	0.00% *(Note 4)*
	Beneficial owner	35,000 (L) *(Note 3)*	7-11-2017 to 30-11-2019	HK$0.97	0.00% *(Note 4)*

Notes:

1. The letter “L” denotes a long position in the underlying Shares.

2. The long position in the underlying Shares comprised 2,194,000 units of Taiwan depositary receipts on the Taiwan Stock Exchange Corporation, representing 2,194,000 Shares of the Company.

3. The long position in the underlying Shares comprised 176,000, 1,256,000, 2,010,000, 2,010,000, 176,000, 1,256,000 and 176,000 options granted to Mr. Cherng Chia-Jiun, Mr. Huang Kuo-Kuang, Mr. Hsieh Wan-Fu, Mr. Lo Jung-Te, Mr. Tsai Wen-Yu, Mr. Tsui Yung Kwok and Mr. Yip Wai Ming respectively by the Company on 17 January 2012 under the Share Option Scheme and such share options remained outstanding as at 31 December 2012.

4. This percentage was calculated on the basis of 1,237,768,000 Shares in issue immediately following the exercise in full of all the options granted under the Share Option Scheme at the same time and assuming that there would be no change in the total issued share capital of the Company other than as enlarged by the exercise of these options prior to the exercise in full of these options.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of 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 Hong Kong Stock Exchange pursuant to the Model Code.

Directors’ Rights to Acquire Shares or Debentures

Save as disclosed in note 31 to the financial information, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor (natural or adopted), or were such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

Share Option Scheme

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details are disclosed in note 31 to the financial information.

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

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2012	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	Price per Share at grant date *(Note 3)*
Directors										
Mr. Cherng Chia-Jiun	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2012 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2013 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2014 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	35,000	(34,000)	–	–	1,000	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	210,000	210,000	(34,000)	(210,000)	–	176,000				
Mr. Huang Kuo-Kuang	1,000,000	–	(1,000,000)	–	–	–	7-11-2006	7-11-2011 to 6-11-2016	HK$1.56	HK$1.56
	252,000	–	–	(252,000)	–	–	24-4-2008	7-11-2012 to 23-4-2018	HK$2.75	HK$2.75
	252,000	–	–	(252,000)	–	–	24-4-2008	7-11-2013 to 23-4-2018	HK$2.75	HK$2.75
	252,000	–	–	(252,000)	–	–	24-4-2008	7-11-2014 to 23-4-2018	HK$2.75	HK$2.75
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	251,000	(250,000)	–	–	1,000	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	2,506,000	1,506,000	(1,250,000)	(1,506,000)	–	1,256,000				

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2012	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	Price per Share at grant date *(Note 3)*
Mr. Hsieh Wan-Fu	500,000	–	(500,000)	–	–	–	7-11-2006	7-11-2011 to 6-11-2016	HK$1.56	HK$1.56
	554,000	–	–	(554,000)	–	–	24-4-2008	7-11-2012 to 23-4-2018	HK$2.75	HK$2.75
	554,000	–	–	(554,000)	–	–	24-4-2008	7-11-2013 to 23-4-2018	HK$2.75	HK$2.75
	554,000	–	–	(554,000)	–	–	24-4-2008	7-11-2014 to 23-4-2018	HK$2.75	HK$2.75
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	402,000	(402,000)	–	–	–	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	2,912,000	2,412,000	(902,000)	(2,412,000)	–	2,010,000				
Mr. Lo Jung-Te	500,000	–	(500,000)	–	–	–	7-11-2006	7-11-2011 to 6-11-2016	HK$1.56	HK$1.56
	554,000	–	–	(554,000)	–	–	24-4-2008	7-11-2012 to 23-4-2018	HK$2.75	HK$2.75
	554,000	–	–	(554,000)	–	–	24-4-2008	7-11-2013 to 23-4-2018	HK$2.75	HK$2.75
	554,000	–	–	(554,000)	–	–	24-4-2008	7-11-2014 to 23-4-2018	HK$2.75	HK$2.75
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	402,000	(402,000)	–	–	–	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	402,000	–	–	–	402,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	2,912,000	2,412,000	(902,000)	(2,412,000)	–	2,010,000				
Mr. Tsai Wen-Yu	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2012 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2013 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2014 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	35,000	(34,000)	–	–	1,000	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	210,000	210,000	(34,000)	(210,000)	–	176,000				

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2012	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	Price per Share at grant date *(Note 3)*
Mr. Tsui Yung Kwok	1,334	–	(1,334)	–	–	–	7-11-2006	7-11-2010 to 6-11-2016	HK$1.56	HK$1.56
	332,666	–	(332,666)	–	–	–	7-11-2006	7-11-2011 to 6-11-2016	HK$1.56	HK$1.56
	252,000	–	–	(252,000)	–	–	24-4-2008	7-11-2012 to 23-4-2018	HK$2.75	HK$2.75
	252,000	–	–	(252,000)	–	–	24-4-2008	7-11-2013 to 23-4-2018	HK$2.75	HK$2.75
	252,000	–	–	(252,000)	–	–	24-4-2008	7-11-2014 to 23-4-2018	HK$2.75	HK$2.75
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	250,000	–	–	(250,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	251,000	(250,000)	–	–	1,000	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	251,000	–	–	–	251,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	1,840,000	1,506,000	(584,000)	(1,506,000)	–	1,256,000				
Mr. Yip Wai Ming	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2012 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2013 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2014 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	35,000	–	–	(35,000)	–	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	35,000	(34,000)	–	–	1,000	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	35,000	–	–	–	35,000	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	210,000	210,000	(34,000)	(210,000)	–	176,000				

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2012	Grant date *(Note 1)*	Exercise period	Exercise price per Share *(Note 2)*	Price per Share at grant date *(Note 3)*
Other employees										
In aggregate	76,666	–	(2,666)	–	(74,000)	–	7-11-2006	7-11-2010 to 6-11-2016	HK$1.56	HK$1.56
	12,077,334	–	(11,833,334)	–	(244,000)	–	7-11-2006	7-11-2011 to 6-11-2016	HK$1.56	HK$1.56
	12,607,333	–	–	(12,151,333)	(456,000)	–	24-4-2008	7-11-2012 to 23-4-2018	HK$2.75	HK$2.75
	12,607,333	–	–	(12,151,333)	(456,000)	–	24-4-2008	7-11-2013 to 23-4-2018	HK$2.75	HK$2.75
	12,607,334	–	–	(12,151,334)	(456,000)	–	24-4-2008	7-11-2014 to 23-4-2018	HK$2.75	HK$2.75
	3,690,000	–	–	(3,490,000)	(200,000)	–	14-7-2009	7-11-2011 to 13-7-2019	HK$4.15	HK$4.15
	3,690,000	–	–	(3,490,000)	(200,000)	–	14-7-2009	7-11-2012 to 13-7-2019	HK$4.15	HK$4.15
	3,690,000	–	–	(3,490,000)	(200,000)	–	14-7-2009	7-11-2013 to 13-7-2019	HK$4.15	HK$4.15
	3,690,000	–	–	(3,490,000)	(200,000)	–	14-7-2009	7-11-2014 to 13-7-2019	HK$4.15	HK$4.15
	3,690,000	–	–	(3,490,000)	(200,000)	–	14-7-2009	7-11-2015 to 13-7-2019	HK$4.15	HK$4.15
	4,202,999	–	–	(3,996,334)	(206,665)	–	3-5-2011	7-11-2012 to 13-7-2019	HK$2.62	HK$2.62
	4,203,000	–	–	(3,996,333)	(206,667)	–	3-5-2011	7-11-2013 to 13-7-2019	HK$2.62	HK$2.62
	4,203,000	–	–	(3,996,333)	(206,667)	–	3-5-2011	7-11-2014 to 13-7-2019	HK$2.62	HK$2.62
	16,395,667	–	–	(16,355,000)	(40,667)	–	3-5-2011	7-11-2015 to 13-7-2019	HK$2.62	HK$2.62
	16,395,667	–	–	(16,355,000)	(40,667)	–	3-5-2011	7-11-2016 to 13-7-2019	HK$2.62	HK$2.62
	16,395,667	–	–	(16,355,000)	(40,667)	–	3-5-2011	7-11-2017 to 13-7-2019	HK$2.62	HK$2.62
	–	17,232,000	(15,614,000)	–	(1,205,334)	412,666	17-1-2012	7-11-2012 to 30-11-2019	HK$0.97	HK$0.97
	–	17,232,000	–	–	(1,205,334)	16,026,666	17-1-2012	7-11-2013 to 30-11-2019	HK$0.97	HK$0.97
	–	17,232,000	–	–	(1,205,333)	16,026,667	17-1-2012	7-11-2014 to 30-11-2019	HK$0.97	HK$0.97
	–	17,232,000	–	–	(1,205,333)	16,026,667	17-1-2012	7-11-2015 to 30-11-2019	HK$0.97	HK$0.97
	–	17,232,000	–	–	(1,205,333)	16,026,667	17-1-2012	7-11-2016 to 30-11-2019	HK$0.97	HK$0.97
	–	17,232,000	–	–	(1,205,333)	16,026,667	17-1-2012	7-11-2017 to 30-11-2019	HK$0.97	HK$0.97
	130,222,000	103,392,000	(27,450,000)	(114,958,000)	(10,660,000)	80,546,000				
	141,022,000	111,858,000	(31,190,000)	(123,424,000)	(10,660,000)	87,606,000				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. 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.

3. The price of the Shares disclosed as at the date of grant of the share options is the Hong Kong Stock Exchange closing price of the Shares on the trading day immediately prior to the date of grant of the options.

Substantial Shareholders' Interests in Shares

As at 31 December 2012, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity and nature of interest	Number and class of Shares held *(Note 1)*	Approximate percentage of shareholding
Southern Asia	Beneficial owner	290,090,986 (L) ordinary Shares	25.22%
Shine Century Assets Corp. *(Note 2)*	Interest of a controlled corporation	290,090,986 (L) ordinary Shares	25.22%
East Asia International Trustees Limited *(Note 2)*	Trustee (other than a bare trustee)	290,090,986 (L) ordinary Shares	25.22%
Ms. Lin Mei-Li *(Note 3)*	Beneficial owner	10,518,046 (L) ordinary Shares	0.91%
	Interest of spouse	320,364,986 (L) ordinary Shares	27.85%

Notes:

1. The letter "L" denotes a long position in the Share.

2. The Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was owned by the Cheng Family Trust, the trustee of which was East Asia International Trustees Limited. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustee Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO. The Shares registered in the name of Southern Asia was also disclosed as the interest of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company" above.

3. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2012, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Connected Transactions and Continuing Connected Transactions

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either 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 the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year under review, the Group had conducted the following connected transaction and continuing connected transactions which were required to be disclosed pursuant to Rules 14A.45 and 14A.46 of the Listing Rules:

(a) Pursuant to a master sales agreement dated as at 31 December 2008 entered into between Giant Glory International Limited ("Giant Glory"), an indirect wholly-owned subsidiary of the Company (for itself and on behalf of other members of the Group) and Wistron Corporation ("Wistron") (for itself and on behalf of other members of the Wistron and its subsidiaries (the "Wistron Group")) on 23 January 2009, the Group agreed to sell the casings for electronic products and related materials manufactured and/or supplied by the Group (the "Products") to the Wistron Group, at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. On 31 October 2011, Giant Glory (for itself and on behalf of other members of the Group) and Wistron (for itself and on behalf of other members of Wistron Group) entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2012 and ending on 31 December 2014 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK$2,242,582,000 for the year ended 31 December 2012 (2011: HK$2,783,674,000).

    Wistron is a substantial shareholder of Mindforce Holdings Limited, an indirect non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

(b) On 1 January 2009, Giant Glory (for itself and on behalf of other members of the Group) and Compal Electronics, Inc. ("Compal") and three of its subsidiaries (for themselves and on behalf of other members of Compal and its subsidiaries (the "Compal Group")) entered into a master sales agreement in relation to the sales of the Products by the Group to the Compal Group at prices to be determined from time to time by the Group and Compal (for itself and on behalf of the other members of the Compal Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The price of the Products shall be payable by the Compal Group to the Group in arrears on a 120 days' credit period by transferring to the Group's bank account. On 15 November 2011, Giant Glory (for itself and on behalf of other members of the Group) and Compal (for itself and on behalf of other members of Compal Group) entered into a renewal agreement for the existing master sales agreement which has a term of three years commencing from 1 January 2012 and ending on 31 December 2014 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Compal Group amount to approximately HK$3,009,452,000 for the year ended 31 December 2012 (2011: HK$2,166,598,000).

    The Compal Group is a substantial shareholder of Wah Yuen Technology Holding Limited, an indirect non-wholly owned subsidiary of the Company, and therefore is a connected person of the Company.

(c) On 11 June 2012, Gi Li Co., Ltd. ("Gi Li"), an indirect wholly owned subsidiary of the Company, and San Li Company Limited ("San Li") entered into an agreement in relation to the acquisition of a parcel of land and the building erected thereon and some equipment (including but not limited to production machinery located thereat) by Gi Li from San Li for a consideration of NT$80,660,000 (equivalent to HK$21,456,000) which was determined based on a valuation report prepared by an independent valuer.

San Li is wholly owned by Mr. Cheng Li-Yu, Mr. Cheng Li-Yen (both being executive Directors) and their family members, and therefore is a connected person of the Company.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions or continuing connected transactions disclosed in note 37 to the financial statements.

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 in (a) and (b) above by the Group in accordance with the Listing Rules and confirming the matters as stated in Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Sufficiency of Public Float

Based on the 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 latest practicable date prior to the issue of this annual report.

Directors' Interests in Competing Businesses

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

Audit Committee

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2012.

Auditors

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

ON BEHALF OF THE BOARD

Cheng Li-Yu
Chairman
Hong Kong
19 March 2013

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

Ju Teng International Holdings Limited (the "Company") continues to devote much effort on formulating the sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). On 1 April 2012, the board (the "Board") of directors (the "Directors") of the Company has established a corporate governance committee (the "CG Committee") with written terms of reference in compliance with code provision D.3.1 of the CG code. The Company and the CG Committee periodically review its corporate governance practices to ensure continuous compliance with the CG Code. Save as disclosed below, the Company had complied with the code provisions of the CG Code for the year ended 31 December 2012.

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Li-Yu is the chairman of the Board but the Company has not appointed any chief executive officer. The day-to-day management of the business of Group and the execution of the instructions and directions of the Board are managed by the management team of the Group which comprises some of the executive Directors and the senior management of the Group. The Directors believe that the allocation of the daily management of different sectors of the Group's business amongst the senior management who possesses experiences and qualifications in different areas will enable the Group to enhance the effectiveness and efficiency of the implementation of its business plan.

The Board will continue to review the management structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

Board of Directors

The Group is led by and controlled through the Board, which is currently constituted by a combination of six executive Directors and three independent non-executive Directors.

The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

The independent non-executive Directors have been appointed by the Company for a term of two years commencing from the date of their respective appointment renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, and until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other. The independent non-executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in rule 3.13 of the Listing Rules.

The Company has adopted and applied a code of conduct regarding the Directors' securities transaction on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2012. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the required standards set out in the Model Code and the code of conduct regarding directors' securities transactions for the year ended 31 December 2012.

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Save for the sibling relationship between Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, both being executive Directors, there is no family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

Directors' Attendance Record at Meetings

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2012, the Board convened a total of five Board meetings (exclusive of meetings of Board committee constituted by the Board held during the year) and one general meeting, i.e. the annual general meeting. The individual attendance record of the Directors at board meetings and general meeting of the Company is tabulated as follows:

	Board meeting		General meeting	
Name of Directors	Number of Meeting(s) held	Number of Meeting(s) attended	Number of Meeting(s) held	Number of Meeting(s) attended
Executive Directors				
Mr. Cheng Li-Yu *(Chairman)*	5	5	1	1
Mr. Cheng Li-Yen	5	5	1	–
Mr. Huang Kuo-Kuang	5	5	1	–
Mr. Hsieh Wan-Fu	5	5	1	–
Mr. Lo Jung-Te	5	4	1	–
Mr. Tsui Yung Kwok	5	5	1	1
Independent non-executive Directors				
Mr. Cherng Chia-Jiun	5	5	1	–
Mr. Tsai Wen-Yu	5	5	1	–
Mr. Yip Wai Ming	5	5	1	1

Board committee meeting will be convened as and when necessary.

For the individual attendance record of the Directors at meetings of the corporate governance committee, nomination committee, audit committee and remuneration committee of the Board, please refer to the paragraphs headed "corporate governance committee", "nomination committee", "audit committee and accountability" and "remuneration committee", respectively, of this corporate governance report.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with code provision A.6.5 of the CG Code, the Company would arrange and fund suitable continuous professional development for Directors to participate to develop and refresh their knowledge and skills. During the year ended 31 December 2012, the Company has arranged, and each of the Directors has attended, a training seminar regarding the revised CG Code, responsibilities of directors of listed companies and relevant updates of the Listing Rules provided by the legal advisers of the Company as to Hong Kong laws.

Committees of the Board

To comply with the new code provisions of the revised CG Code which became effective on 1 April 2012, the Board approved on 20 March 2012 the establishment of two new board committees, namely the CG Committee and a nomination committee. Accordingly, as at 31 December 2012, the Board has four Board committees, namely, the CG Committee, the nomination committee, the audit committee and the remuneration committee, for overseeing various aspects of the Company's affairs.

Each of the Board committees has been established with written terms of reference that state its authority and duties with effect from 1 April 2012, which are available on the website of the Company and the Hong Kong Stock Exchange. Accordingly, the Board committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Please refer to the respective terms of reference for each of the Board committees, which have been uploaded to the websites of the Company and/or the Hong Kong Stock Exchange, for their practices, procedures and arrangements in conducting meetings.

Corporate Governance Committee

The Company has established a CG Committee on 1 April 2012 with written terms of reference adopted in compliance with the new code provisions of the revised CG Code with effect from 1 April 2012. The CG Committee currently consists of five members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Yip Wai Ming is the chairman of the CG Committee.

The CG Committee is mainly responsible for keeping the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The CG Committee shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to enhance and to ensure a high standard of corporate governance practices in the Group.

The CG Committee convened one meeting for the year ended 31 December 2012 to review the policies and practices on corporate governance of the Group. The individual attendance record of each member of the CG Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Yip Wai Ming *(Chairman)*	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") of the Company on 1 April 2012 with written terms of reference adopted in compliance with the new code provisions of the revised CG Code with effect from 1 April 2012. The Nomination Committee currently consists of five members, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cheng Li-Yu is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendation to the Board for any proposed changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on various matters relating to the appointment or re-appointment of directors and succession planning for directors in particular, the Chairman and the Chief Executive Officer of the Company.

Prior to the establishment of the Nomination Committee on 1 April 2012, the Board was responsible for the said duties of the Nomination Committee. The Board has adopted procedures for nomination of new director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Board will consider and, if thought fit, approve the appointment of the new director by way of board meeting or written resolution. To ensure a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed director will be provided with a comprehensive, tailored and formal induction on the first occasion of his appointment.

There was no nomination and appointment of directors during the year. The Nomination Committee convened one meeting for the year ended 31 December 2012 to review the structure and composition of the Board. The individual attendance record of each member of the Nomination Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Cheng Li-Yu *(Chairman)*	1	1
Mr. Cherng Chia-Jiun	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Huang Kuo-Kuang	1	1

Audit Committee and Accountability

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make the above assessments.

The Company has established an audit committee (the "Audit Committee") of the Company on 17 June 2005 with revised written terms of reference adopted in compliance with the new code provisions of the revised CG Code with effect from 1 April 2012. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Cherng Chia-Jiun, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. Mr. Cherng Chia-Jiun is the chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures including the adequacy of resources, qualifications and experience of the Company's staff of accounting and financial reporting function and their training programmes and budget.

It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditors and also reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with the Listing Rules and other applicable standards and reviewing the financial information of the Group. For the year ended 31 December 2012, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's annual results of 2011 and interim results of 2012 and the audit findings with the attendance of the external auditors and executive Directors.

The Audit Committee convened a total of four meetings for the year ended 31 December 2012. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meetings held	Number of meetings attended
Mr. Cherng Chia-Jiun *(Chairman)*	4	4
Mr. Tsai Wen-Yu	4	4
Mr. Yip Wai Ming	4	4

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") of the Company on 17 June 2005 with revised written terms of reference adopted in compliance with the new code provisions of the revised CG Code with effect from 1 April 2012. The Remuneration Committee currently consists of five members, namely, Mr. Cherng Chia-Jiun, Mr. Tsai-Wen Yu and Mr. Yip Wai Ming who are all independent non-executive Directors; and Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang who are both executive Directors. Mr. Cherng Chia-Jiun is the chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and the remuneration, bonuses and welfare benefits for the executive Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. For the year ended 31 December 2012, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management.

The Remuneration Committee convened one meeting for the year ended 31 December 2012. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Cherng Chia-Jiun *(Chairman)*	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

Auditors' Remuneration

During the year, the audit and non-audit fees payable/paid to Ernst & Young, the auditors of the Group, was made up of an audit fee of HK$3,100,000 and non-audit service fees of HK$913,000, respectively.

Directors' and Auditors' Acknowledgement

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditors' report on the financial statements for the year under review.

Internal Control

The Board is responsible for ensuring that sound and effective internal control systems are maintained within the Group. The Group had hired independent professionals to perform a review on the system of internal control of the Group to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively. With reference to the assessment of the independent professionals, the Directors and the Audit Committee conducted review of the internal control system maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2012 and are satisfied that it is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The Directors will continue to engage external independent professionals to review the Group's internal control systems and will continue to review the need for setting up an internal audit function.

Investor Relations and Shareholders' Communications

The Company enhances investor relations and communications through various channels. Information of the Company shall be communicated to the shareholders of the Company and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meeting and other meetings that maybe convened, during which the Directors and designated senior management will attend the meeting and respond to requests for information and queries from the shareholders of the Company and the investment community. The Chairman and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting and to answer any question if necessary.

Shareholders are encouraged to attend the annual general meeting of the Company. Notice of the annual general meeting and related papers shall be sent to shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such documents shall be also made available on the Company's website (http://www.irasia.com/listco/hk/juteng) and the Hong Kong Stock Exchange's website (http://www.hkexnews.hk).

Shareholders of the Company and the investor community may also contact the Company at ir@juteng.com.tw.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at ir@juteng.com.tw.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such Requisition, 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 Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong branch share registrar, details of which are set out in the section headed "Corporate Information" of this annual report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@juteng.com.tw.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@juteng.com.tw.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's Hong Kong branch share registrar and upon confirmation by the Hong Kong branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(2) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Ju Teng International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 117, 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 (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.

To the shareholders of Ju Teng International 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

19 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	6	**9,201,313**	8,234,507
Cost of sales		**(7,800,083)**	(7,366,615)
Gross profit		**1,401,230**	867,892
Other income and gains	6	**99,874**	64,760
Selling and distribution expenses		**(93,525)**	(97,877)
Administrative expenses		**(530,905)**	(478,112)
Other expenses		**(26,471)**	(17,252)
Finance costs	7	**(61,993)**	(45,125)
Share of loss of an associate		**–**	(7,178)
PROFIT BEFORE TAX	8	**788,210**	287,108
Income tax expense	11	**(128,589)**	(50,361)
PROFIT FOR THE YEAR		**659,621**	236,747
Attributable to:			
Equity holders of the Company	12	**600,959**	256,625
Non-controlling interests		**58,662**	(19,878)
		659,621	236,747
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
– Basic (HK cents)		**53.2**	22.7
– Diluted (HK cents)		**51.2**	22.6

Details of dividend proposed for the year are disclosed in note 13 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		**659,621**	236,747
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**63,174**	234,967
Available-for-sale investment:			
Change in fair value	24	**6,653**	(22,037)
Income tax effect		**(1,400)**	7,001
		5,253	(15,036)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**68,427**	219,931
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**728,048**	456,678
Attributable to:			
Equity holders of the Company	12	**663,786**	432,109
Non-controlling interests		**64,262**	24,569
		728,048	456,678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**6,193,404**	5,804,675
Lease premium for land	16	**183,319**	169,154
Goodwill	17	**40,062**	37,894
Investment in an associate	20	**–**	(772)
Prepayments for acquisition of property, plant and equipment		**438,178**	309,492
Available-for-sale investments	24	**31,373**	24,768
Total non-current assets		**6,886,336**	6,345,211
CURRENT ASSETS			
Inventories	21	**937,488**	1,029,348
Trade receivables	22	**3,239,371**	2,731,863
Prepayments, deposits and other receivables	23	**964,792**	558,292
Derivative financial instruments	29	**15,155**	9,970
Pledged bank balances and time deposits	25	**43,231**	43,347
Cash and cash equivalents	25	**1,162,927**	654,492
Total current assets		**6,362,964**	5,027,312
CURRENT LIABILITIES			
Trade and bills payables	26	**1,629,270**	1,795,876
Other payables and accruals	27	**744,140**	921,614
Tax payable		**172,918**	130,492
Interest-bearing bank borrowings	28	**2,499,007**	540,877
Total current liabilities		**5,045,335**	3,388,859
NET CURRENT ASSETS		**1,317,629**	1,638,453
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,203,965**	7,983,664

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**1,582,652**	2,081,154
Deferred tax liabilities	18	**4,719**	3,799
Total non-current liabilities		**1,587,371**	2,084,953
Net assets		**6,616,594**	5,898,711
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	30	**115,016**	111,897
Reserves	32(a)	**5,133,063**	4,540,255
Proposed final dividend	13	**138,019**	89,518
		5,386,098	4,741,670
Non-controlling interests		**1,230,496**	1,157,041
Total equity		**6,616,594**	5,898,711

Cheng Li-Yu
Director

Huang Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to equity holders of the Company												
	Notes	Issued capital HK$'000 (Note 30)	Share premium account HK$'000 (Note 30,(c))	Contributed surplus HK$'000 (Note (c))	Employee share-based compensation reserve HK$'000 (Note (c))	Capital reserve HK$'000 (Notes (b),(c))	Statutory reserve fund HK$'000 (Notes (a),(c))	Exchange fluctuation reserve HK$'000 (Note (c))	Retained profits HK$'000 (Note (c))	Available-for-sale investment revaluation reserve HK$'000 (Note (c))	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		113,291	690,137	190,201	59,771	363,744	125,628	436,812	2,301,818	16,873	90,633	4,388,908	836,581	5,225,489
Profit for the year		–	–	–	–	–	–	–	256,625	–	–	256,625	(19,878)	236,747
Other comprehensive income for the year:														
Change in fair value of available-for-sale investment, net of tax		–	–	–	–	–	–	–	–	(15,036)	–	(15,036)	–	(15,036)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	190,520	–	–	–	190,520	44,447	234,967
Total comprehensive income for the year		–	–	–	–	–	–	190,520	256,625	(15,036)	–	432,109	24,569	456,678
Repurchases of shares	30	(1,394)	(17,897)	–	–	–	–	–	–	–	–	(19,291)	–	(19,291)
Shares cancellation expenses	30	–	(85)	–	–	–	–	–	–	–	–	(85)	–	(85)
Capital injection from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	–	297,386	297,386
Deemed acquisition of non-controlling interests		–	–	–	–	1,495	–	–	–	–	–	1,495	(1,495)	–
Share-based compensation arrangements	31	–	–	–	29,167	–	–	–	–	–	–	29,167	–	29,167
Final 2010 dividend declared		–	–	–	–	–	–	–	–	–	(90,633)	(90,633)	–	(90,633)
Proposed final dividend	13	–	–	(89,518)	–	–	–	–	–	–	89,518	–	–	–
At 31 December 2011 and 1 January 2012		**111,897**	**672,155**	**100,683**	**88,938**	**365,239**	**125,628**	**627,332**	**2,558,443**	**1,837**	**89,518**	**4,741,670**	**1,157,041**	**5,898,711**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**600,959**	**–**	**–**	**600,959**	**58,662**	**659,621**
Other comprehensive income for the year:														
Change in fair value of available-for-sale investment, net of tax		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,253**	**–**	**5,253**	**–**	**5,253**
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**57,574**	**–**	**–**	**–**	**57,574**	**5,600**	**63,174**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**57,574**	**600,959**	**5,253**	**–**	**663,786**	**64,262**	**728,048**
Issue of shares in connection with the exercise of share options		**3,119**	**86,150**	**–**	**(50,654)**	**–**	**–**	**–**	**–**	**–**	**–**	**38,615**	**–**	**38,615**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,825)**	**(3,825)**
Capital injection from a non-controlling shareholder		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,220**	**15,220**
Deregistration of a non-wholly owned subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,202)**	**(2,202)**
Share-based compensation arrangements	31	**–**	**–**	**–**	**32,551**	**–**	**–**	**–**	**–**	**–**	**–**	**32,551**	**–**	**32,551**
Final 2011 dividend declared		**–**	**–**	**(1,006)**	**–**	**–**	**–**	**–**	**–**	**–**	**(89,518)**	**(90,524)**	**–**	**(90,524)**
Proposed final dividend	13	**–**	**(38,342)**	**(99,677)**	**–**	**–**	**–**	**–**	**–**	**–**	**138,019**	**–**	**–**	**–**
At 31 December 2012		**115,016**	**719,963**	**–**	**70,835**	**365,239**	**125,628**	**684,906**	**3,159,402**	**7,090**	**138,019**	**5,386,098**	**1,230,496**	**6,616,594**

Notes:

(a) In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Mainland China"), the Company's subsidiaries established in the PRC are required to transfer a certain percentage of their profits after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital.

(b) The capital reserve represents profits of the Company's subsidiaries capitalised during the prior years.

(c) These reserve accounts comprise the consolidated reserves of HK$5,133,063,000 (2011: HK$4,540,255,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**788,210**	287,108
Adjustments for:			
Finance costs	7	**61,993**	45,125
Share of loss of an associate		**–**	7,178
Interest income	6	**(6,835)**	(14,000)
Dividend income	6	**(205)**	(1,373)
Depreciation	8	**589,396**	490,550
Amortisation of lease premium for land	8	**4,188**	2,359
Loss on disposal of items of property, plant and equipment, net	8	**17,493**	9,013
(Written back of provision)/provisions for slow-moving and obsolete inventories	8	**(11,750)**	5,081
Equity-settled share option expenses	31	**32,551**	29,167
		1,475,041	860,208
Decrease/(increase) in inventories		**106,746**	(5,710)
Increase in trade receivables		**(504,373)**	(258,929)
Decrease in factored trade receivables		**–**	26,033
Increase in prepayments, deposits and other receivables		**(159,773)**	(148,573)
(Increase)/decrease in derivative financial instruments		**(5,185)**	7,646
(Decrease)/increase in trade and bills payables		**(184,291)**	214,576
(Decrease)/increase in other payables and accruals		**(177,883)**	87,073
Decrease in bank advances on factored trade receivables		**–**	(26,033)
Cash generated from operations		**550,282**	756,291
Mainland China income tax paid		**(86,237)**	(44,890)
Overseas income tax paid		**(657)**	(488)
Income tax refunded		**2,483**	7,331
Interest received		**6,835**	14,000
Interest paid		**(61,993)**	(45,125)
Net cash flows from operating activities		**410,713**	687,119

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,274,766)**	(1,379,146)
Purchases of lease premium for land		**(20,067)**	(72,265)
Purchases of available-for-sale investments		**–**	(5,164)
Proceeds from disposal of items of property, plant and equipment		**71,209**	18,902
Dividend received		**205**	1,373
Decrease/(increase) in pledged bank balances and time deposits		**116**	(21,665)
Increase in prepayments for acquisition of property, plant and equipment		**(128,686)**	(160,507)
Acquisition of a subsidiary	33	**(5,261)**	–
Capital injection from a non-controlling shareholder		**15,201**	–
Deregistration of a non-controlling interest		**(1,634)**	–
Net cash flows used in investing activities		**(1,343,683)**	(1,618,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by non-controlling shareholders		**–**	297,386
New bank loans		**1,836,318**	1,453,460
Repayment of bank loans		**(376,690)**	(944,882)
Dividend paid		**(90,524)**	(90,633)
Repurchases of shares	30(a)	**–**	(19,376)
Proceeds from issue of shares	30(b)	**38,615**	–
Net cash flows from financing activities		**1,407,719**	695,955
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**474,749**	(235,398)
Cash and cash equivalents at beginning of year		**654,492**	862,150
Effect of foreign exchange rate changes, net		**33,686**	27,740
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,162,927**	654,492
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**1,162,927**	654,492
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**1,162,927**	654,492

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**1,330,358**	1,359,759
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**281**	305
Cash and cash equivalents	25	**42**	41
Total current assets		**323**	346
CURRENT LIABILITIES			
Other payables and accruals	27	**2,476**	3,854
NET CURRENT LIABILITIES		**(2,153)**	(3,508)
Net assets		**1,328,205**	1,356,251
EQUITY			
Issued capital	30	**115,016**	111,897
Reserves	32(b)	**1,075,170**	1,154,836
Proposed final dividend	13	**138,019**	89,518
Total equity		**1,328,205**	1,356,251

Cheng Li-Yu
Director

Huang Kuo-Kuang
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of notebook computer casings.

2. 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 derivative financial instruments and an available-for-sale investment, 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 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.

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

The adoption of the above revised HKFRSs did not have any material effect on the financial position or performance of the Group.

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

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] 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.

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.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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.

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.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) 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.

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.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) *(continued)*

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.

3.3 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 receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

3.3 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 to measure 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 other 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.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 the disposed operation and the portion of the cash-generating unit retained.

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 goodwill), 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 in those expense categories consistent with the function of the impaired 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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the lease terms or 5 to 10 years
Machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost 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, plant and machinery and other items of property, plant and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits or contributed surplus within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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.

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any 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, 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.

Employee benefits

Pension schemes

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

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group's subsidiary in Hong Kong. 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payments

The Company operates a Pre-IPO share option scheme, Post-IPO share option schemes and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. 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, further details of which are given in note 31 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.

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 not 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 in 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 translated 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.

Differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 translation 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 differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is 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 fluctuation 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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; 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).

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 lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums for land 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investments, as appropriate. 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

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 in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates with the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

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 risk 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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 any 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.

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 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 impairment 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 other expenses in the income statement.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

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.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 other payables, derivative financial instruments and interest-bearing bank borrowings.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivative are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate 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 the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the reporting date. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to reduce its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Government subsidies

Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidies will be received and all attaching conditions will be complied with. When the subsidies 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.

Where the subsidies relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

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) from the rendering of services, when the services have been rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make 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.

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.

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. Further details are given in note 17.

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. 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 must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Write-down of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and write-down of inventories in the periods in which such estimate is changed.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 18 to the financial statements.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of manufacture and sale of notebook computer casings. For management purposes, the Group operates in one business unit based on its casing products, and has one reportable operating segment.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(i) Revenue from external customers:

	2012	2011
	HK$'000	HK$'000
The People's Republic of China (the "PRC"), excluding Hong Kong	**8,850,634**	7,397,371
The Republic of China (the "ROC")	**125,374**	242,868
Others	**225,305**	594,268
	9,201,313	8,234,507

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

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(ii) Non-current assets:

	2012 **HK$'000**	2011 HK$'000
The PRC, excluding Hong Kong	**6,724,308**	6,219,844
The ROC	**161,976**	125,307
Others	**52**	60
	6,886,336	6,345,211

The non-current assets information above is based on the locations of the assets.

Information about major customers

Revenue of approximately HK$3,009,452,000, HK$2,242,582,000, HK$1,836,142,000 and HK$1,346,612,000 for the year ended 31 December 2012 was derived from sales to four major customers, including sales to a group of entities which are known to be under common control with these customers.

Revenue of approximately HK$2,783,674,000, HK$2,166,598,000, HK$1,060,433,000 and HK$979,844,000 for the year ended 31 December 2011 was derived from sales to four major customers, including sales to a group of entities which are known to be under common control with these customers.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax, business tax and government surcharges, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions.

6. REVENUE, OTHER INCOME AND GAINS *(Continued)*

An analysis of revenue, other income and gains, is as follows:

	2012 HK$'000	2011 HK$'000
Revenue		
Sale of goods	**9,201,313**	8,234,507
Other income and gains		
Interest income	**6,835**	14,000
Dividend income	**205**	1,373
Subsidy income#	**8,773**	2,449
Compensation income	**19,626**	–
Exchange gains, net	**50,516**	33,917
Others	**13,919**	13,021
	99,874	64,760

Various government subsidies have been received for enterprises engaged in highly technological businesses in Jiangsu Province and Sichuan Province, Mainland China. There are no unfulfilled conditions or contingences relating to these subsidies.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2012 HK$'000	2011 HK$'000
Interest on bank loans and other loans wholly repayable within five years	**61,993**	45,125
Total interest expense on financial liabilities not at fair value through profit or loss	**61,993**	45,125

8. PROFIT BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		**7,801,819**	7,350,458
Auditors' remuneration		**3,100**	2,800
Depreciation	15	**589,396**	490,550
Amortisation of lease premium for land	16	**4,188**	2,359
Minimum lease payments under operating leases:			
Land and buildings		**7,632**	7,696
Motor vehicles		**4,718**	4,095
(Written back of provision)/provisions for slow-moving and obsolete inventories*		**(11,750)**	5,081
Employee benefits expense (excluding Directors' remuneration – note 9):			
Wages and salaries, bonuses, allowances and welfare		**1,641,111**	1,404,994
Equity-settled share option expenses		**30,314**	26,970
Pension scheme contributions		**69,938**	46,702
		1,741,363	1,478,666
Loss on disposal of items of property, plant and equipment, net**#		**17,493**	9,013

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses" on the face of the consolidated income statement.

Included in the loss on disposal of items of property, plant and equipment for the year ended 31 December 2012, is a relocation compensation of HK$280,250,000 (equivalent to RMB224,920,000) received/receivable from the Council of Jurong Economic Development Zone at Jiangsu Province (江蘇省句容經濟開發區管委會) ("Council") (note 23) to offset against the costs and losses arising from the surrender of the land to the Council and the disposal of certain property, plant and equipment resulting from the relocation of the plant of a subsidiary.

9. DIRECTORS' REMUNERATION

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

	Group	
	2012	2011
	HK$'000	HK$'000
Fees	**594**	594
Other emoluments:		
Salaries, allowances and benefits in kind	**5,280**	5,272
Equity-settled share option expenses	**2,237**	2,197
Pension scheme contributions	**14**	12
	7,531	7,481
	8,125	8,075

In the current year, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above Directors' remuneration disclosures.

(a) Independent non-executive Directors

The fees and equity-settled share option expenses paid to independent non-executive Directors during the year were as follows:

2012

Name of Director	Fees HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
Mr. Cherng Chia-Jiun	198	72	270
Mr. Tsai Wen-Yu	198	72	270
Mr. Yip Wai Ming	198	72	270
	594	216	810

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive Directors *(Continued)*

2011

Name of Director	Fees HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
Mr. Cherng Chia-Jiun	198	–	198
Mr. Tsai Wen-Yu	198	–	198
Mr. Yip Wai Ming	198	–	198
	594	–	594

There were no other emoluments payable to the independent non-executive Directors during the year (2011: Nil).

(b) Executive Directors

2012

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Cheng Li-Yu	–	908	–	–	908
Mr. Cheng Li-Yen	–	817	–	–	817
Mr. Huang Kuo-Kuang	–	818	404	–	1,222
Mr. Hsieh Wan-Fu	–	729	616	–	1,345
Mr. Lo Jung-Te	–	799	616	–	1,415
Mr. Tsui Yung Kwok	–	1,209	385	14	1,608
	–	5,280	2,021	14	7,315

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive Directors *(Continued)*

2011

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Cheng Li-Yu	–	928	–	–	928
Mr. Cheng Li-Yen	–	835	–	–	835
Mr. Huang Kuo-Kuang	–	835	583	–	1,418
Mr. Hsieh Wan-Fu	–	718	622	–	1,340
Mr. Lo Jung-Te	–	789	622	–	1,411
Mr. Tsui Yung Kwok	–	1,167	370	12	1,549
	–	5,272	2,197	12	7,481

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2011: three) Directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2011: two) highest paid employees who are neither a Director nor chief executive of the Company are as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**1,674**	1,034
Performance related bonuses	**413**	172
Equity-settled share option expenses	**2,704**	1,723
	4,791	2,929

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-Director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	–
	3	2

During the year, share options were granted under the share option scheme of the Company to the non-Director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above non-Director, highest paid employees' remuneration disclosures.

11. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the year (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2012	2011
	HK$'000	HK$'000
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	**93,207**	37,489
Underprovision/(overprovision) in prior years	**5,655**	(316)
Current – Overseas		
Charge for the year	**43,953**	31,927
Overprovision in prior years	**(11,263)**	(10,928)
Tax refund	**(2,483)**	(7,331)
Deferred tax (note 18)	**(480)**	(480)
Total tax charge for the year	**128,589**	50,361

11. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2012

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(48,360)		575,007		261,563		788,210	
Tax at the statutory tax rate	(7,979)	16.5	143,751	25.0	44,466	17.0	180,238	22.9
Preferential tax rates	–	–	(64,203)	(11.2)	–	–	(64,203)	(8.2)
Income not subject to tax	(108)	0.2	(1,081)	(0.2)	(513)	(0.2)	(1,702)	(0.2)
Tax refund	–	–	(2,483)	(0.4)	–	–	(2,483)	(0.3)
Expenses not deductible for tax	8,087	(16.7)	227	–	–	–	8,314	1.0
Adjustments in respect of current tax of previous periods	–	–	5,655	1.0	(11,263)	(4.3)	(5,608)	(0.7)
Tax losses not recognised	–	–	14,033	2.5	–	–	14,033	1.8
Tax charge at the Group's effective rate	–	–	95,899	16.7	32,690	12.5	128,589	16.3

Group – 2011

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(36,111)		143,247		179,972		287,108	
Tax at the statutory tax rate	(5,958)	16.5	35,812	25.0	30,595	17.0	60,449	21.1
Preferential tax rates	–	–	(22,133)	(15.5)	–	–	(22,133)	(7.7)
Income not subject to tax	(1,165)	3.2	(4,139)	(2.9)	(335)	(0.2)	(5,639)	(2.0)
Tax refund	–	–	(7,330)	(5.1)	(1)	–	(7,331)	(2.6)
Expenses not deductible for tax	7,123	(19.7)	555	0.4	1,667	0.9	9,345	3.2
Adjustments in respect of current tax of previous periods	–	–	(316)	(0.2)	(10,928)	(6.1)	(11,244)	(3.9)
Tax losses not recognised	–	–	26,914	18.8	–	–	26,914	9.4
Tax charge at the Group's effective rate	–	–	29,363	20.5	20,998	11.6	50,361	17.5

11. INCOME TAX *(Continued)*

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoying tax exemptions as follows:–

WIS Precision (Kunshan) Co., Ltd. ("WIS Precision"), a subsidiary of the Company, was subject to a tax rate of 25% (2011: 12%) for the year ended 31 December 2012. In the prior year, WIS Precision was subject to corporate income tax in Mainland China at a preferential tax rate of 12% as it is a foreign investment manufacturing enterprise which was entitled to a 50% corporate income tax reduction transitional to the implementation of the New Corporate Income Tax Law.

Compal Precision Module (Jiangsu) Company Limited ("Compal Precision"), a subsidiary of the Company, is subject to a tax rate of 25%. Compal Precision is also a foreign investment enterprise and is therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2008 and a 50% tax relief for the three years thereafter.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2012 includes a loss of HK$8,688,000 (2011: loss of HK$8,599,000) which has been dealt with in the financial statements of the Company (note 32(b)).

13. DIVIDENDS

	2012 **HK$'000**	2011 HK$'000
Additional final dividend for prior year (note (a))	**1,006**	–
Proposed final – HK12 cents (2011: HK8 cents) per ordinary share (note (b))	**138,019**	89,518
	139,025	89,518

Notes:

(a) Subsequent to the approval of the 2011 financial statements and prior to the book close period of the 2011 final dividends, additional 12,580,000 ordinary shares were issued by the Company as a result of the exercise of share options by certain employees. Accordingly, an additional 2011 final dividend amounted to HK$1,006,000 was paid in 2012.

(b) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$600,959,000 (2011: HK$256,625,000) and the weighted average number of 1,129,562,984 (2011: 1,130,677,436) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$600,959,000 (2011: HK$256,625,000). The weighted average number of ordinary shares used in the calculation is the 1,129,562,984 (2011: 1,130,677,436) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 45,170,853 (2011: 4,118,368) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2012							
At 1 January 2012:							
Cost	2,005,138	2,878	4,251,341	563,398	14,724	1,128,678	7,966,157
Accumulated depreciation	(417,342)	(1,831)	(1,465,176)	(268,126)	(9,007)	–	(2,161,482)
Net carrying amount	1,587,796	1,047	2,786,165	295,272	5,717	1,128,678	5,804,675
At 1 January 2012, net of accumulated depreciation	1,587,796	1,047	2,786,165	295,272	5,717	1,128,678	5,804,675
Additions	36,254	13	91,121	16,020	2,501	1,128,857	1,274,766
Acquisition of a subsidiary (note 33)	–	–	4,793	38	–	1,322	6,153
Transfers	612,786	–	519,069	9,604	778	(1,142,237)	–
Disposals	(159,516)	–	(121,324)	(46,862)	(223)	(3,647)	(331,572)
Depreciation provided during the year	(120,847)	(177)	(392,085)	(74,336)	(1,951)	–	(589,396)
Exchange realignment	9,017	19	7,968	1,059	29	10,686	28,778
At 31 December 2012, net of accumulated depreciation	1,965,490	902	2,895,707	200,795	6,851	1,123,659	6,193,404
At 31 December 2012:							
Cost	2,474,110	2,933	4,627,311	510,434	16,837	1,123,659	8,755,284
Accumulated depreciation	(508,620)	(2,031)	(1,731,604)	(309,639)	(9,986)	–	(2,561,880)
Net carrying amount	1,965,490	902	2,895,707	200,795	6,851	1,123,659	6,193,404

15. PROPERTY, PLANT AND EQUIPMENT

Group *(Continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011							
At 1 January 2011:							
Cost	1,734,692	2,896	3,452,345	421,911	16,128	748,662	6,376,634
Accumulated depreciation	(314,910)	(1,656)	(1,112,230)	(196,212)	(9,500)	–	(1,634,508)
Net carrying amount	1,419,782	1,240	2,340,115	225,699	6,628	748,662	4,742,126
At 1 January 2011, net of accumulated depreciation	1,419,782	1,240	2,340,115	225,699	6,628	748,662	4,742,126
Additions	56,564	–	519,844	43,165	946	758,627	1,379,146
Transfers	155,340	–	168,019	86,966	55	(410,380)	–
Disposals	(10,369)	–	(11,952)	(2,047)	(386)	(3,161)	(27,915)
Depreciation provided during the year	(91,892)	(177)	(327,262)	(69,430)	(1,789)	–	(490,550)
Exchange realignment	58,371	(16)	97,401	10,919	263	34,930	201,868
At 31 December 2011, net of accumulated depreciation	1,587,796	1,047	2,786,165	295,272	5,717	1,128,678	5,804,675
At 31 December 2011:							
Cost	2,005,138	2,878	4,251,341	563,398	14,724	1,128,678	7,966,157
Accumulated depreciation	(417,342)	(1,831)	(1,465,176)	(268,126)	(9,007)	–	(2,161,482)
Net carrying amount	1,587,796	1,047	2,786,165	295,272	5,717	1,128,678	5,804,675

The Group's land and buildings were held under the following lease terms:

	2012 HK$'000	2011 HK$'000
Net carrying amount:		
Freehold land outside Hong Kong	**58,002**	47,675
Buildings held under medium term leases outside Hong Kong	**1,907,488**	1,540,121
	1,965,490	1,587,796

At 31 December 2012, the Group did not pledge any land and buildings to secure its banking facilities granted to the Group (2011: HK$24,075,000).

16. LEASE PREMIUM FOR LAND

	Group	
	2012	2011
	HK$'000	HK$'000
Net carrying amount at 1 January	**169,154**	95,675
Additions during the year	**20,067**	72,265
Recognised during the year	**(4,188)**	(2,359)
Exchange realignment	**(1,714)**	3,573
Net carrying amount at 31 December	**183,319**	169,154

The land of the Group was held under a medium term lease and was situated outside Hong Kong.

At 31 December 2012, the Group did not pledge any land to secure its banking facilities granted to the Group (2011: HK$11,831,000).

17. GOODWILL

Group

	HK$'000
Cost and net carrying amount at 31 December 2011 and 1 January 2012	**37,894**
Deemed acquisition of a subsidiary (note 33)	**2,168**
Cost and net carrying amount at 31 December 2012	**40,062**

17. GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the manufacture and sale of notebook computer casings cash-generating unit, which is a reportable segment, for impairment testing.

The recoverable amount of the manufacture and sale of notebook computer casings cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11% (2011: 8.1%) and cash flows beyond the five-year period are extrapolated using a growth rate of 2% (2011: 2%).

Assumptions were used in the value in use calculation of the manufacture and sale of notebook computer casings cash-generating unit for 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

In the opinion of the Company's Directors, any reasonably possible change in any of these assumptions would not cause the cash-generating unit's recoverable amount to fall below its carrying amount.

18. DEFERRED TAX

Deferred tax assets

The Group had tax losses arising in the PRC and the ROC of approximately HK$247,498,000 (2011: HK$191,365,000) and HK$42,690,000 (2011: HK$42,690,000), respectively, that are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments arising from revaluation of an available-for-sale investment HK$'000	Total HK$'000
At 1 January 2011	4,279	7,001	11,280
Deferred tax credited to the income statement during the year (note 11)	(480)	–	(480)
Deferred tax credited to equity during the year	–	(7,001)	(7,001)
Gross deferred tax liabilities at 31 December 2011 and 1 January 2012	**3,799**	**–**	**3,799**
Deferred tax credited to the income statement during the year (note 11)	**(480)**	**–**	**(480)**
Deferred tax charged to equity during the year	**–**	**1,400**	**1,400**
Gross deferred tax liabilities at 31 December 2012	**3,319**	**1,400**	**4,719**

18. 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 China and jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2012, the Group has unremitted earnings amounted to approximately HK$1,536,964,000 (2011: HK$1,226,714,000). In the opinion of the Directors, the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future because of the Group's funding plan of its PRC expansion. Accordingly, no deferred tax has been recognised for withholding taxes that would be payable on distribution of unremitted earnings by the Group's subsidiaries established in Mainland China in respect of earnings generated.

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

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**777,358**	777,358
Due from subsidiaries	**427,413**	486,975
Capital contribution in respect of employee share-based compensation	**125,587**	95,426
	1,330,358	1,359,759

The amounts advanced to the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's Directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company	Principal activities
Best Alliance Holding Inc. @^	British Virgin Islands ("BVI")	US$52,600,000 Ordinary	100%	Investment holding
Giant Glory International Limited @	Samoa	US$49,777,419 Ordinary	100%	Investment holding
Step Fine International Investment Limited	Hong Kong	HK$100,000 Ordinary	100%	Investment holding
Everyday Computer Components (Suzhou) Co., Ltd.*@	The PRC	US$52,500,000	100%	Manufacture and sale of notebook computer casings
Suzhou Dazhi Communication Accessory Co., Ltd.*@	The PRC	US$108,500,000	100%	Manufacture and sale of notebook computer casings
Jiu De International Limited @	Samoa	US$12,800,000 Ordinary	100%	Investment holding
Jiu Ding International Limited @	Samoa	US$40,000,000 Ordinary	100%	Investment holding
Ju Teng (Neijiang) Communication Accessory Co., Ltd.*@	The PRC	US$99,000,000	100%	Manufacture and sale of notebook computer casings
Tri-Great International Limited @	Samoa	US$1,000,000 Ordinary	100%	Sale of notebook computer casings
ICAN Business Limited @	BVI	US$1,500,000 Ordinary	100%	Sale of notebook computer casings
Gi Li Co., Ltd. @	The ROC	NT$5,000,000 Ordinary	100%	Sale of notebook computer casings and related materials
Hempton International Limited @	Samoa	US$3,500,000 Ordinary	100%	Investment holding

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company	Principal activities
Perfect Base Holdings Limited	Hong Kong	HK$100,000 Ordinary	100%	Investment holding
Ju Teng Electronics (Shanghai) Co., Ltd.*@	The PRC	US$12,500,000	100%	Manufacture and sale of notebook computer casings
Grand Develop Investments Limited	Hong Kong	HK$1 Ordinary	100%	Provision of general administrative and support services
Mindforce Holdings Limited @	BVI	US$75,101,000	71%	Investment holding
Skywarp Holdings Limited	Hong Kong	HK$1,200,000,000 Ordinary	71%	Investment holding
WIS Precision (Kunshan) Co., Ltd.*@	The PRC	US$25,000,000	71%	Manufacture and sale of notebook computer casings
WIS Precision (Taizhou) Co., Ltd.*@	The PRC	US$49,800,000	71%	Manufacture and sale of notebook computer casings
Plentimark Limited @	BVI	US$50,000 Ordinary	71%	Sale of materials for the manufacture of notebook computer casings
Dynamic Apex Macao Commercial Offshore Limited @	Macau	MOP$100,000	100%	Sale of materials for the manufacture of notebook computer casings
Smart Success Enterprises Limited @	Samoa	US$6,000,000 Ordinary	100%	Investment holding
Prime Cheer International Limited	Hong Kong	HK$100,000 Ordinary	100%	Investment holding
Chengyang Precision Mold (Kunshan) Co., Ltd.*@	The PRC	US$13,000,000	100%	Manufacture and sale of moulds

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company	Principal activities
Fullerton Ltd. @	Samoa	US$31,749,800 Ordinary	71%	Investment holding
Lian-Yi (Far East) Ltd. @	The ROC	NT$5,000,000 Ordinary	71%	Trading of computer equipment and peripherals and import and export trading business
Lian-Yi Precision (Zhongshan) Inc.*@	The PRC	US$33,400,000	71%	Research, design, product development and manufacture of computer equipment and peripherals
中山市德益電器有限公司*@	The PRC	US$500,000	71%	Research, design, product development and manufacture of computer equipment and peripherals
Wah Yuen Technology Holding Limited @	Mauritius	US$261,758,240 Ordinary	59.28%	Investment holding
宏葉新技股份有限公司 @	The ROC	NT$475,577,800 Ordinary	59.28%	Manufacture and sale of notebook computer casings
Highsharp Ltd. @	Samoa	US$10,000 Ordinary	59.28%	Investment holding
Advance Step International Ltd. @	Samoa	US$5,000 Ordinary	59.28%	Import and export trading business
Compal Precision Module China Holdings Ltd. @	Mauritius	US$236,267,926 Ordinary	59.28%	Investment holding
Compal Precision Module (Jiangsu) Company Limited*@	The PRC	US$250,000,000	59.28%	Manufacture and sale of notebook computer casings

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company	Principal activities
City Faith Limited @	Samoa	US$1,000,000 Ordinary	100%	Investment holding
Jiang Su Inoac Juteng Polymer Co., Ltd.*@#	The PRC	US$6,000,000	62.17%	Manufacture and sale of materials
Wealth Time Holding Limited @	BVI	US$15,000,000 Ordinary	100%	Investment holding
Sunny Force Investment Limited	Hong Kong	HK$117,000,000 Ordinary	100%	Investment holding
Wujiang Dading Precision Mould Co., Ltd.*@	The PRC	US$30,000,000	100%	Manufacture and sale of moulds

* Registered as wholly-foreign-owned enterprises under the PRC law.

@ Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# Additional interests were acquired during the year (see note 33).

^ Directly held by the Company.

20. INVESTMENT IN AN ASSOCIATE

	Group 2012 HK$'000	Group 2011 HK$'000
Deficiency in assets	–	(772)

Particulars of the associate are as follows:

Name	Nominal value of issued and paid up share/ registered capital	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activity
Jiang Su Inoac Juteng Polymer Co. Ltd. ("Jiang Su Inoac Juteng")*	US$6,000,000@	The PRC	49#	Manufacture and sale of materials

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ There was an increase in the nominal value of issued and paid up share capital by US$4,000,000 in January 2012.

During the year, the Group acquired a further 13.17% equity interest in the associate, which then became a subsidiary of the Company. Further details of the acquisition are included in note 33 to the financial statements.

The following table illustrates the summarised financial information of the Group's associate for the year ended 31 December 2011 as extracted from its financial statements:

	HK$'000
Assets	17,155
Liabilities	(18,094)
Revenue	4,667
Loss	(14,649)

21. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Production materials	**199,964**	267,397
Work in progress	**193,587**	194,229
Finished goods	**284,651**	362,593
Moulds and consumable tools	**259,286**	205,129
	937,488	1,029,348

22. TRADE RECEIVABLES

The general credit terms of the Group range from 90 days to 120 days. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2012 HK$'000	2011 HK$'000
Within 3 months	**2,390,759**	2,187,962
4 to 6 months	**846,598**	529,699
7 to 12 months	**2,014**	12,505
Over 1 year	**–**	1,697
	3,239,371	2,731,863

22. TRADE RECEIVABLES *(Continued)*

The aged analysis of the Group's trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**2,926,550**	2,544,982
1 to 3 months past due	**311,673**	176,440
4 to 6 months past due	**661**	4,459
7 to 12 months past due	**487**	5,982
	3,239,371	2,731,863

Receivables that were neither past due nor impaired relate to a large 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 track 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. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the following related companies, which are repayable on credit terms similar to those offered to the major customers of the Group.

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Sunrise Plastic Injection Company Limited ("Sunrise")	37(a), (b)	**–**	5
Jiang Su Inoac Juteng	37(a), (b)	**–**	7,054
		–	7,059

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**47,740**	48,693	**281**	305
Deposits and other receivables	**917,052**	509,599	**–**	–
	964,792	558,292	**281**	305

Included in the Group's deposit and other receivable are amounts of compensation from the Council for relocation of factory of a Group's subsidiary of HK$240,195,000 and receivables from disposal of fixed assets of HK$101,925,000.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Overseas listed equity investment, at fair value	**26,219**	19,604
Unlisted equity investments, at cost less impairment	**5,154**	5,164
	31,373	24,768

During the year, the gross profit in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK$6,653,000 (2011: gross loss of HK$22,037,000).

The above investments represent investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

In the opinion of the Company's Directors, the available-for-sale investments are not expected to be realised within 12 months after the end of the reporting period. Accordingly, the investments are classified as non-current assets in the consolidated statement of financial position.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$27,176,000.

As at 31 December 2012, certain unlisted equity investments with carrying amounts of HK$5,154,000 (2011: HK$5,164,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,162,927**	654,492	**42**	41
Time deposits	**43,231**	43,347	**–**	–
	1,206,158	697,839	**42**	41
Less: Pledged bank balances and time deposits	**(43,231)**	(43,347)	**–**	–
Cash and cash equivalents	**1,162,927**	654,492	**42**	41

RMB is not a freely convertible currency in Mainland China and the remittance of funds out of Mainland China is subject to the exchange restriction imposed by the PRC government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. At the end of the reporting period, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in Mainland China or the ROC amounted to approximately HK$365,559,000 (2011: HK$206,815,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

26. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on 90 to 120 days terms.

An aged analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 3 months	**1,242,533**	1,401,440
4 to 6 months	**357,014**	373,669
7 to 12 months	**15,088**	7,360
Over 1 year	**14,635**	13,407
	1,629,270	1,795,876

26. TRADE AND BILLS PAYABLES *(Continued)*

Included in the Group's trade and bills payables at the end of the reporting period were amounts due to the following related companies, which have credit terms similar to those offered by the Group's other major suppliers.

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
San Li	37(a), (b)	**–**	8
Sunrise	37(a), (b)	**–**	107
Jiang Su Inoac Juteng	37(a), (b)	**–**	3,135
		–	3,250

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**333,061**	614,728	**–**	–
Accruals	**411,079**	306,886	**2,476**	3,854
	744,140	921,614	**2,476**	3,854

Other payables are non-interest-bearing.

28. INTEREST-BEARING BANK BORROWINGS

Group

	2012			2011		
	Effective contractual interest rate (%)	Maturity	HK$'000	Effective contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	1.21 – 1.36	2013	1,243,955	1.15 – 1.83	2012	372,744
Bank loans – unsecured	0.83 – 1.85	2013	1,255,052	1.35 – 1.47	2012	168,133
			2,499,007			540,877
Non-current						
Bank loans – secured	1.21 – 1.36	2014 – 2015	988,189	1.14 – 2.55	2013 – 2014	2,081,154
Bank loans – unsecured	1.54 – 1.81	2014 – 2015	594,463	–	–	–
			1,582,652			2,081,154
			4,081,659			2,622,031

	Group	
	2012 HK$'000	2011 HK$'000
Repayable:		
Within one year	2,499,007	540,877
In the second year	1,447,793	1,537,569
In the third to fifth years, inclusive	134,859	543,585
	4,081,659	2,622,031

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) the pledge of shares in certain subsidiaries of the Company; and

(ii) corporate guarantees executed by the Company to the extent of HK$3,215,406,000 (2011: HK$2,024,484,000) as at the end of the reporting period.

(b) The Group's bank loans with carrying amounts of HK$4,027,935,000 (2011: HK$2,609,208,000) and HK$53,724,000 (2011: HK$12,823,000) are denominated in US$ and NT$, respectively.

(c) The carrying amounts of the Group's borrowings approximate to their fair values.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Forward currency contracts	**15,155**	9,970

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rate fluctuations. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in fair value of non-hedging currency derivatives amounting to HK$5,185,000 were charged in the income statement during the year (2011: HK$7,646,000).

At the end of the reporting period, the Company had provided corporate guarantees in the aggregate amount of HK$724,672,000 (2011: HK$1,172,591,000) to banks in connection with the banking facilities of the above forward currency contracts granted to its subsidiaries, which were fully utilised.

30. SHARE CAPITAL

Shares

	2012	2011
	HK$'000	HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,150,162,000 (2011: 1,118,972,000) shares of HK$0.1 each	**115,016**	111,897

30. SHARE CAPITAL *(Continued)*

During the year, the movements in share capital were as follows:

	Number of shares in issue of HK$0.1 each	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2011	1,132,914,000	113,291	690,137	803,428
Repurchases of shares (note (a))	(13,942,000)	(1,394)	(17,897)	(19,291)
	1,118,972,000	111,897	672,240	784,137
Shares repurchases expenses	–	–	(85)	(85)
At 31 December 2011 and 1 January 2012	**1,118,972,000**	**111,897**	**672,155**	**784,052**
Share options exercised under the share option scheme (note (b))	**31,190,000**	**3,119**	**35,496**	**38,615**
	1,150,162,000	**115,016**	**707,651**	**822,667**
Transfer from employee share-based compensation reserve	**–**	**–**	**50,654**	**50,654**
Proposed final dividend	**–**	**–**	**(38,342)**	**(38,342)**
At 31 December 2012	**1,150,162,000**	**115,016**	**719,963**	**834,979**

30. SHARE CAPITAL *(Continued)*

Notes:

(a) In the prior year, the Company repurchased its own ordinary shares on the Hong Kong Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
September 2011	1,318,000	1.49	1.42	1,923
October 2011	11,624,000	1.50	1.29	15,930
November 2011	1,000,000	1.48	1.42	1,438
	13,942,000			19,291
			Total expenses on share repurchased	85
				19,376

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$17,897,000 was charged to share premium account.

(b) During the year, the Company issued a total of 31,190,000 shares at exercise prices ranging from HK$0.97 to HK$1.56 per share pursuant to the exercise of options granted under the share option scheme of the Company, resulting, in the issue of 31,190,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$38,615,000. A total of HK$50,654,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options granted are included in note 31 to the financial statements.

31. EQUITY COMPENSATION PLANS

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Group's directors, including independent non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group and participants who have contributed or may contribute to the development and growth of the Group. The Scheme became effective on 3 November 2005 and unless otherwise cancelled or amended, will remain in force for a period to 5 October 2015.

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

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the offer of the share options.

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

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

31. EQUITY COMPENSATION PLANS *(Continued)*

Share option scheme *(Continued)*

On 17 January 2012, the share options previously granted to the Directors and certain employees of the Group of 123,424,000 share options granted on 24 April 2008, 14 July 2009 and 3 May 2011 had been cancelled and replaced (the "Cancelled Share Options").

The Company had granted 110,148,000 new share options under the share option scheme to holders of the Cancelled Share Options to subscribe for a total of 110,148,000 shares in the replacement of the Cancelled Share Options held by them.

The Directors considered that the exercise price for the Cancelled Share Options was higher than the recent market prices of the shares; the Cancelled Share Options could no longer serve the purpose of providing incentives of rewards to the holders thereof. The replacement by the new share options, by bringing the exercise price (being HK$0.97 per share) to the current trading price level of the shares, would better serve the purpose of the Scheme in providing incentives or rewards to eligible participants to contribute to the success of the Group's operations.

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

	2012		2011	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**2.75**	**141,022,000**	2.88	79,708,000
Exercised during the year	**1.24**	**(31,190,000)**	–	–
Lapsed during the year	**1.63**	**(10,660,000)**	3.18	(4,686,000)
Cancelled and replaced during the year	**2.88**	**(123,424,000)**	–	–
Granted during the year	**0.97**	**111,858,000**	2.62	66,000,000
At 31 December	**0.97**	**87,606,000**	2.75	141,022,000

31. EQUITY COMPENSATION PLANS *(Continued)*

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	**Exercise price* HK$ per share**	**Exercise period**
417,666	**0.97**	**7-11-2012 to 30-11-2019**
17,437,666	**0.97**	**7-11-2013 to 30-11-2019**
17,437,667	**0.97**	**7-11-2014 to 30-11-2019**
17,437,667	**0.97**	**7-11-2015 to 30-11-2019**
17,437,667	**0.97**	**7-11-2016 to 30-11-2019**
17,437,667	**0.97**	**7-11-2017 to 30-11-2019**
87,606,000		

2011 Number of options	Exercise price* HK$ per share	Exercise period
40,000	1.56	7-11-2010 to 6-11-2016
14,448,000	1.56	7-11-2011 to 6-11-2016
14,219,333	2.75	7-11-2012 to 23-4-2018
14,219,333	2.75	7-11-2013 to 23-4-2018
14,219,334	2.75	7-11-2014 to 23-4-2018
3,690,000	4.15	7-11-2011 to 13-7-2019
3,690,000	4.15	7-11-2012 to 13-7-2019
3,690,000	4.15	7-11-2013 to 13-7-2019
3,690,000	4.15	7-11-2014 to 13-7-2019
3,690,000	4.15	7-11-2015 to 13-7-2019
4,307,999	2.62	7-11-2012 to 13-7-2019
4,308,000	2.62	7-11-2013 to 13-7-2019
4,308,000	2.62	7-11-2014 to 13-7-2019
17,500,667	2.62	7-11-2015 to 13-7-2019
17,500,667	2.62	7-11-2016 to 13-7-2019
17,500,667	2.62	7-11-2017 to 13-7-2019
141,022,000		

* 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.

31. EQUITY COMPENSATION PLANS *(Continued)*

Share option scheme *(Continued)*

The fair value of the Cancelled Share Options and the incremental fair value of the replaced share option were HK$14,286,000 and HK$14,119,000 respectively. The Group recognised a share option expense of HK$32,551,000 (2011: HK$29,167,000) during the year ended 31 December 2012 in respect of share options granted/replaced in the current and prior years.

The fair value of the Cancelled Share Options and the incremented fair value of the replaced share options were estimated as at the date of replacement, using a binomial model (2011: Black-Scholes option pricing model), taking into account the terms and conditions upon which the options were granted/replaced. The following table lists the inputs to the model used:

	2012	2011
Dividend yield (%)	**8.25**	3.2
Expected volatility (%)	**58.26**	58.88-61.80
Historical volatility (%)	**58.26**	58.88-61.80
Risk-free interest rate (%)	**1.01-1.22**	1.25-2.24
Weighted average expected life of options (year)	**6.27-7.87**	3.73-7.12
Underlying price per share (HK$)	**0.97**	2.5

The expected life of the options is based on the Directors' estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The total of 31,190,000 share options exercised during the year resulted in the issue of 31,190,000 ordinary shares of the Company and new share capital of HK$3,119,000 and share premium of HK$35,496,000 (before issue expenses), as further detailed in note 30 to the financial statements.

At the end of the reporting period, the Company had 87,606,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 87,606,000 additional ordinary shares of the Company and additional share capital of HK$8,761,000 and share premium of HK$76,217,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 87,606,000 share options outstanding under the scheme, which represented approximately 7.6% of the Company's shares in issue as at that date.

32. 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 on page 44 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former Group holding company acquired pursuant to the Group Reorganisation in 2005, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		690,137	542,033	59,771	(50,173)	1,241,768
Total comprehensive loss for the year		–	–	–	(8,599)	(8,599)
Repurchases of shares	30	(17,897)	–	–	–	(17,897)
Shares cancellation expenses	30	(85)	–	–	–	(85)
Share-based compensation arrangements	31	–	–	29,167	–	29,167
Proposed final dividend	13	–	(89,518)	–	–	(89,518)
As 31 December 2011 and 1 January 2012		**672,155**	**452,515**	**88,938**	**(58,772)**	**1,154,836**
Total comprehensive loss for the year		**–**	**–**	**–**	**(8,688)**	**(8,688)**
Issue of shares in connection with the exercise of share options	30	**86,150**	**–**	**(50,654)**	**–**	**35,496**
Share-based compensation arrangements	31	**–**	**–**	**32,551**	**–**	**32,551**
Final 2011 dividend	13	**–**	**(1,006)**	**–**	**–**	**(1,006)**
Proposed final dividend	13	**(38,342)**	**(99,677)**	**–**	**–**	**(138,019)**
As 31 December 2012		**719,963**	**351,832**	**70,835**	**(67,460)**	**1,075,170**

The Company's contributed surplus represents the excess of the fair value of the shares of the former Group holding company acquired pursuant to the Group reorganisation in 2005, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

33. BUSINESS COMBINATION

In December 2011, the Group committed to further acquire 13.17% equity interest in an associate, Jiang Su Inoac Juteng Polymer Co., Ltd.("Jiang Su Inoac Juteng") to increase the total equity interest to 62.17%. Jiang Su Inoac Juteng, a company incorporated in the PRC, which is principally engaged in the sales of materials for the manufacture of notebook computers casings with manufacturing facilities located in Jurong City of Jiangsu Province, the PRC. The consideration for the acquisition was in the form of cash of approximately HK$6,135,000 (US$790,000). The acquisition was completed in January 2012. Upon completion of the acquisition, Jiang Su Inoac Juteng became a 62.17%-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Jiang Su Inoac Juteng as at the date of acquisition determined was as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	**6,153**
Inventories	**3,136**
Trade receivables	**3,135**
Cash and cash equivalents	**874**
Prepayments, deposits and other receivables	**34,919**
Trade and bills payables	**(17,685)**
Other payables and accruals	**(409)**
Non-controlling interests	**(11,396)**
	18,727
Goodwill on deemed acquisition (note 17)	**2,168**
	20,895
Satisfied by:	
Cash	**6,135**
Reclassification from an interest in an associate to an investment in a subsidiary	**14,760**
	20,895

33. BUSINESS COMBINATION *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	**(6,135)**
Cash and cash equivalents acquired	**874**
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(5,261)**

Since its acquisition, Jiang Su Inoac Juteng contributed HK$54,401,000 to the Group's turnover and HK$4,833,000 to the profit attributable to equity holders of the Company for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year, the Group's turnover and profit for the year would have had no significant difference as compared to the amounts reflected in the consolidated income statement.

34. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

In addition to the corporate guarantees as disclosed in note 29 to the financial statements, at the end of the reporting period, the Company had provided corporate guarantees of approximately HK$3,953,407,000 (2011: HK$4,040,669,000) to banks in connection with banking facilities of bank loans granted to its subsidiaries, which were utilised to the extent of approximately HK$3,215,406,000 (2011: HK$2,024,484,000).

35. OPERATING LEASE COMMITMENTS

The Group leases certain of its offices properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**6,596**	12,192
In the second to fifth years, inclusive	**3,669**	5,560
	10,265	17,752

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments as at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
Contracted, but not provided for:		
Land and buildings	**77,436**	68,805
Machinery and office equipment	**136,548**	469,576
Capital injection to an associate	**–**	21,355
Total capital commitments	**213,984**	559,736

At the end of the reporting period, the Company did not have any significant commitments.

37. 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.

	Notes	2012 HK$'000	2011 HK$'000
Purchase of plant and equipment from:			
San Li	(1), (i)	**21,456**	–
Purchase of production materials from:			
San Li	(1), (ii)	**357**	248
Sunrise	(2), (ii)	**–**	107
Jiang Su Inoac Juteng	(3), (ii)	**–**	4,825
Sale of finished goods to:			
San Li	(iii)	**1,468**	982
Sunrise	(iii)	**–**	11
Jiang Su Inoac Juteng	(iii)	**–**	7,443
Rental expenses paid to:			
Ms. Lin Mei-Li	(4), (iv)	**64**	66

37. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(continued)*

Notes:

(1) San Li was controlled by Mr. Cheng Li-Yu, a Director of the Company, and was deregistered during the year.

(2) Sunrise was controlled by Mr. Cheng Li-Yen, a Director of the Company, and his family members.

(3) Jiang Su Inoac Juteng was an associate of the Group, which became a subsidiary of the Group during the year.

(4) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a Director of the Company.

(i) The consideration of plant and equipment was determined based on the valuation report from an independent valuer.

(ii) The purchase prices of production materials were determined at rates mutually agreed between the relevant parties.

(iii) The selling prices of finished goods were determined at rates mutually agreed between the relevant parties.

(iv) The rentals were determined at rates mutually agreed between the relevant parties.

The above transactions entered into by the Group during the year ended 31 December 2012 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related companies as at the end of the reporting period are included in notes 22 and 26 to the financial statements.

(c) Compensation of key management personnel of the Group (excluding Directors' remuneration):

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**9,017**	7,623
Employee share-based compensation expenses	**7,976**	6,961
Total compensation paid to key management personnel	**16,993**	14,584

Further details of Directors' emoluments are included in note 9 to the financial statements.

38. 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:

2012

Financial assets

	Group			
	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	31,373	31,373
Trade receivables	–	3,239,371	–	3,239,371
Financial assets included in prepayments, deposits and other receivables	–	917,052	–	917,052
Derivative financial instruments	15,155	–	–	15,155
Pledged bank balances and time deposits	–	43,231	–	43,231
Cash and cash equivalents	–	1,162,927	–	1,162,927
	15,155	5,362,581	31,373	5,409,109

Financial liabilities

	Group Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,629,270
Financial liabilities included in other payables and accruals	744,140
Interest-bearing bank borrowings	4,081,659
	6,455,069

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2011

Financial assets

	Group			
	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	24,768	24,768
Trade receivables	–	2,731,863	–	2,731,863
Financial assets included in prepayments, deposits and other receivables	–	509,599	–	509,599
Derivative financial instruments	9,970	–	–	9,970
Pledged bank balances and time deposits	–	43,347	–	43,347
Cash and cash equivalents	–	654,492	–	654,492
	9,970	3,939,301	24,768	3,974,039

Financial liabilities

	Group Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,795,876
Financial liabilities included in other payables and accruals	921,614
Interest-bearing bank borrowings	2,622,031
	5,339,521

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets

	Company	
	Loans and receivables 2012 HK$'000	Loans and receivables 2011 HK$'000
Due from subsidiaries (note 19)	**427,413**	486,975
Cash and cash equivalents	**42**	41
	427,455	487,016

Financial liabilities

	Company	
	Financial liabilities at amortised cost 2012 HK$'000	Financial liabilities at amortised cost 2011 HK$'000
Financial liabilities included in other payables and accruals	**2,476**	3,854

39. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's and the Company's financial instruments as at 31 December 2012 and 2011 are approximate to their fair values.

The Group uses fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities for determining and disclosing the fair value of financial instruments. As at 31 December 2012 and 2011, certain financial instruments of the Group which comprise available-for-sale investments and derivative financial instruments were measured at fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 under the fair value hierarchy).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, factored trade receivables, pledged bank balances 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 receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term debt obligations denominated in United States dollars with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2012		
United States dollar	**50**	**(20,140)**
United States dollar	**(50)**	**20,140**
2011		
United States dollar	50	(13,046)
United States dollar	(50)	13,046

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables and certain cash and cash equivalents in currencies other than the functional currency of the Group's operating subsidiaries. The Group uses derivative financial instruments to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000
2012		
If United States dollar strengthens against Renminbi	**2.94**	**88,550**
If United States dollar weakens against Renminbi	**(2.94)**	**(88,550)**
2011		
If United States dollar strengthens against Renminbi	4.18	81,605
If United States dollar weakens against Renminbi	(4.18)	(81,605)

Credit risk

The carrying amount of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 93% (2011: 94%) of the Group's trade receivables at the end of the reporting period.

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents, other receivables and factored trade receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

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

Group	**2012**			
	On demand or within 1 year HK$'000	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**1,629,270**	**–**	**–**	**1,629,270**
Other payables and accruals	**744,140**	**–**	**–**	**744,140**
Interest-bearing bank borrowings	**2,529,947**	**1,598,657**	**–**	**4,128,604**
	4,903,357	**1,598,657**	**–**	**6,502,014**

Group	2011			
	On demand or within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	1,795,876	–	–	1,795,876
Other payables and accruals	921,614	–	–	921,614
Interest-bearing bank borrowings	577,102	2,106,143	–	2,683,245
	3,294,592	2,106,143	–	5,400,735

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

Company	**2012**			
	On demand or within 1 year HK$'000	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Financial guarantees issued:				
Maximum amount guaranteed				
(notes 29 and 34)	**4,678,079**	**–**	**–**	**4,678,079**

Company	2011			
	On demand or within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial guarantees issued:				
Maximum amount guaranteed				
(notes 29 and 34)	5,213,260	–	–	5,216,260

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as an available-for-sale investment (note 24) as at 31 December 2012. The Group's listed investment is listed on the Taiwan Stock Exchange and is valued at the quoted market price at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period and their respective highest and lowest points during the year were as follows:

	31 December 2012	**High/low 2012**	31 December 2011	High/low 2011
Taiwan – TSEC Weighted Index	**7,700**	**8,170/6,857**	7,072	9,220/6,609

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investment, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

	Carrying amount of equity investment HK$'000	Increase/ (decrease) in equity price %	Increase/ (decrease) in equity* HK$'000
2012			
Investment listed in:			
Taiwan – Available-for-sale	**26,219**	**34.70**	**7,551**
	26,219	**(34.70)**	**(7,551)**
2011			
Investment listed in:			
Taiwan – Available-for-sale	19,604	49.66	8,080
	19,604	(49.66)	(8,080)

* Excluding retained profits

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is calculated as the total bank borrowings over the total assets. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Total bank borrowings	**4,081,659**	2,622,031
Total non-current assets	**6,886,336**	6,345,211
Total current assets	**6,362,964**	5,027,312
Total assets	**13,249,300**	11,372,523
Gearing ratio	**31%**	23%

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 19 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:

Results

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**9,201,313**	8,234,507	7,166,213	7,463,909	7,249,183
PROFIT BEFORE TAX	**788,210**	287,108	420,305	933,933	818,850
Income tax expense	**(128,589)**	(50,361)	(65,302)	(172,783)	(130,280)
PROFIT FOR THE YEAR	**659,621**	236,747	355,003	761,150	688,570
Attributable to:					
Equity holders of the Company	**600,959**	256,625	331,189	704,876	658,295
Non-controlling interests	**58,662**	(19,878)	23,814	56,274	30,275
	659,621	236,747	355,003	761,150	688,570

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**13,249,300**	11,372,523	9,911,602	9,521,470	7,144,456
TOTAL LIABILITIES	**(6,632,706)**	(5,473,812)	(4,686,113)	(4,960,799)	(4,163,041)
NON-CONTROLLING INTERESTS	**(1,230,496)**	(1,157,041)	(836,581)	(595,073)	(161,135)
	5,386,098	4,741,670	4,388,908	3,965,598	2,820,280