

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

11 December 2013

The Directors
TK Group (Holdings) Limited

China Merchants Securities (HK) Co., Limited

Dear Sirs,

We report on the financial information of TK Group (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2010, 2011 and 2012 and 30 June 2013, the balance sheet of the Company as at 30 June 2013, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 11 December 2013 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 28 March 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation and changes in group structure" below, which was completed on 31 May 2013, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. Each of these companies is a private company. All of these companies adopt 31 December as their financial year end date.

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No audited financial statements have been prepared by the Company as it is not required to issue audited financial statements under the statutory requirements in the Cayman Islands.

The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRS. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that give a true and fair view in accordance with HKFRS, and for such internal control as the directors determine is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives a true and fair view of the state of affairs of the Company as at 30 June 2013 and the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises 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 six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013 and for each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 (the "Financial Information").

(A) CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	5	536,104	781,750	1,095,985	468,473	470,625
Cost of sales	7	(376,769)	(501,802)	(724,287)	(343,388)	(333,276)
Gross profit		159,335	279,948	371,698	125,085	137,349
Other income	6	4,561	8,446	17,538	7,325	12,456
Other gains/(losses) – net	6	923	806	6,446	2,738	(344)
Selling expenses	7	(25,911)	(45,947)	(55,505)	(23,967)	(22,223)
Administrative expenses	7	(74,972)	(113,483)	(142,737)	(59,159)	(70,447)
Operating profit		63,936	129,770	197,440	52,022	56,791
Finance costs	10	(2,717)	(9,485)	(11,179)	(5,299)	(2,797)
Profit before income tax		61,219	120,285	186,261	46,723	53,994
Income tax expense	11	(16,246)	(35,797)	(51,068)	(13,323)	(15,178)
Profit for the year/period attributable to owners of the Company		<u>44,973</u>	<u>84,488</u>	<u>135,193</u>	<u>33,400</u>	<u>38,816</u>
Earnings per share for the year/period attributable to owners of the Company						
– basic and diluted (HK\$)	12	<u>603</u>	<u>1,134</u>	<u>1,814</u>	<u>448</u>	<u>520</u>
Dividends	28	<u>37,300</u>	<u>30,800</u>	<u>54,956</u>	<u>628</u>	<u>77,218</u>

Note: The earnings per share as presented above has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 29 November 2013 (Note 35(d)) because the proposed capitalisation issue has not been effected as at the date of this report.

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>Note</i>	Year ended 31 December			Six months ended	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period attributable to owners of the Company	44,973	84,488	135,193	33,400	38,816
Item that may be reclassified subsequently to profit and loss					
Currency translation differences	11,346	23,061	(47)	(3,257)	2,217
Total comprehensive income for the year/period attributable to owners of the Company	<u>56,319</u>	<u>107,549</u>	<u>135,146</u>	<u>30,143</u>	<u>41,033</u>

(C) CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December			As at
		2010	2011	2012	30 June
		HK\$'000	HK\$'000	HK\$'000	2013 HK\$'000
ASSETS					
Non-current assets					
Land use rights	13	18,835	25,501	24,792	–
Property, plant and equipment	14	152,669	165,110	253,713	154,172
Intangible assets	15	2,064	5,492	4,164	3,217
Deferred income tax assets	27	12,445	9,157	5,892	5,012
Derivative financial instruments	21	–	–	745	–
Prepayments for the purchase of property, plant and equipment		1,870	2,930	3,796	10,607
Deposits for non-current bank borrowings		–	1,571	2,611	–
		<u>187,883</u>	<u>209,761</u>	<u>295,713</u>	<u>173,008</u>
Current assets					
Inventories	17	117,867	93,500	150,204	199,327
Trade and other receivables	18	130,866	157,918	200,689	147,534
Amounts due from related companies	32(c)	60,915	142,535	137,013	244,239
Available-for-sale financial assets	20	–	8,018	24,664	1,255
Derivative financial instruments	21	–	–	798	–
Cash and bank balances	19	34,255	79,819	94,084	85,039
Pledged bank deposits	22	7,026	78,221	47,712	–
		<u>350,929</u>	<u>560,011</u>	<u>655,164</u>	<u>677,394</u>
Total assets		<u><u>538,812</u></u>	<u><u>769,772</u></u>	<u><u>950,877</u></u>	<u><u>850,402</u></u>
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	23	–	–	–	2
Reserves	24	<u>135,862</u>	<u>197,778</u>	<u>276,369</u>	<u>195,697</u>
Total equity		<u><u>135,862</u></u>	<u><u>197,778</u></u>	<u><u>276,369</u></u>	<u><u>195,699</u></u>

	<i>Note</i>	As at 31 December			As at
		2010	2011	2012	30 June
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES					
Non-current liabilities					
Non-current bank borrowings	25	51,786	50,214	52,160	3,913
Deferred income tax liabilities	27	5,135	10,474	17,677	1,381
Derivative financial liabilities	21	–	1,874	–	–
		<u>56,921</u>	<u>62,562</u>	<u>69,837</u>	<u>5,294</u>
Current liabilities					
Trade and other payables	26	207,735	231,616	341,802	312,778
Amounts due to related companies	32(c)	48,606	55,349	40,654	327,265
Amounts due to the Ultimate Shareholders	32(c)	–	–	22,057	–
Income tax liabilities		16,404	26,601	38,013	5,753
Short-term bank borrowings	25	43,882	158,259	128,809	–
Current portion of non-current bank borrowings	25	29,285	37,607	33,336	3,613
Finance lease liabilities	25	117	–	–	–
		<u>346,029</u>	<u>509,432</u>	<u>604,671</u>	<u>649,409</u>
Total liabilities		<u>402,950</u>	<u>571,994</u>	<u>674,508</u>	<u>654,703</u>
Total equity and liabilities		<u>538,812</u>	<u>769,772</u>	<u>950,877</u>	<u>850,402</u>
Net current assets		<u>4,900</u>	<u>50,579</u>	<u>50,493</u>	<u>27,985</u>
Total assets less current liabilities		<u>192,783</u>	<u>260,340</u>	<u>346,206</u>	<u>200,993</u>

(D) BALANCE SHEET – COMPANY

	<i>Note</i>	As at 30 June 2013 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	33(a)	<u>228,663</u>
Total assets		<u><u>228,663</u></u>
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	23	2
Capital reserve	33(b)	222,264
Accumulated losses		<u>(21)</u>
Total equity		<u>222,245</u>
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	33(c)	<u>6,418</u>
Total liabilities		<u>6,418</u>
Total equity and liabilities		<u><u>228,663</u></u>
Net current liabilities		<u><u>(6,418)</u></u>
Total assets less current liabilities		<u><u>222,245</u></u>

(E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Share capital <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2010		–	9,857	3,667	44,068	59,251	116,843
Comprehensive income							
Profit for the year		–	–	–	–	44,973	44,973
Other comprehensive income							
Currency translation differences		–	–	–	11,346	–	11,346
Total comprehensive income		–	–	–	11,346	44,973	56,319
Total contributions by and distributions to owners of the Company recognised directly in equity							
Dividends		–	–	–	–	(37,300)	(37,300)
Total contributions by and distributions to owners of the Company for the year		–	–	–	–	(37,300)	(37,300)
Transfer to statutory reserves		–	4,478	–	–	(4,478)	–
Balance at 31 December 2010		–	14,335	3,667	55,414	62,446	135,862
Balance at 1 January 2011		–	14,335	3,667	55,414	62,446	135,862
Comprehensive income							
Profit for the year		–	–	–	–	84,488	84,488
Other comprehensive income							
Currency translation differences		–	–	–	23,061	–	23,061
Total comprehensive income		–	–	–	23,061	84,488	107,549
Total contributions by and distributions to owners of the Company recognised directly in equity							
2011 Deemed Distribution	<i>32(b)</i>	–	–	(3,667)	–	(11,166)	(14,833)
Dividends		–	–	–	–	(30,800)	(30,800)
Total contributions by and distributions to owners of the Company for the year		–	–	(3,667)	–	(41,966)	(45,633)
Transfer to statutory reserves		–	7,879	–	–	(7,879)	–
Balance at 31 December 2011		–	22,214	–	78,475	97,089	197,778

APPENDIX I

ACCOUNTANT'S REPORT

	Note	Share capital HK\$'000	Statutory reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2012		-	22,214	-	78,475	97,089	197,778
Comprehensive income							
Profit for the year		-	-	-	-	135,193	135,193
Other comprehensive loss							
Currency translation differences		-	-	-	(47)	-	(47)
Total comprehensive income		-	-	-	(47)	135,193	135,146
Total contributions by and distributions to owners of the Company recognised directly in equity							
Share issuance costs		-	-	(1,599)	-	-	(1,599)
Dividends		-	-	-	-	(54,956)	(54,956)
Total contributions by and distributions to owners of the Company for the year		-	-	(1,599)	-	(54,956)	(56,555)
Transfer to statutory reserves		-	14,173	-	-	(14,173)	-
Balance at 31 December 2012		-	36,387	(1,599)	78,428	163,153	276,369
For the six months ended 30 June 2013							
Balance at 1 January 2013		-	36,387	(1,599)	78,428	163,153	276,369
Comprehensive income							
Profit for the period		-	-	-	-	38,816	38,816
Other comprehensive income							
Currency translation differences		-	-	-	2,217	-	2,217
Total comprehensive income		-	-	-	2,217	38,816	41,033
Total contributions by and distributions to owners of the Company recognised directly in equity							
Share issuance		2	-	-	-	-	2
2013 Deemed Distribution	1.2(12)	-	(35,001)	(174,522)	(58,827)	-	(268,350)
Share issuance costs		-	-	(4,798)	-	-	(4,798)
Capitalisation of Indebtedness	23(b)	-	-	228,661	-	-	228,661
Dividends		-	-	-	-	(77,218)	(77,218)
Total contributions by and distributions to owners of the Company for the period		2	(35,001)	49,341	(58,827)	(77,218)	(121,703)
Balance at 30 June 2013		2	1,386	47,742	21,818	124,751	195,699

<i>Note</i>	Share capital <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2012 (unaudited)						
Balance at 1 January 2012	–	22,214	–	78,475	97,089	197,778
Comprehensive income						
Profit for the period	–	–	–	–	33,400	33,400
Other comprehensive loss						
Currency translation differences	–	–	–	(3,257)	–	(3,257)
Total comprehensive income	–	–	–	(3,257)	33,400	30,143
Total contributions by and distributions to owners of the Company recognised directly in equity						
Dividends	–	–	–	–	(628)	(628)
Total contributions by and distributions to owners of the Company for the period	–	–	–	–	(628)	(628)
Balance at 30 June 2012 (unaudited)	–	22,214	–	75,218	129,861	227,293

(F) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		HK\$'000	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
Cash flows from operating activities						
Cash generated from operations	29(a)	57,631	210,941	248,695	52,139	78,659
Interest received		289	2,096	2,189	1,189	415
Income tax paid		(11,727)	(16,972)	(29,219)	(19,118)	(34,957)
Net cash generated from operating activities		46,193	196,065	221,665	34,210	44,117
Cash flows from investing activities						
Purchase of property, plant and equipment		(81,309)	(63,524)	(146,124)	(40,545)	(52,589)
Purchase of intangible assets		(2,844)	(4,545)	(1,448)	(787)	(236)
Purchase of land use rights		–	(6,385)	–	–	–
Proceed from disposal of property, plant and equipment	29(b)	3,001	979	12,411	87	2
Advance to related companies	32(b)	(61,488)	(85,551)	–	–	–
Repayments from related companies		6,581	3,701	4,979	–	–
Purchase of available-for-sale financial assets		–	(167,140)	(449,501)	(224,751)	(158,172)
Proceeds from available-for-sale financial assets		–	159,122	432,855	163,428	164,006
Net cash used in investing activities		(136,059)	(163,343)	(146,828)	(102,568)	(46,989)
Cash flows from financing activities						
Proceeds from bank borrowings		150,746	331,143	253,218	221,211	102,561
Repayments of bank borrowings		(70,009)	(210,013)	(284,866)	(158,443)	(95,014)
Repayments of finance leases liabilities		(290)	(117)	–	–	–
(Increase)/decrease in pledged bank deposits		(5,526)	(71,195)	30,509	35,740	–
Increase in deposits for non-current bank borrowings		–	(1,571)	(1,040)	–	–
Interest paid		(2,717)	(9,485)	(11,184)	(5,679)	(2,937)
Share issuance cost paid		–	–	–	–	(2,046)
Advances from the Ultimate Shareholders		–	–	24,750	–	–
Repayments to the Ultimate Shareholders		–	(2,654)	(2,723)	(2,723)	–
Repayments to related companies		–	–	(14,152)	–	–
Advances from related companies		8,827	6,973	–	–	179,385
Payments for the acquisition of equity interests and Listing Business in the Reorganisation	1.2 (8),(11)	–	–	–	–	(23,094)
Dividends paid to the Ultimate Shareholders	28	(37,300)	(30,800)	(54,956)	(628)	(77,218)
2013 Deemed Distribution	1.2(12)	–	–	–	–	(83,904)
Net cash generated from/(used in) financing activities		43,731	12,281	(60,444)	89,478	(2,267)
Net (decrease)/increase in cash and cash equivalents						
		(46,135)	45,003	14,393	21,120	(5,139)
Cash and cash equivalents at beginning of the year/period		76,167	30,291	75,857	75,857	90,179
Exchange gains/(losses) on cash and cash equivalents		259	563	(71)	(201)	(1)
Cash and cash equivalents at end of the year/period		30,291	75,857	90,179	96,776	85,039
Analysis of balances of cash and cash equivalents:						
Cash at bank and on hand		34,255	79,819	94,084	100,739	85,039
Bank overdrafts		(3,964)	(3,962)	(3,905)	(3,963)	–
		30,291	75,857	90,179	96,776	85,039

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND GROUP REORGANISATION

1.1 General information

The Company was incorporated in the Cayman Islands on 28 March 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the manufacturing, sales, subcontracting, fabrication and modification of molds and plastic components in the People's Republic of China (the "PRC") (the "Listing Business"). The ultimate shareholders of the Group are Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael, and Mr. Lee Leung Yiu (the "Ultimate Shareholders"), each holding an effective equity interest of 45%, 28%, 27% in the Company, respectively.

The Financial Information is presented in Hong Kong dollar ("HK\$"), unless otherwise stated.

1.2 Reorganisation and changes in group structure

Prior to the incorporation of the Company and the completion of the Reorganisation as described below, the Listing Business was mainly conducted through TK Plastics (Shenzhen) Ltd., TK Technology (Shenzhen) Ltd., TK Mold (SZ) Limited, TK Plastics Products (Suzhou) Limited, TK International (BVI) Limited, HL Mold Limited and YD Mold (SZ) Limited which were the subsidiaries of TK Group Limited and Shenzhen Dongbo Mold Limited.

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of certain companies/operations engaged in the Listing Business. The Reorganisation involved the following:

- (1)
 - (a) On 20 November 2012, TK Industrial Holdings Limited (formerly known as TK Group Holdings Limited) was incorporated in the British Virgin Islands (the "BVI") by the Ultimate Shareholders.
 - (b) On 7 December 2012, YD Trading (Hong Kong) Limited, TK Mold (Hong Kong) Limited, TK Plastics (Suzhou) Limited and TK Plastics (Hong Kong) Limited were incorporated in Hong Kong as wholly-owned subsidiaries of TK Industrial Holdings Limited.
- (2)
 - (a) On 7 December 2012, Eastern Mix Company Limited ("Eastern Mix") was incorporated in the BVI, in which Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu each holds equity interest of 45%, 28% and 27%, respectively.
 - (b) On 20 February 2013, Normal Times International Limited ("Normal Times") was incorporated in the BVI and is wholly-owned by Mr. Lee Leung Yiu.
 - (c) On 12 March 2013, Cheer Union Development Ltd ("Cheer Union") was incorporated in the BVI and is wholly-owned by Mr. Yung Kin Cheung Michael.
 - (d) On 14 March 2013, Lead Smart Development Limited ("Lead Smart") was incorporated in the BVI and is wholly-owned by Mr. Li Pui Leung.

- (3) On 28 March 2013, the Company was incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each, a total of 10,000 ordinary shares were issued and nil paid as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Equity interest in %</u>
Eastern Mix	5,100	51.0
Lead Smart	2,205	22.1
Cheer Union	1,372	13.7
Normal Times	1,323	13.2
	<u>10,000</u>	<u>100.0</u>

- (4) On 1 March 2013, TK Precision Plastics (SZ) Limited was incorporated in the PRC as a wholly-owned subsidiary of TK Plastics (Hong Kong) Limited.
- (5) On 1 April 2013, TK Plastics (Suzhou) Limited acquired the entire equity interest in TK Plastics Products (Suzhou) Limited from TK Plastics Limited, an indirect wholly-owned subsidiary of TK Group Limited, for a consideration of RMB10,701,000 (equivalent to approximately HK\$13,433,000), which was based on a valuation as at 31 December 2012 conducted by an independent valuer. The consideration was subsequently settled through a novation and capitalisation arrangement under which the consideration payable by TK Plastics (Suzhou) Limited was novated to the Company and was capitalised as at 30 June 2013 by allotment and issue of a total of 10,000 ordinary shares of the Company to Eastern Mix, Lead Smart, Cheer Union and Normal Times, pursuant to a supplemental agreement entered into on 30 June 2013. TK Plastics Products (Suzhou) Limited became an indirect wholly-owned subsidiary of the Company.
- (6) On 17 April 2013, the Company acquired the entire equity interest in TK Industrial Holdings Limited from the Ultimate Shareholders by crediting the existing 10,000 nil paid shares in issue as fully paid and issuing a total of 10,000 ordinary shares as follows:

<u>Shareholder</u>	<u>Number of shares</u>
Eastern Mix	8,500
Lead Smart	675
Cheer Union	420
Normal Times	405
	<u>10,000</u>

- (7) On 17 April 2013, TK Mold (Hong Kong) Limited acquired the entire equity interest in TK Mold (SZ) Limited from TK Mold Limited, an indirect wholly-owned subsidiary of TK Group Limited, for a consideration of RMB84,089,400 (equivalent to approximately HK\$106,448,000), which was based on a valuation as at 31 December 2012 conducted by an independent valuer. The consideration was subsequently settled through a novation and capitalisation arrangement under which the consideration payable by TK Mold (Hong Kong) Limited was novated to the Company and was capitalised as at 30 June 2013 by allotment and issue of a total of 10,000 ordinary shares of the Company to Eastern Mix, Lead Smart, Cheer Union and Normal Times, pursuant to a supplemental agreement entered into on 30 June 2013. TK Mold (SZ) Limited became an indirect wholly-owned subsidiary of the Company.
- (8) On 25 April 2013, YD Trading (Hong Kong) Limited acquired the entire equity interest in YD Mold (SZ) Limited from TK Industrial Ltd., a direct wholly-owned subsidiary of TK Group Limited, for a cash consideration of RMB8,432,900 (equivalent to approximately HK\$10,594,000), which was based on a valuation as at 31 December 2012 conducted by an independent valuer and has been settled in cash. YD Mold (SZ) Limited became an indirect wholly-owned subsidiary of the Company.

- (9) On 31 May 2013, TK Industrial Holdings Limited acquired the entire equity interest of TK International (BVI) Limited from TK Industrial Ltd., for a consideration of HK\$10,068,431, which was based on a valuation as at 30 April 2013 conducted by an independent valuer. The consideration was subsequently settled through a novation and capitalisation arrangement under which the consideration payable by TK Industrial Holdings Limited was novated to the Company and was capitalised as at 30 June 2013 by allotment and issue of a total of 10,000 ordinary shares of the Company to Eastern Mix, Lead Smart, Cheer Union and Normal Times, pursuant to a supplemental agreement entered into on 30 June 2013. TK International (BVI) Limited became an indirectly wholly-owned subsidiary of the Company.
- (10) During the Relevant Periods, Shenzhen Dongbo Mold Limited, HL Mold Limited, TK Plastics Limited, TK Mold Limited, TK Plastics (Shenzhen) Ltd. and TK Technology (Shenzhen) Ltd. were companies controlled by the Ultimate Shareholders, carried out the Listing Business as well as other businesses which were not strategically complementary to the Group's operations and/or dissimilar with the Listing Business (the "Excluded Business").
- (11) Pursuant to the Reorganisation, Shenzhen Dongbo Mold Limited, HL Mold Limited, TK Plastics Limited and TK Mold Limited ceased their Listing Business before June 2013 while TK Plastics (Shenzhen) Ltd. and TK Technology (Shenzhen) Ltd. (together with Shenzhen Dongbo Mold Limited, HL Mold Limited, TK Plastics Limited and TK Mold Limited (the 'Predecessor Subsidiaries') transferred their Listing Business respectively to TK Precision Plastics (SZ) Limited and TK Mold (SZ) Limited, subsidiaries of the Group, for an aggregate cash consideration of RMB215,560,138 (equivalent to approximately HK\$270,600,000). Accordingly, the equity interests in the Predecessor Subsidiaries were not transferred to the Group upon the completion of Reorganisation. As at 30 June 2013, the Group has paid RMB10,000,000 (equivalent to approximately HK\$12,500,000).
- (12) As at the completion date of Reorganisation, assets and liabilities of these Predecessor Subsidiaries not transferred to the Group pursuant to the Reorganisation were accounted for as a deemed distribution to the Ultimate Shareholders ("2013 Deemed Distribution"). Details of these assets and liabilities which were not transferred to the Group are as follows:

	As at 31 May 2013
	<i>HK\$'000</i>
Cash, cash equivalents and pledged bank deposits	83,904
Available-for-sale financial assets	17,575
Derivative financial instruments, net	72
Land use rights (<i>Note 13</i>)	24,932
Property, plant and equipment (<i>Note 14</i>)	105,451
Deferred income tax assets (<i>Note 27</i>)	856
Deferred income tax liabilities (<i>Note 27</i>)	(16,868)
Bank borrowings	(214,147)
Amounts due from related companies	326,984
Receivables and payables – net	(60,409)
	<hr/>
Net assets	<u><u>268,350</u></u>

During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Equity interest held				Principal activities/ place of operation	Statutory auditors
			As at 31 December			As at 30 June		
			2010	2011	2012	2013		
Directly owned:								
TK Industrial Holdings Limited	BVI, 20 November 2012	USD50,000/ USD50,000	N/A	N/A	100%	100%	Investment holding/PRC	Note (i)
Indirectly owned:								
HL Mold Limited	BVI, 30 November 2009	USD50,000/ USD50,000	100%	100%	100%	–*	Trading of molds/ PRC	Note (i)
TK International (BVI) Limited	BVI, 10 April 2007	USD100/ USD100	100%	100%	100%	100%	Trading of plastic products and molds/PRC	Note (i)
TK Plastics Limited	Hong Kong, 26 March 2001	HK\$10,000/ HK\$100	100%	100%	100%	–*	Investment holding/PRC	Note (v)
TK Mold Limited	Hong Kong, 30 October 2000	HK\$10,000/ HK\$10,000	100%	100%	100%	–*	Investment holding/PRC	Note (v)
TK Industrial Ltd.	BVI, 30 September 2004	USD50,000/ USD5	100%	100%	100%	–*	Investment holding/PRC	Note (v)
TK Plastics Products (Suzhou) Limited	PRC, 1 March 2010	HK\$10,000,000/ HK\$10,000,000	100%	100%	100%	100%	Manufacture of plastic products/PRC	Note (ii)
新東江塑膠(深圳)有限公司 (TK Plastics (Shenzhen) Ltd.)	PRC, 26 June 2002	HK\$100,000,000/ HK\$100,000,000	100%	100%	100%	–*	Manufacture of plastic products/PRC	Note (iii)
東江科技(深圳)有限公司 (TK Technology (Shenzhen) Ltd.)	PRC, 28 March 2001	HK\$143,310,000/ HK\$48,310,000	100%	100%	100%	–*	Manufacture of molds/PRC	Note (iii)
東江模具(深圳)有限公司 (TK Mold (SZ) Limited)	PRC, 5 March 2012	HK\$132,000,000/ HK\$104,990,000	N/A	N/A	100%	100%	Fabrication of molds/ PRC	Note (vi)
YD Trading (Hong Kong) Limited	Hong Kong, 7 December 2012	HK\$1,000,000/ HK\$1,000,000	N/A	N/A	100%	100%	Investment holding/PRC	Note (iv)
TK Mold (Hong Kong) Limited	Hong Kong, 7 December 2012	HK\$1,000,000/ HK\$1,000,000	N/A	N/A	100%	100%	Investment holding/PRC	Note (iv)
TK Plastics (Suzhou) Limited	Hong Kong, 7 December 2012	HK\$1,000,000/ HK\$1,000,000	N/A	N/A	100%	100%	Investment holding/PRC	Note (iv)
TK Plastics (Hong Kong) Limited	Hong Kong, 7 December 2012	HK\$1,000,000/ HK\$1,000,000	N/A	N/A	100%	100%	Investment holding/PRC	Note (iv)
佑東模具(深圳)有限公司 (YD Mold (SZ) Limited)	PRC, 18 November 2010	HK\$10,000,000/ HK\$10,000,000	100%	100%	100%	100%	Fabrication of molds/ PRC	Note (vii)
東江精創注塑(深圳)有限公司 (TK Precision Plastics (SZ) Limited)	PRC, 1 March 2013	HK\$166,000,000/ HK\$105,500,000	N/A	N/A	N/A	100%	Manufacture of plastic products/PRC	Note (iv)
深圳市東博模具有限公司 (Shenzhen Dongbo Mold Limited)	PRC, 24 September 2001	RMB500,000/ RMB500,000	100%	100%	100%	–*	Trading of molds/PRC	Note (iii)

* Companies not transferred to the Group pursuant to the Reorganisation (Notes 1.2(11) and (12))

Upon completion of the Reorganisation, the Company became the holding company of the other companies now comprising the Group.

The English names, shown above, of certain companies without registered English names have been translated from their Chinese names by management on a best effort basis.

All companies comprising the Group have adopted 31 December as their financial year end date.

Notes:

- (i) No audited financial statements have been prepared for these companies as there is no statutory requirement under their place of incorporation.
- (ii) The statutory financial statements of this company for the year ended 31 December 2010 were audited by Suzhou Chung Hwei CPA Limited. The statutory financial statements of this company for the years ended 31 December 2011 and 2012 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.
- (iii) The statutory financial statements of these companies for the years ended 31 December 2010, 2011 and 2012 were audited by De An CPA Limited.
- (iv) No audited financial statements have been prepared for these companies as they were newly incorporated in 2012 or 2013.
- (v) The statutory financial statements of these companies for the years ended 31 December 2010, 2011 and 2012 were audited by PricewaterhouseCoopers.
- (vi) The statutory financial statements of this company for the year ended 31 December 2012 were audited by De An CPA Limited.
- (vii) The statutory financial statements of this company for the period from 18 November 2010 (date of incorporation) to 31 December 2011, and for the year ended 31 December 2012 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.

1.3 Basis of presentation

The Ultimate Shareholders managed and collectively controlled the Listing Business immediately before and after the Reorganisation. Pursuant to the Reorganisation, the Listing Business is transferred to and held by the Company. The Company had not been involved in any other business prior to the Reorganisation and did not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity of the Group for each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 have been prepared using the financial information of the companies engaged in the Listing Business which are under the same ownership of the Ultimate Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 or since the respective dates of establishments of the combining companies or acquisition, whichever is a shorter period. The consolidated balance sheets of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 have been prepared to present the assets and liabilities of the companies engaged in the Listing Business and the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

The financial information included the assets and liabilities which were not transferred to the Group but were related to the Listing Business, as described in Notes 1.2(11) and (12) above. The exclusion of these assets and liabilities was accounted for as a deemed distribution to the Ultimate Shareholders upon the Reorganisation.

The financial information has not included the assets, liabilities and results of operations of the Excluded Business as described in Notes 1.2(11) and (12) above, on the basis that these companies are engaged in dissimilar businesses from those of the Group, have separate management personnel and accounting records and have no more than incidental common facilities and costs sharing with the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

The Financial Information of the Group has been prepared in accordance with HKFRS issued by the HKICPA. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and available-for-sale financial assets which are carried at fair value.

The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

- (a) New and amended standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 32 (amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (amendments)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 9 and HKFRS 7 (amendments)	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (amendments)	Investment entities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HK(IFRIC) Int.-21	Levies	1 January 2014
HKAS 39 (amendment)	Novation of derivatives	1 January 2014

The Group did not early adopt any of these new or revised HKAS and HKFRS, amendments to existing HKAS and HKFRS and interpretation. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

2.1 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation as described in Note 1.2 above, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors that make strategic decisions.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of principal operating subsidiaries of the Group. Financial information is presented in Hong Kong dollar, which is the presentation and functional currency of the Company.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements within 'other gains/(losses) – net'.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transaction); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated currency translation differences is reclassified to profit or loss.

2.4 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated income statements over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.5 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.6 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and stated at cost. Cost includes acquisition and construction expenditure incurred, interest and other direct costs attributable to the development. Depreciation is not provided on construction in progress until the related asset is completed for intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over 5 years or the remaining term of the relevant lease, whichever is shorter
Plant and machineries	5-10 years
Furniture, fixtures and computer equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the consolidated income statements.

2.7 Intangible assets

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 3 to 10 years.

2.8 Research and development expenditure

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives.

2.9 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units), which are not larger than the operating segments under HKFRS 8. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group's derivative instruments do not qualify for hedge accounting, and are accounted for at fair value through profit or loss. Changes in the fair value of the Group's derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, these are classified as non-current assets including deposits for non-current bank borrowings. Loans and receivables comprise trade and other receivables, amounts due from related companies, pledged bank deposits and cash and bank balances.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Interest income on available-for-sale financial assets are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials direct labour, other direct costs and related production overheads based on normal operating capacity. It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Pledged bank deposits

Pledged bank deposits represent deposits held by the bank in a segregated account as security for borrowings from the bank. Such pledged bank deposits will be released when the Group repays the related bank borrowings.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability beyond 12 months from the end of the reporting period.

2.20 Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a property, plant and equipment that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in income statement. Capitalisation of borrowing costs is suspended when the acquisition or construction of a property, plant and equipment is interrupted abnormally, until the acquisition or construction is resumed.

For a borrowing that is specifically for the purpose of obtaining a qualifying asset, the amounts of borrowing costs eligible for capitalisation are the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of these borrowings.

For the other borrowings related to acquisition, construction and production of a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be the lower of the actual borrowing costs incurred and the amount of qualifying asset not financed by specific borrowings multiplying capitalisation rate. The capitalisation rate is the weighted average interest rate of these borrowings. All other borrowing costs are expensed.

2.21 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.22 Current and deferred income tax

The tax expense for the period comprised current and deferred income tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant governmental authorities. Other than the monthly contributions, the Group has no further obligation for the payment of retirements and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. The contributions are recognised as employee benefit expenses when they are due.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) *Sales of goods in the PRC and overseas*

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) *Mold modification income*

Revenue from mold modification services is recognised in the accounting period in which the services are rendered.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in financial lease liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Foreign exchange risk

The Group mainly operates in the PRC, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to HK\$, US dollar ("USD"), Euro ("EUR") and Japanese Yen ("JPY"). Exchange rate fluctuations and market trends have always been the concern of the Group. The Group currently does not have a foreign currency hedging policy. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Assets				
HK\$	23,280	18,498	23,808	12,905
USD	77,757	141,843	185,276	97,368
EUR	7,457	16,418	14,081	19,518
Total	<u>108,494</u>	<u>176,759</u>	<u>223,165</u>	<u>129,791</u>
Liabilities				
HK\$	87,386	95,273	127,423	9,793
USD	2,469	7,301	21,716	4,979
EUR	–	46	1,047	1,486
JPY	3,319	–	–	–
Total	<u>93,174</u>	<u>102,620</u>	<u>150,186</u>	<u>16,258</u>

If RMB had strengthened/weakened by 5% against the relevant foreign currencies, with all other variable held constant, the profit before income tax would increase/(decrease) as follows:

	Year ended 31 December						Six months ended 30 June 2013	
	2010		2011		2012			
	Increase/(decrease) on profit before income tax if exchanges rates change by		Increase/(decrease) on profit before income tax if exchanges rates change by		Increase/(decrease) on profit before income tax if exchange rate changes by		Increase/(decrease) on profit before income tax if exchange rate changes by	
	+5%	-5%	+5%	-5%	+5%	-5%	+5%	-5%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	3,205	(3,205)	3,839	(3,839)	5,181	(5,181)	(156)	156
USD	(3,764)	3,764	(6,727)	6,727	(8,178)	8,178	(4,619)	4,619
EUR	(373)	373	(819)	819	(652)	652	(902)	902
JPY	166	(166)	-	-	-	-	-	-

(b) Price risk

The Group is not materially exposed to equity securities price risk or commodity price risk. Also, the Group has not entered into any long term contracts with the suppliers. Fluctuations in the price of raw materials are usually passed on to customers.

(c) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, pledged bank deposits, trade and other receivables, amounts due from related companies and financial guarantees provided.

For cash and cash equivalents and pledged bank deposits, the management manages the credit risk by placing all the bank deposits in state-owned financial institutions or reputable banks which are all high-credit-quality financial institutions.

To manage the credit risk in respect of trade and other receivables and amounts due from related companies, the Group performs ongoing credit evaluations of its debtors' financial condition. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains an allowance for doubtful accounts and actual losses incurred have been within management's expectations.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group had certain concentration of credit risk as approximately 25.0%, 47.6%, 48.8% and 30.6%, respectively, of the total trade receivables which are due from the Group's five largest customers.

Maximum exposure to credit risk on financial guarantees to bank facilities of related companies as at 30 June 2013 amounted to HK\$101,591,000. Please refer to Note 32(e).

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors, the Group does not have any significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contractual rates, or if floating based on rates at the year end dates during the Relevant Periods:

	On demand <i>HK\$'000</i>	3 months or less <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2010					
Bank borrowings	–	43,799	30,793	58,927	133,519
Finance lease liabilities	–	88	29	–	117
Trade and other payables (excluding non-financial liabilities)	14,715	75,498	–	–	90,213
Amounts due to related companies	48,606	–	–	–	48,606
Total	63,321	119,385	30,822	58,927	272,455
	On demand <i>HK\$'000</i>	3 months or less <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2011					
Bank borrowings	–	104,733	91,777	58,673	255,183
Trade and other payables (excluding non-financial liabilities)	22,109	93,975	–	–	116,084
Amounts due to related companies	55,349	–	–	–	55,349
Derivative financial liabilities	–	–	–	1,874	1,874
Total	77,458	198,708	91,777	60,547	428,490

	On demand <i>HK\$'000</i>	3 months or less <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2012					
Bank borrowings	–	66,443	100,245	58,387	225,075
Trade and other payables (excluding non-financial liabilities)	44,268	121,000	–	–	165,268
Amounts due to the Ultimate Shareholders	22,057	–	–	–	22,057
Amounts due to related companies	40,654	–	–	–	40,654
Total	106,979	187,443	100,245	58,387	453,054
	On demand <i>HK\$'000</i>	3 months or less <i>HK\$'000</i>	3 months to 1 year <i>HK\$'000</i>	Over 1 year <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2013					
Bank borrowings	–	950	2,851	4,033	7,834
Trade and other payables (excluding non-financial liabilities)	31,520	92,842	–	–	124,362
Amounts due to related companies	327,265	–	–	–	327,265
Financial guarantee	101,591	–	–	–	101,591
Total	460,376	93,792	2,851	4,033	561,052

(e) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the needs arise. Should interest rate for variable rate borrowings had been 1% higher/lower for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 with all other variables held at constant, the Group's profit before tax would have been lower/higher by HK\$1,250,000, HK\$2,536,000, HK\$2,051,000 and HK\$895,000 respectively.

As at 31 December 2010, 2011 and 2012, and 30 June 2013, changes in interest rates within an expected range had no material impact on the interest income of pledged bank deposits and cash and cash equivalents.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios as at 31 December 2010, 2011 and 2012 and 30 June 2013 were as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Total borrowings	125,070	246,080	214,305	7,526
Total equity	135,862	197,778	276,369	195,699
Gearing ratio	92%	124%	78%	4%

Gearing ratio had decreased to 4% as at 30 June 2013. The temporary decrease in gearing ratio was due to the decrease in bank borrowings upon the 2013 Deemed Distribution (Note 1.2(12)). The gearing ratio will increase subsequent to 30 June 2013 with the increase in the borrowings of the Group.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by the levels of inputs to valuation techniques. The inputs to valuation techniques are categorised into three levels within a fair value hierarchy, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2011 and 2012 and 30 June 2013. As at 31 December 2010, the Group did not have financial instruments measured at fair value subsequent to their initial recognition.

	As at 31 December 2011			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Available-for-sale financial assets	–	8,018	–	8,018
Liabilities				
Derivative financial instruments	–	1,874	–	1,874
As at 31 December 2012				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Derivative financial instruments	–	1,543	–	1,543
Available-for-sale financial assets	–	24,664	–	24,664
As at 30 June 2013				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Assets				
Available-for-sale financial assets	–	1,255	–	1,255

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications during the Relevant Periods.

The carrying amounts of the Group's current financial assets including cash and cash equivalents, trade and other receivables and amounts due from related companies as well as the carrying amounts of the Group's current financial liabilities including trade and other payables, current borrowings and amounts due to the Ultimate Shareholders and related companies approximate their fair values due to their short maturities.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment and consequently the related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Allowance are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(c) Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying amount of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(d) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profits will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors reviews the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segments based on the internal reports that are used to make strategic decisions. The executive directors considered the nature of the Group's business and determined that the Group has two reportable segments as follows: (i) mold fabrication and (ii) plastic components manufacturing.

The executive directors assess the performance of the operating segments based on their revenue and gross profit and do not assess the assets and liabilities of the operating segments.

Segment information for income statements

- (a) The following tables present information on revenue of the Group by geographical segments for the Relevant Periods.

Revenue from external customers

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	152,001	274,033	423,591	150,374	210,407
South East Asia (including Hong Kong)	176,889	171,836	269,276	116,354	106,769
Europe	104,159	200,385	154,731	59,185	89,874
USA	85,906	102,904	108,933	39,144	33,094
Japan	433	6,065	109,916	90,623	15,192
Others	16,716	26,527	29,538	12,793	15,289
	<u>536,104</u>	<u>781,750</u>	<u>1,095,985</u>	<u>468,473</u>	<u>470,625</u>

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

Non-current assets other than financial assets and deferred income tax assets

Non-current assets for this purpose consist of land use rights, property, plant and equipment and intangible assets which are all located in the PRC.

(b) The segment information for the reportable segments are set out as below:

	Year ended 31 December 2010		
	Mold fabrication <i>HK\$'000</i>	Plastic components manufacturing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External revenue	261,264	274,840	536,104
Inter-segment revenue	47,403	–	47,403
Segment revenue	308,667	274,840	583,507
Elimination			(47,403)
Revenue from external customers			536,104
Segment results	79,987	79,348	159,335
Other income and other gains/(losses) – net			5,484
Selling expenses			(25,911)
Administrative expenses			(74,972)
Finance costs			(2,717)
Profit before income tax			61,219

	Year ended 31 December 2011		
	Mold fabrication <i>HK\$'000</i>	Plastic components manufacturing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External revenue	378,286	403,464	781,750
Inter-segment revenue	40,694	–	40,694
Segment revenue	418,980	403,464	822,444
Elimination			(40,694)
Revenue from external customers			781,750
Segment results	125,684	154,264	279,948
Other income and other gains/(losses) – net			9,252
Selling expenses			(45,947)
Administrative expenses			(113,483)
Finance costs			(9,485)
Profit before income tax			120,285

Year ended 31 December 2012			
	Mold fabrication	Plastic components manufacturing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
External revenue	356,245	739,740	1,095,985
Inter-segment revenue	80,867	–	80,867
Segment revenue	437,112	739,740	1,176,852
Elimination			(80,867)
Revenue from external customers			1,095,985
Segment results	169,336	202,362	371,698
Other income and other gains/(losses) – net			23,984
Selling expenses			(55,505)
Administrative expenses			(142,737)
Finance costs			(11,179)
Profit before income tax			186,261

Six month ended 30 June 2012 (unaudited)			
	Mold fabrication	Plastic components manufacturing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
External revenue	149,277	319,196	468,473
Inter-segment revenue	10,772	–	10,772
Segment revenue	160,049	319,196	479,245
Elimination			(10,772)
Revenue from external customers			468,473
Segment results	55,188	69,987	125,085
Other income and other gains/(losses) – net			10,063
Selling expenses			(23,967)
Administrative expenses			(59,159)
Finance costs			(5,299)
Profit before income tax			46,723

	Six months ended 30 June 2013		
	Mold fabrication	Plastic components manufacturing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
External revenue	174,947	295,678	470,625
Inter-segment revenue	11,161	–	11,161
			<u>470,625</u>
Segment revenue	186,108	295,678	481,786
Elimination			(11,161)
			<u>470,625</u>
Revenue from external customers			<u>470,625</u>
Segment results	71,407	65,942	137,349
Other income and other gains/(losses) – net			12,112
Selling expenses			(22,223)
Administrative expenses			(70,447)
Finance costs			(2,797)
			<u>(2,797)</u>
Profit before income tax			<u>53,994</u>

(c) Information regarding the Group's revenue by nature:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				(unaudited)	
Sales of goods	513,990	750,488	1,061,883	457,219	441,691
Mold modification income	22,114	31,262	34,102	11,254	28,934
				<u>468,473</u>	<u>470,625</u>
Turnover	<u>536,104</u>	<u>781,750</u>	<u>1,095,985</u>	<u>468,473</u>	<u>470,625</u>

For the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013, approximately 13.7%, 24.1%, 30.8%, 29.9% (unaudited) and 15.2%, respectively, of the Group's sales were made to the three major customers below. These revenues are attributable to the plastic components manufacturing segment.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	(unaudited)				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A	60,418	64,272	74,824	41,906	31,712
Customer B	12,976	118,268	152,933	7,672	6,821
Customer C	–	6,065	109,916	90,623	33,125
	<u>73,394</u>	<u>188,605</u>	<u>337,673</u>	<u>140,201</u>	<u>71,658</u>

No other customers individually accounted for 10% or more of the Group's revenue during the Relevant Periods.

6 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	(unaudited)				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income					
Sales of scrap and surplus materials	2,461	3,665	7,078	2,273	5,177
Interest income	289	2,096	2,189	1,189	415
Transportation income	37	121	1,523	–	–
Income on derivative financial instruments	–	37	2,191	524	2,138
Others	1,774	2,527	4,557	3,339	4,726
	<u>4,561</u>	<u>8,446</u>	<u>17,538</u>	<u>7,325</u>	<u>12,456</u>
Other gains/(losses) – net					
Net foreign exchange gain	1,487	2,728	3,941	2,007	1,128
Fair value changes on derivative financial instruments	–	(1,874)	3,416	811	(1,472)
Loss on disposal of property, plant and equipment (Note 29)	(564)	(48)	(911)	(80)	–
	<u>923</u>	<u>806</u>	<u>6,446</u>	<u>2,738</u>	<u>(344)</u>

7 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Changes in inventories of finished goods and work in progress	(41,731)	22,113	(49,627)	(49,860)	(38,348)
Raw materials and consumables used	245,288	255,794	431,689	266,918	216,500
Employee benefit expenses (<i>Note 8</i>)	134,679	178,763	262,903	103,428	117,115
Depreciation and amortisation charges	24,405	45,124	46,679	19,083	26,753
Subcontracting expenses	41,282	49,545	82,683	22,509	38,268
Water and electricity expenses	14,316	19,916	22,192	10,176	9,497
Transportation and travelling expenses	14,854	16,901	21,109	8,831	10,664
Other taxes and levies	5,748	8,553	9,260	3,178	3,487
Maintenance expenses	3,966	5,500	11,038	4,932	3,099
(Reversal of allowance)/allowance for impairment of inventory	(1,712)	2,236	3,222	1,856	454
Allowance/(reversal of allowance) for receivables	2,425	2,887	829	3,420	(541)
Operating lease payments	4,466	3,746	7,912	2,363	6,819
Research and development expenses					
– Raw materials and consumables used	3,976	2,612	4,747	2,187	1,554
– Employee benefit expenses (<i>Note 8</i>)	8,638	13,846	22,788	8,288	9,264
Commission expenses	1,330	14,929	19,916	6,847	2,796
Auditors' remuneration	801	1,137	1,586	616	683
Expenses related to initial public offering	–	–	3,141	–	9,900
Advisory and legal service expenses	2,645	3,889	4,159	1,898	2,359
Advertising and promotion fee	962	1,482	3,005	1,406	1,321
Utilities and postage fee	2,513	2,545	3,966	2,070	858
Security and estate management expenses	1,378	2,148	794	457	576
Bank charges	605	469	1,047	458	561
Other expenses	6,818	7,097	7,491	5,453	2,307
Total cost of sales, selling expenses and administrative expenses	<u>477,652</u>	<u>661,232</u>	<u>922,529</u>	<u>426,514</u>	<u>425,946</u>

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Wages and salaries	136,363	182,219	264,486	104,706	114,907
Pension costs – defined contribution plans (a)	2,713	4,305	9,324	2,755	4,080
Other social security costs	337	2,031	6,551	2,058	4,902
Other allowances and benefits	3,904	4,054	5,330	2,197	2,490
	<u>143,317</u>	<u>192,609</u>	<u>285,691</u>	<u>111,716</u>	<u>126,379</u>

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contributes funds which are calculated as 10%-20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees for the Relevant Periods.

9 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of individual directors of the Company during the Relevant Periods is set out below:

Year ended 31 December 2010					
Names of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors					
Mr. Li Pui Leung	–	1,445	–	12	1,457
Mr. Yung Kin Cheung Michael	–	1,313	–	12	1,325
Mr. Lee Leung Yiu	–	968	–	12	980
	–	3,726	–	36	3,762

Year ended 31 December 2011					
Names of Directors	Fees	Salary	Discretionary bonus	Employer's contribution to pension scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors					
Mr. Li Pui Leung	–	4,106	1,379	12	5,497
Mr. Yung Kin Cheung Michael	–	2,978	985	12	3,975
Mr. Lee Leung Yiu	–	2,563	394	12	2,969
	–	9,647	2,758	36	12,441

Year ended 31 December 2012

Names of Directors	Fees <i>HK\$'000</i>	Salary <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Employer's contribution to pension scheme	Total <i>HK\$'000</i>
				<i>HK\$'000</i>	
Executive Directors					
Mr. Li Pui Leung	–	1,546	3,637	14	5,197
Mr. Yung Kin Cheung Michael	–	1,404	2,430	14	3,848
Mr. Lee Leung Yiu	–	1,035	1,871	14	2,920
	–	3,985	7,938	42	11,965

Six months ended 30 June 2012 (unaudited)

Names of Directors	Fees <i>HK\$'000</i>	Salary <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Employer's contribution to pension scheme	Total <i>HK\$'000</i>
				<i>HK\$'000</i>	
Executive Directors					
Mr. Li Pui Leung	–	773	–	6	779
Mr. Yung Kin Cheung Michael	–	518	–	6	524
Mr. Lee Leung Yiu	–	702	–	6	708
	–	1,993	–	18	2,011

Six months ended 30 June 2013

Names of Directors	Fees <i>HK\$'000</i>	Salary <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Employer's contribution to pension scheme	Total <i>HK\$'000</i>
				<i>HK\$'000</i>	
Executive Directors					
Mr. Li Pui Leung	–	1,080	–	8	1,088
Mr. Yung Kin Cheung Michael	–	960	–	8	968
Mr. Lee Leung Yiu	–	720	–	8	728
	–	2,760	–	24	2,784

Notes:

- (i) Mr. Li Pui Leung, Mr. Yung Kin Cheung Michael and Mr. Lee Leung Yiu were appointed as executive directors on 28 March 2013.
- (ii) Mr. Cheung Fong Wa was appointed as executive director on 27 November 2013.

During the Relevant Periods, no directors waived or agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods include three directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining two individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages, salaries, allowance, and other benefits	2,148	2,200	2,250	1,306	1,347
Bonus	973	2,022	1,723	–	–
Contributions to pension plans	24	24	28	6	8
	<u>3,145</u>	<u>4,246</u>	<u>4,001</u>	<u>1,312</u>	<u>1,355</u>

During the Relevant Periods, neither directors nor any of the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments paid to the remaining two individuals fell within the following bands:

Emolument bands	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
HK\$500,001 – HK\$1,000,000	–	–	–	2	2
HK\$1,500,001 – HK\$2,000,000	2	1	1	–	–
HK\$2,000,001 – HK\$2,500,000	–	1	1	–	–

10 FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	2,473	9,484	11,179	5,299	2,797
Interest on obligations under finance leases	244	1	–	–	–
	<u>2,717</u>	<u>9,485</u>	<u>11,179</u>	<u>5,299</u>	<u>2,797</u>

11 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current income tax					
– PRC corporate income tax	13,149	26,366	40,613	7,984	14,481
– Hong Kong profits tax	220	276	–	–	–
Subtotal	13,369	26,642	40,613	7,984	14,481
Deferred income tax (<i>Note 27</i>)	2,877	9,155	10,455	5,339	697
	16,246	35,797	51,068	13,323	15,178

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Relevant Periods.

(c) PRC corporate income tax (“CIT”)

CIT is provided on the assessable income of entities within the Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits.

Pursuant to the PRC Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007 (the “CIT Law”), the CIT for domestic and foreign enterprises has been unified at 25%, effective from 1 January 2008. Specifically, TK Plastics Products (Suzhou) Limited, YD Mold (SZ) Limited, Shenzhen Dongbo Mold Limited and TK Mold (SZ) Limited are subject to CIT at the rate of 25%, effective from 1 January 2008 and TK Precision Plastics (SZ) Limited is subject to CIT at the rate of 25% when established in 1 March 2013.

In 2011, TK Technology (Shenzhen) Ltd. was approved as New and High Technology Enterprise, and accordingly, it was subject to a reduced preferential CIT rate of 15% for 2011 and 2012 according to the applicable CIT Law.

TK Plastics (Shenzhen) Ltd. was set up as foreign investment manufacturing enterprises in the PRC and its original applicable CIT rate is 15%. Pursuant to CIT Law, the CIT rate applicable to TK Plastics (Shenzhen) Ltd. is increased from 15% to 25% in a 5-year transitional period from 2008 to 2012 according to the applicable CIT Law.

(d) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

(e) BVI income tax

No provision for income tax in BVI has been made as the Group has no income assessable for income tax in BVI during the Relevant Periods.

(f) Taxation on the Group's profit

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the main statutory tax rate applicable to profit of the Group as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
Profit before income tax	61,219	120,285	186,261	46,723	53,994
Tax calculated at applicable corporate income tax rate of 25%	15,305	30,071	46,565	11,681	13,499
Income not subject to tax	(1,780)	(1,594)	(2,325)	(821)	(2,753)
Expenses not deductible for taxation purposes	842	2,484	1,629	861	893
Underprovision in prior years	147	824	735	735	–
Accelerated research and development deductible expenses	–	(1,249)	(1,347)	(601)	–
Tax losses for which no deferred income tax asset was recognised	52	333	–	–	–
Utilisation of tax losses previously not recognised	–	–	(34)	–	–
Tax holiday and preferential tax rates available to the group companies	(904)	(411)	(1,358)	(513)	–
Tax on Reorganisation	–	–	–	–	3,001
Withholding income tax on profit to be distributed from the group companies in the PRC	2,584	5,339	7,203	1,981	538
	<u>16,246</u>	<u>35,797</u>	<u>51,068</u>	<u>13,323</u>	<u>15,178</u>

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue:

- (a) the 20,000 ordinary shares of the Company issued during the Reorganisation (Note 23(a)) were treated as if they had been in issue since 1 January 2010; and
- (b) of the 70,000 ordinary shares of the Company issued on 25 October 2013 (Note 23(b)) to the Ultimate Shareholders in settlement of indebtedness to the Ultimate Shareholders, 15,474 shares were treated as being issued on 30 June 2013 (date of agreements for Capitalisation of Indebtedness) at fair value and 54,526 shares were treated as if they were bonus shares that had been in issue since 1 January 2010.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
Profit attributable to owners of the Company (HK\$'000)	44,973	84,488	135,193	33,400	38,816
Weighted average number of ordinary shares in issue	74,526	74,526	74,526	74,526	74,612
Basic earnings per share (HK\$)	603	1,134	1,814	448	520

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive ordinary shares for the Relevant Periods.

The basic and diluted earnings per share as presented have not taken into account the proposed capitalisation issue as described in Note 35(d)(ii).

13 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for land which are held on leases in the PRC and the movement is analysed as follows:

	Year ended 31 December			Six months ended
	2010	2011	2012	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount	18,713	18,835	25,501	24,792
Exchange differences	638	902	(7)	442
Additions	–	6,385	–	–
Amortisation charges	(516)	(621)	(702)	(302)
2013 Deemed Distribution	–	–	–	(24,932)
Closing net book amount	<u>18,835</u>	<u>25,501</u>	<u>24,792</u>	<u>–</u>
	As at 31 December			As at
	2010	2011	2012	30 June 2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost	22,585	30,072	30,065	–
Accumulated amortisation	<u>(3,750)</u>	<u>(4,571)</u>	<u>(5,273)</u>	<u>–</u>
Net book amount	<u>18,835</u>	<u>25,501</u>	<u>24,792</u>	<u>–</u>

The lease periods of land use rights are 50 years and are located in the PRC. As at 31 December 2010, 2011 and 2012, the remaining lease periods of the Group's land use rights ranged from 32 to 38 years, 31 to 37 years and 30 to 36 years, respectively.

As at 31 December 2010, 2011 and 2012, the Group's bank borrowings were secured over land use rights with carrying amounts of HK\$17,207,000, HK\$23,887,000 and HK\$23,272,000, respectively (Note 25(a)).

As at 31 December 2010, 2011 and 2012, the carrying amounts of land use rights without land use right certificates were HK\$1,628,000, HK\$1,614,000 and HK\$1,520,000 respectively.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold Improvements HK\$'000	Plant and machinery HK\$'000	Furniture, Fixtures and computer equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 January 2010							
Cost	67,538	5,466	174,810	34,876	5,457	812	288,959
Accumulated depreciation	(19,480)	(5,068)	(136,243)	(27,656)	(3,335)	-	(191,782)
Net book amount	48,058	398	38,567	7,220	2,122	812	97,177
Year ended 31 December 2010							
Opening net book amount	48,058	398	38,567	7,220	2,122	812	97,177
Currency translation differences	1,294	-	1,246	128	31	28	2,727
Additions	219	3,875	54,838	2,042	323	18,142	79,439
Disposals	-	-	(3,445)	(79)	(41)	-	(3,565)
Depreciation	(2,777)	(757)	(15,671)	(3,252)	(652)	-	(23,109)
Closing net book amount	46,794	3,516	75,535	6,059	1,783	18,982	152,669
At 31 December 2010							
Cost	69,051	9,342	216,335	36,317	5,452	18,982	355,479
Accumulated depreciation	(22,257)	(5,826)	(140,800)	(30,258)	(3,669)	-	(202,810)
Net book amount	46,794	3,516	75,535	6,059	1,783	18,982	152,669
Year ended 31 December 2011							
Opening net book amount	46,794	3,516	75,535	6,059	1,783	18,982	152,669
Currency translation differences	2,326	87	2,960	144	112	941	6,570
Additions	68	9,922	39,361	6,095	-	7,018	62,464
Disposals	(76)	(12)	(878)	(61)	-	-	(1,027)
2011 Deemed Distribution (Note 32(b))	-	-	-	-	-	(12,179)	(12,179)
Transfer	12,971	-	-	-	-	(12,971)	-
Depreciation	(3,045)	(3,356)	(30,662)	(5,510)	(814)	-	(43,387)
Closing net book amount	59,038	10,157	86,316	6,727	1,081	1,791	165,110
At 31 December 2011							
Cost	84,298	19,339	252,729	41,533	5,564	1,791	405,254
Accumulated depreciation	(25,260)	(9,182)	(166,413)	(34,806)	(4,483)	-	(240,144)
Net book amount	59,038	10,157	86,316	6,727	1,081	1,791	165,110

	Buildings <i>HK\$'000</i>	Leasehold Improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, Fixtures and computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2012							
Opening net book amount	59,038	10,157	86,316	6,727	1,081	1,791	165,110
Currency translation differences	(27)	(23)	(73)	(3)	(1)	–	(127)
Additions	–	9,792	74,430	3,274	–	57,762	145,258
Disposals	–	–	(1,416)	(19)	–	–	(1,435)
2012 Transfer (<i>Note 32(b)</i>)	(11,887)	–	–	–	–	–	(11,887)
Transfer	3,850	–	3,742	–	–	(7,592)	–
Depreciation	(3,753)	(6,712)	(28,846)	(3,640)	(255)	–	(43,206)
Closing net book amount	<u>47,221</u>	<u>13,214</u>	<u>134,153</u>	<u>6,339</u>	<u>825</u>	<u>51,961</u>	<u>253,713</u>
At 31 December 2012							
Cost	76,234	29,108	316,243	41,633	5,563	51,961	520,742
Accumulated depreciation	(29,013)	(15,894)	(182,090)	(35,294)	(4,738)	–	(267,029)
Net book amount	<u>47,221</u>	<u>13,214</u>	<u>134,153</u>	<u>6,339</u>	<u>825</u>	<u>51,961</u>	<u>253,713</u>
Six months ended 30 June 2013							
Opening net book amount	47,221	13,214	134,153	6,339	825	51,961	253,713
Currency translation differences	399	287	2,341	86	11	419	3,543
Additions	149	6,873	2,962	1,224	–	16,429	27,637
Disposals	–	–	–	(2)	–	–	(2)
Transfer/Reclassification	(5,384)	3,523	5,618	–	–	(3,757)	–
2013 Deemed Distribution	(40,156)	–	(243)	–	–	(65,052)	(105,451)
Depreciation	(1,807)	(5,105)	(16,250)	(2,025)	(81)	–	(25,268)
Closing net book amount	<u>422</u>	<u>18,792</u>	<u>128,581</u>	<u>5,622</u>	<u>755</u>	<u>–</u>	<u>154,172</u>
At 30 June 2013							
Cost	31,242	39,790	326,713	42,532	5,575	–	445,852
Accumulated depreciation	(30,820)	(20,998)	(198,132)	(36,910)	(4,820)	–	(291,680)
Net book amount	<u>422</u>	<u>18,792</u>	<u>128,581</u>	<u>5,622</u>	<u>755</u>	<u>–</u>	<u>154,172</u>

Depreciation charges were included in the following categories in the profit or loss:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
Cost of sales	16,072	30,995	31,886	12,826	17,904
Selling expenses	69	197	217	99	162
Administrative expenses	6,968	12,195	11,103	5,217	7,202
	<u>23,109</u>	<u>43,387</u>	<u>43,206</u>	<u>18,142</u>	<u>25,268</u>

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's bank borrowings were secured over buildings and plant and machinery with the carrying amounts of HK\$39,518,000, HK\$44,214,000, HK\$86,932,000 and nil respectively (Note 25(a)).

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amounts of buildings without building ownership certificates were HK\$42,754,000, HK\$55,231,000, HK\$43,837,000 and nil, respectively.

15 INTANGIBLE ASSETS

Computer Software	Year ended 31 December			Six months ended 30 June 2013
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount	–	2,064	5,492	4,164
Additions	2,844	4,545	1,448	175
Currency translation differences	–	(1)	(5)	61
Amortisation	(780)	(1,116)	(2,771)	(1,183)
Closing net book amount	<u>2,064</u>	<u>5,492</u>	<u>4,164</u>	<u>3,217</u>
	As at 31 December			As at 30 June 2013
	2010	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost	2,844	7,392	9,296	9,119
Accumulated amortisation	(780)	(1,900)	(5,132)	(5,902)
Net book amount	<u>2,064</u>	<u>5,492</u>	<u>4,164</u>	<u>3,217</u>

Amortisation was included in administrative expenses. No impairment charge was recognised during the Relevant Periods.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	30 June 2013 HK\$'000
Assets as per balance sheet				
Loans and receivables:				
Trade and other receivables (excluding prepayments and tax recoverable)	114,122	141,627	180,674	117,321
Amounts due from related companies (<i>Note 32(c)</i>)	60,915	142,535	137,013	244,239
Pledged bank deposits	7,026	78,221	47,712	–
Deposits for non-current bank borrowings	–	1,571	2,611	–
Cash and bank balances	34,255	79,819	94,084	85,039
	216,318	443,773	462,094	446,599
Available-for-sale financial assets	–	8,018	24,664	1,255
Financial assets at fair value through profit or loss:				
Derivative financial instruments	–	–	1,543	–
	216,318	451,791	488,301	447,854
As at 31 December				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	As at 30 June 2013 HK\$'000
Liabilities as per balance sheet				
Liabilities measured at amortised cost:				
Trade payables (excluding non-financial liabilities)	75,498	93,975	121,000	92,842
Accruals for expenses and other payables	14,715	22,109	44,268	31,520
Amounts due to related companies (<i>Note 32(c)</i>)	48,606	55,349	40,654	327,265
Amounts due to the Ultimate Shareholders (<i>Note 32(c)</i>)	–	–	22,057	–
Bank borrowings	124,953	246,080	214,305	7,526
Finance lease liabilities	117	–	–	–
	263,889	417,513	442,284	459,153
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities	–	1,874	–	–
	263,889	419,387	442,284	459,153

17 INVENTORIES

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Raw materials	14,853	14,827	25,135	34,867
Work in progress	99,139	76,157	109,204	152,611
Finished goods	10,108	10,977	27,557	22,498
	124,100	101,961	161,896	209,976
Less: allowance for impairment	(6,233)	(8,461)	(11,692)	(10,649)
	117,867	93,500	150,204	199,327

The movements of allowance for impairment are analysed as follows:

	Year ended 31 December			Six months
	2010	2011	2012	ended
	HK\$'000	HK\$'000	HK\$'000	30 June
				2013
				HK\$'000
At beginning of the year/period	7,797	6,233	8,461	11,692
Currency translation difference	148	(8)	9	82
(Reversal of allowance)/allowance for impairment of inventory obsolescence	(1,712)	2,236	3,222	454
Amounts written off	–	–	–	(1,579)
At end of the year/period	6,233	8,461	11,692	10,649

The cost of inventories included in cost of sales during the years ended 31 December 2010, 2011 and 2012 and each of six months ended 30 June 2012 and 2013 were HK\$203,557,000, HK\$277,907,000, HK\$ 382,062,000, HK\$ 217,058,000 (unaudited) and HK\$178,152,000, respectively.

18 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Trade receivables	97,061	123,103	159,292	108,493
Less: allowance for impairment	(2,624)	(4,743)	(3,672)	(2,417)
Trade receivables, net	94,437	118,360	155,620	106,076
Bills receivable	–	–	–	3,016
Prepayments	13,748	14,399	15,048	23,825
Value-added tax recoverable	2,995	1,892	4,967	6,487
Advances to employees	2,363	3,726	3,077	2,165
Export tax refund receivables	13,250	14,695	18,184	4,389
Others	4,073	4,846	3,793	1,576
	130,866	157,918	200,689	147,534

- (a) The carrying amounts of the trade receivables are denominated in the following currencies:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
HK\$	9,925	6,903	3,754	3,248
RMB	17,013	12,134	18,980	28,678
USD	64,697	96,858	125,960	67,605
EUR	5,426	7,208	10,598	8,962
	<u>97,061</u>	<u>123,103</u>	<u>159,292</u>	<u>108,493</u>

- (b) The credit period granted to customers is generally between 30 to 90 days. The ageing analysis of the trade receivables from the date of sales is as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Less than 3 months	85,345	114,920	158,346	103,697
More than 3 months but not exceeding 1 year	11,716	7,761	946	4,796
More than 1 year	–	422	–	–
	<u>97,061</u>	<u>123,103</u>	<u>159,292</u>	<u>108,493</u>

The Group's sales are made to various customers. While there is concentration of credit risk within a few major customers, these customers are reputable with good track record.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, trade receivables of HK\$3,259,000, HK\$4,154,000, HK\$922,000 and HK\$4,696,000, respectively, were past due but not considered impaired. These related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The ageing analysis of these past due trade receivables is as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Less than 3 months	3,259	3,792	921	3,084
More than 3 months but not exceeding 1 year	–	362	1	1,612
	<u>3,259</u>	<u>4,154</u>	<u>922</u>	<u>4,696</u>

As at 31 December 2010, 2011 and 2012 and 30 June 2013, trade receivables of HK\$2,624,000, HK\$4,743,000, HK\$3,672,000 and HK\$2,417,000 respectively were impaired and covered by allowance.

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Less than 3 months	302	1,703	2,734	1,680
More than 3 months but not exceeding 1 year	2,322	2,618	938	737
More than 1 year	–	422	–	–
	<u>2,624</u>	<u>4,743</u>	<u>3,672</u>	<u>2,417</u>

(c) Allowance for impairment of trade receivables

The movements on the allowance for impairment of trade receivables are as follows:

	Year ended 31 December			Six months
	2010	2011	2012	ended
	HK\$'000	HK\$'000	HK\$'000	30 June
				2013
				HK\$'000
At beginning of the year/period	271	2,624	4,743	3,672
Allowance/(reversal of allowance) for impairment	2,425	2,887	829	(541)
Amounts written off as uncollectible	(72)	(768)	(1,900)	(714)
At end of the year/period	<u>2,624</u>	<u>4,743</u>	<u>3,672</u>	<u>2,417</u>

The carrying amounts of other receivables were primarily denominated in RMB and the fair values of trade and other receivables approximate their carrying amounts as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's maximum exposure to credit risk of trade and other receivables was the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables.

The other classes within trade and other receivables do not contain past due and impaired assets.

19 CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Cash and bank balances	34,255	79,819	94,084	85,039
Bank overdrafts (<i>Note 25</i>)	(3,964)	(3,962)	(3,905)	–
Cash and cash equivalents	<u>30,291</u>	<u>75,857</u>	<u>90,179</u>	<u>85,039</u>

The carrying amounts of cash and cash equivalents approximate to their fair values and represent maximum exposure to credit risk at each of the reporting dates.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
HK\$	9,855	8,087	13,037	9,656
RMB	9,309	17,537	18,248	35,064
USD	13,060	44,985	59,316	29,763
EUR	2,031	9,210	3,483	10,556
	<u>34,255</u>	<u>79,819</u>	<u>94,084</u>	<u>85,039</u>

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term bank deposits that are interest bearing at market rate. All bank deposits are with a maturity of three months or less. The weighted average interest rate for the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 were 0.17%, 0.23%, 0.19% and 0.30% respectively.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The balance represents investments in structured wealth management products (including investment in equity funds) managed by a high credit quality public listed commercial bank in the PRC. The fair value of the available-for-sale financial assets approximates its carrying amount. The investments in structured products are classified as available-for-sale financial assets.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Derivative financial assets – current	–	–	798	–
Derivative financial assets				
– Non-current	–	–	745	–
Derivative financial liabilities				
– Non-current	–	1,874	–	–

	Amount	Notional amount	Maturity date
	HK\$'000		
As at 31 December 2011			
Derivative financial liabilities – Non-current			
Types of contracts			
USD/RMB variable contracts and fixed variable contracts	1,874	USD1,000,000	1 November 2013
Derivative financial assets/liabilities – current			
Types of contracts			
Plain USD/RMB forward contracts	–	USD2,000,000	28 November 2012
As at 31 December 2012			
Derivative financial assets – Non-current			
Types of contracts			
USD/RMB variable contracts and fixed variable contracts	373	USD1,000,000	6 January 2014
USD/RMB variable contracts and fixed variable contracts	257	USD1,000,000	22 May 2014
USD/RMB variable contracts and fixed variable contracts	115	USD1,000,000	10 June 2014
	745		
Derivative financial assets – Current			
Types of contracts			
USD/RMB variable contracts and fixed variable contracts	288	USD1,000,000	1 November 2013
USD/EUR/RMB forward	227	USD1,000,000	19 April 2013
Plain USD/RMB forward contracts	283	USD2,000,000	15 May 2013
	798		

Upon the completion of the Reorganisation on 31 May 2013, all the derivative financial instruments were transferred to the Ultimate Shareholders (Notes 1.2(11) and (12)), and not retained by the Group.

Changes in fair values of derivative financial instruments are recorded in “Other gains/(losses) – net” in the consolidated income statements.

22 PLEDGED BANK DEPOSITS

Pledged bank deposits of the Group are denominated in RMB and are deposits held by the bank in a segregated account as security for borrowings from the bank (Note 25).

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the weighted average interest rates were 0.01%, 0.01%, 1.36% and Nil, respectively.

23 SHARE CAPITAL

The changes in the number of issued shares and share capital of the Company are as follows:

	<u>Number of ordinary shares</u>	<u>Share capital</u> HK\$
Authorised: Ordinary share of HK\$0.1 each; 28 March 2013 (Date of incorporation) and 30 June 2013	3,800,000	380,000
Issued and fully paid: At 28 March 2013 (Date of Incorporation) (Note 1.2(3))	10,000	1,000
Issuance of ordinary shares (Note 1.2(6))	10,000	1,000
Ordinary shares of HK\$0.1 each at 30 June 2013	<u>20,000</u>	<u>2,000</u>

- (a) The total authorised number of ordinary shares of the Company was 3,800,000 with a par value of HK\$0.1 per share. Details of shares issued and fully paid as at 30 June 2013 are as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Share capital</u> HK\$	<u>Equity interests as at 30 June 2013</u> (%)
Eastern Mix	13,600	1,360	68.0
Lead Smart	2,880	288	14.4
Cheer Union	1,792	179	9.0
Normal Times	1,728	173	8.6
	<u>20,000</u>	<u>2,000</u>	<u>100.0</u>

- (b) On 30 June 2013, pursuant to various novation, assignment and capitalisation agreements entered into among others, the Company and Eastern Mix, to settle the amounts due to related companies of HK\$129,950,000 arising from the equity transfers in the Reorganisation as set out in Notes 1.2(5), (7) and (9) and debts due to various related companies with a total amount of HK\$98,711,000, Eastern Mix was assigned the rights of and the Company assumed the obligations of a total debt balance of HK\$228,661,000. The Company and Eastern Mix agreed that the indebtedness be capitalised ("Capitalisation of Indebtedness") by issuing a total of 70,000 shares of the Company to the existing shareholders designated by Eastern Mix. The above-mentioned shares were issued on 25 October 2013.

24 RESERVES

Reserves comprise retained earnings, currency translation reserves, capital reserves and statutory reserves of the Group.

(a) Statutory reserves

In accordance with relevant laws and regulations of the PRC, the PRC subsidiaries of the Group should make appropriation of not less than 10% of its net income after taxes to legal reserve. Further appropriation is optional when the accumulated statutory reserve is 50% or more of its registered capital. Upon approval from the board of directors, the statutory reserves can be used to offset accumulated losses of the PRC subsidiaries of the Group.

(b) Capital reserves

Capital reserves balance and its movements represent (i) the merger reserve arising from the Reorganisation, (ii) 2011 Deemed Distribution and 2013 Deemed Distribution, (iii) share issuance costs and (iv) Capitalisation of Indebtedness.

25 BORROWINGS

	As at 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
				<i>HK\$'000</i>
Non-current				
Bank borrowings				
– secured (a)	56,576	60,209	71,164	–
– guaranteed (b)	24,495	27,612	14,332	7,526
Less: current portion of non-current borrowings	(29,285)	(37,607)	(33,336)	(3,613)
	51,786	50,214	52,160	3,913
Current				
Bank overdrafts	3,964	3,962	3,905	–
Bank borrowings				
– secured (a)	11,943	154,297	114,639	–
– guaranteed (b)	27,975	–	10,265	–
Total short-term bank borrowings	43,882	158,259	128,809	–
Current portion of non-current borrowings	29,285	37,607	33,336	3,613
Finance lease liabilities	117	–	–	–
	73,284	195,866	162,145	3,613
Total borrowings	125,070	246,080	214,305	7,526

- (a) Bank borrowings amounting to HK\$68,519,000, HK\$214,506,000 and HK\$185,803,000 as at 31 December 2010, 2011 and 2012 are secured over the following:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Pledged bank deposits (<i>Note 22</i>)	7,026	78,221	47,712	–
Deposits for non-current borrowings	–	1,571	2,611	–
Buildings and plant and machinery (<i>Note 14</i>)	39,518	44,214	86,932	–
Land use rights (<i>Note 13</i>)	17,207	23,887	23,272	–
Investment properties of related companies owned by the Ultimate Shareholders	24,557	60,310	49,498	–
	<u>88,308</u>	<u>208,203</u>	<u>210,025</u>	<u>–</u>

- (b) Bank borrowings amounting to HK\$52,470,000, HK\$27,612,000, HK\$24,597,000 and HK\$7,526,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively are secured over the following:

- (i) joint and several guarantees given by the Ultimate Shareholders; and
- (ii) corporate guarantees provided by certain related companies in which certain directors of the Company have beneficial interests.

- (c) The carrying amounts of the borrowings at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively are denominated in the following currencies:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
HK\$	75,464	83,694	116,400	7,526
RMB	45,929	162,168	87,640	–
USD	358	218	10,265	–
JPY	3,319	–	–	–
	<u>125,070</u>	<u>246,080</u>	<u>214,305</u>	<u>7,526</u>

- (d) The exposure of the borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Borrowings at floating rates				
6 months or less	97,548	178,278	182,021	7,526
6-12 months	9,141	23,722	23,995	–
	<u>106,689</u>	<u>202,000</u>	<u>206,016</u>	<u>7,526</u>
Borrowings at fixed rates	18,381	44,080	8,289	–
Total	<u>125,070</u>	<u>246,080</u>	<u>214,305</u>	<u>7,526</u>

- (e) The borrowings are repayable as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Within 1 year	73,284	195,866	162,145	3,613
Between 1 and 2 years	19,506	26,209	24,175	3,613
Between 2 and 5 years	25,634	18,545	23,150	300
Over 5 years	6,646	5,460	4,835	–
	<u>125,070</u>	<u>246,080</u>	<u>214,305</u>	<u>7,526</u>

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Wholly repayable within five years	115,626	237,207	206,016	7,526
Not wholly repayable within five years	9,444	8,873	8,289	–
	<u>125,070</u>	<u>246,080</u>	<u>214,305</u>	<u>7,526</u>

- (f) The effective interest rates at the balance sheet dates are as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
				2013
Bank borrowings denominated in:				
HK\$	2.85%	2.62%	3.30%	2.54%
RMB	2.97%	4.90%	6.55%	–
USD	4.63%	1.47%	2.58%	–
JPY	2.25%	–	–	–

- (g) The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The carrying amounts and fair value of non-current borrowings are as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Carrying amounts	51,786	50,214	52,160	3,913
Fair value (level 2)	46,041	45,137	47,207	3,711
Weighted average discount rate used for fair value (%)	5.05	5.10	5.00	5.00

26 TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
Trade payables	75,498	93,975	121,000	92,842
Deposits received from customers	95,589	77,194	118,207	150,109
Wages and staff welfare benefits payable	21,398	37,543	55,566	37,696
Accrual for expenses and other payables (<i>Note (a)</i>)	14,715	22,109	44,268	31,520
Other taxes payable	535	795	2,761	611
	<u>207,735</u>	<u>231,616</u>	<u>341,802</u>	<u>312,778</u>

(a) The amount mainly represented construction costs payable, and accruals for listing expenses, electricity and commission expenses.

(b) The Group's trade payables are denominated in the following currencies:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
HK\$	11,922	11,579	11,023	2,267
RMB	61,465	75,267	97,479	84,110
USD	2,111	7,083	11,451	4,979
EUR	–	46	1,047	1,486
	<u>75,498</u>	<u>93,975</u>	<u>121,000</u>	<u>92,842</u>

The carrying amounts of accrued expenses and other payables were primary denominated in RMB.

(c) The ageing analysis of trade payables are as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
0-90 days	73,388	86,972	112,323	90,099
91-120 days	416	4,191	6,189	2,425
121-365 days	978	2,588	1,560	317
Over 365 days	716	224	928	1
	<u>75,498</u>	<u>93,975</u>	<u>121,000</u>	<u>92,842</u>

(d) The fair values of trade and other payables approximated their carrying amounts as at 31 December 2010, 2011 and 2012 and 30 June 2013, respectively.

27 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority. The analysis of deferred tax assets and liabilities is as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
				HK\$'000
<u>Before offsetting</u>				
Deferred income tax assets:				
– to be recovered after more than 12 months	10,675	7,046	2,243	2,696
– to be recovered within 12 months	2,549	2,890	4,462	3,095
	<u>13,224</u>	<u>9,936</u>	<u>6,705</u>	<u>5,791</u>
Deferred income tax liabilities:				
– to be settled within 12 months	<u>(5,914)</u>	<u>(11,253)</u>	<u>(18,490)</u>	<u>(2,160)</u>
<u>After offsetting</u>				
Deferred income tax assets	<u>12,445</u>	<u>9,157</u>	<u>5,892</u>	<u>5,012</u>
Deferred income tax liabilities	<u>(5,135)</u>	<u>(10,474)</u>	<u>(17,677)</u>	<u>(1,381)</u>

As at 31 December 2010, 2011 and 2012 and 30 June 2013, deferred income tax assets and deferred income tax liabilities were offset, where they are in the same entity, to the extent of HK\$779,000, HK\$779,000, HK\$813,000 and HK\$779,000, respectively.

The movements in deferred income tax assets and liabilities before offsetting are as follows:

Deferred income tax assets

	Accelerated tax depreciation <i>HK\$'000</i>	Accrued expenses <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2010	11,569	1,534	–	13,103
Currency translation differences	299	102	13	414
Recognised in the profit or loss	(1,230)	414	523	(293)
	<u>10,638</u>	<u>2,050</u>	<u>536</u>	<u>13,224</u>
At 31 December 2010	<u>10,638</u>	<u>2,050</u>	<u>536</u>	<u>13,224</u>
As at 1 January 2011	10,638	2,050	536	13,224
Currency translation differences	478	34	16	528
Recognised in the profit or loss	(3,720)	368	(464)	(3,816)
	<u>7,396</u>	<u>2,452</u>	<u>88</u>	<u>9,936</u>
As at 31 December 2011	<u>7,396</u>	<u>2,452</u>	<u>88</u>	<u>9,936</u>
As at 1 January 2012	7,396	2,452	88	9,936
Currency translation differences	(15)	2	–	(13)
Recognised in the profit or loss	(4,192)	1,062	(88)	(3,218)
	<u>3,189</u>	<u>3,516</u>	<u>–</u>	<u>6,705</u>
At 31 December 2012	<u>3,189</u>	<u>3,516</u>	<u>–</u>	<u>6,705</u>
At 1 January 2013	3,189	3,516	–	6,705
Currency translation differences	101	(13)	13	101
Recognised in the profit or loss	(1,836)	394	1,283	(159)
2013 Deemed Distribution	(223)	(633)	–	(856)
	<u>1,231</u>	<u>3,264</u>	<u>1,296</u>	<u>5,791</u>
At 30 June 2013	<u>1,231</u>	<u>3,264</u>	<u>1,296</u>	<u>5,791</u>

Deferred income tax liabilities

	Revaluation of derivative financial instruments <i>HK\$'000</i>	Withholding income tax <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2010	–	(3,330)	(3,330)
Recognised in the profit or loss	–	(2,584)	(2,584)
	<u>–</u>	<u>(3,330)</u>	<u>(3,330)</u>
As at 31 December 2010	<u>–</u>	<u>(5,914)</u>	<u>(5,914)</u>
As at 1 January 2011	–	(5,914)	(5,914)
Recognised in the profit or loss	–	(5,339)	(5,339)
	<u>–</u>	<u>(5,339)</u>	<u>(5,339)</u>
As at 31 December 2011	<u>–</u>	<u>(11,253)</u>	<u>(11,253)</u>
As at 1 January 2012	–	(11,253)	(11,253)
Recognised in the profit or loss	(34)	(7,203)	(7,237)
	<u>(34)</u>	<u>(7,203)</u>	<u>(7,237)</u>
As at 31 December 2012	<u>(34)</u>	<u>(18,456)</u>	<u>(18,490)</u>
As at 1 January 2013	(34)	(18,456)	(18,490)
Recognised in the profit or loss	–	(538)	(538)
2013 Deemed Distribution	34	16,834	16,868
	<u>–</u>	<u>(538)</u>	<u>(538)</u>
At 30 June 2013	<u>–</u>	<u>(2,160)</u>	<u>(2,160)</u>

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable.

As at 31 December 2010, 2011 and 2012, and 30 June 2013, the Group did not recognise deferred income tax asset of HK\$502,000, HK\$835,000, and HK\$801,000 and HK\$801,000 in respect of the tax losses amounting to HK\$3,040,000, HK\$5,058,000, HK\$4,852,000 and HK\$4,852,000, respectively, as their recoverability is uncertain.

28 DIVIDENDS

Dividends during each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013 represented dividends declared by the companies now comprising the Group to the then owners of the companies for each of the years ended 31 December 2010, 2011 and 2012 and each of the six months ended 30 June 2012 and 2013, after elimination of intra-group dividends.

On 22 October 2013, 30 October 2013 and 5 November 2013, the Company declared dividends of HK\$9,341,000, HK\$60,000,000 and HK\$80,000,000, respectively, to its existing shareholders. The rate for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

29 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	61,219	120,285	186,261	46,723	53,994
Adjustments for:					
Interest expense (<i>Note 10</i>)	2,717	9,485	11,179	5,299	2,797
Interest income (<i>Note 6</i>)	(289)	(2,096)	(2,189)	(1,189)	(415)
Depreciation of property, plant and equipment (<i>Note 14</i>)	23,109	43,387	43,206	18,142	25,268
Amortisation of land use rights	516	621	702	278	302
Amortisation of intangible assets	780	1,116	2,771	1,362	1,183
Loss on disposal of property, plant and equipment (<i>Note 6</i>)	564	48	911	80	–
Fair value changes on derivative financial instruments (<i>Note 6</i>)	–	1,874	(3,416)	(811)	1,472
(Reversal of allowance)/allowance for impairment of inventory (<i>Note 7</i>)	(1,712)	2,236	3,222	1,856	454
Allowance for/(reversal of allowance) for account receivables (<i>Note 7</i>)	2,425	2,887	829	3,420	(541)
Changes in working capital:					
Inventories	(38,178)	22,139	(53,870)	(51,151)	(49,576)
Trade and other receivables	(42,772)	(25,670)	(47,720)	18,213	15,279
Trade and other payables	49,252	34,629	106,809	9,917	28,442
Cash generated from operations	<u>57,631</u>	<u>210,941</u>	<u>248,695</u>	<u>52,139</u>	<u>78,659</u>

(b) In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book amount					
2012 Transfer (<i>Note 32(b)</i>)	–	–	11,887	–	–
Other disposals	<u>3,565</u>	<u>1,027</u>	<u>1,435</u>	<u>167</u>	<u>2</u>
Loss on disposal (<i>Note 6</i>)	<u>(564)</u>	<u>(48)</u>	<u>(911)</u>	<u>(80)</u>	<u>–</u>
Proceeds from disposal	<u>3,001</u>	<u>979</u>	<u>12,411</u>	<u>87</u>	<u>2</u>

- (c) Non-cash investing and financing transactions.

The principal non-cash transactions include the following:

- (1) 2011 Deemed Distribution as described in Note 32(b);
- (2) 2013 Deemed Distribution as described in Note 1.2(12);
- (3) Capitalisation of Indebtedness as described in Note 23(b).

30 CONTINGENT LIABILITIES

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group had no significant contingent liabilities.

31 COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments:

	As at 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
				<i>HK\$'000</i>
In respect of the acquisitions of plant and equipment, contracted but not provided for	1,361	1,358	966	12,980
In respect of the construction of buildings, authorised but not contracted for	1,140	72,592	29,780	–
	2,501	73,950	30,746	12,980
	2,501	73,950	30,746	12,980

(b) Operating lease commitments – as lessee

The Group leases premises under non-cancellable operating lease agreements.

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December			As at
	2010	2011	2012	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
				<i>HK\$'000</i>
Not later than one year	1,642	1,724	2,356	16,060
Later than one year and not later than five years	6,158	4,740	3,015	22,781
	7,800	6,464	5,371	38,841*
	7,800	6,464	5,371	38,841*

* The amount included minimum lease payments under non-cancellable operating leases entered into with related companies amounting to HK\$37,302,000, comprising not later than one year of HK\$14,521,000 and later than one year and not later than five years of HK\$22,781,000.

32 RELATED PARTY TRANSACTIONS

(a) Name and relationship

The following companies and individuals were related parties of the Group that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Relationship with the Group
TK Technology Holdings Ltd.	An entity controlled by the Ultimate Shareholders
Shenzhen Dangli Trading Development Limited	An entity controlled by the Ultimate Shareholders
TK Audio Limited	An entity controlled by the Ultimate Shareholders
TK Technology (Shenzhen) Ltd.*	An entity controlled by the Ultimate Shareholders
TK Plastics (Shenzhen) Ltd.*	An entity controlled by the Ultimate Shareholders
TK Mold Limited*	An entity controlled by the Ultimate Shareholders
Shenzhen Dongbo Mold Limited*	An entity controlled by the Ultimate Shareholders
TK Group Limited	An entity controlled by the Ultimate Shareholders
Eastern Mix	An entity controlled by the Ultimate Shareholders
Lead Smart	An entity controlled by a director
Normal Times	An entity controlled by a director
Cheer Union	An entity controlled by a director
Operation unit of Jin Baoli Mold and Ironware of Gongming ("Jin Baoli")	An entity controlled by a relative of the Ultimate Shareholders

* Companies not transferred to the Group on Reorganisation (Note 1.2(11) and (12)) and became related parties after 31 May 2013.

(b) Transactions with related parties during the Relevant Periods

Other than the related party transactions disclosed in Notes 1, 9, 23 and 25, the following transactions with related parties were undertaken by the Group during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subcontracting expenses paid to Jin Baoli (<i>Note (i)</i>)	1,086	1,170	2,006	953	1,081
Operating lease expenses paid (<i>Note (ii)</i>)	–	–	–	–	1,204
Directors' remuneration paid on behalf by TK Group Limited	–	5,815	–	–	–
2011 Deemed Distribution (<i>Note (iii)</i>)	–	14,833	–	–	–
2012 Transfer (<i>Note (iv)</i>)	–	–	11,887	–	–
Non-trading advance to – Shenzhen Dangli Trading Development Limited	61,488	85,551	–	–	–

Notes:

- (i) The amount represented mold subcontracting services provided by Jin Baoli.
- (ii) The amount represented rental expenses for land and buildings for factory and office purposes paid to companies controlled by the Ultimate Shareholders, which were determined with reference to independent property valuation reports.
- (iii) During the year ended 31 December 2011, certain assets and liabilities with a net book amount of HK\$14,833,000 were transferred to companies controlled by the Ultimate Shareholders for nil consideration. The transfer was accounted for as a deemed distribution ("2011 Deemed Distribution").
- (iv) During the year ended 31 December 2012, certain buildings with a net book amount of HK\$11,887,000 were transferred to companies controlled by the Ultimate Shareholders for a consideration of HK\$11,887,000 ("2012 Transfer").

(c) Balances with related parties

(i) Balances due from related companies

	As at 31 December						As at 30 June	
	2010		2011		2012		2013	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Maximum balance outstanding during the year</i>		<i>Maximum balance outstanding during the year</i>		<i>Maximum balance outstanding during the year</i>		<i>Maximum balance outstanding during the year</i>	
- Shenzhen Dangli Trading Development Limited	54,907	54,907	136,757	136,757	136,757	131,779	131,779	-
- TK Technology Holdings Ltd.	6,008	6,008	6,008	5,778	5,778	5,234	5,234	-
- TK Mold Limited	-	-	-	-	-	-	113,921	113,921
- Shenzhen Dongbo Mold Limited	-	-	-	-	-	-	51,443	51,443
- TK Group Limited	-	-	-	-	-	-	78,848	78,848
- Eastern Mix	-	-	-	-	-	-	8	8
- Lead Smart	-	-	-	-	-	-	7	7
- Normal Times	-	-	-	-	-	-	6	6
- Cheer Union	-	-	-	-	-	-	6	6
	<u>60,915</u>	<u>60,915</u>	<u>142,765</u>	<u>142,535</u>	<u>142,535</u>	<u>137,013</u>	<u>244,239</u>	<u>244,239</u>

The balances due from related parties were denominated in RMB. They were unsecured, interest-free and non-trading nature. Their fair values approximated their carrying amounts at each of the reporting dates. Such balances have been fully repaid as at the date of this report.

(ii) Balances due to related parties

	As at 31 December			As at
	2010	2011	2012	30 June
	HK\$'000	HK\$'000	HK\$'000	2013
	HK\$'000			
- The Ultimate Shareholders	-	-	22,057	-
- TK Group Limited	42,336	48,965	34,020	-
- TK Audio Limited	5,698	5,698	5,698	-
- Jin Baoli	572	686	936	757
- TK Technology (Shenzhen) Ltd.	-	-	-	166,822
- TK Plastics (Shenzhen) Ltd.	-	-	-	156,656
- TK Mold Limited.	-	-	-	3,030
	<u>48,606</u>	<u>55,349</u>	<u>62,711</u>	<u>327,265</u>

The balances due to the related parties were denominated in RMB. They were unsecured and interest-free. The balance with Jin Baoli was trading in nature and due within 6 months, all other balances with related parties were non-trading nature. Their fair values approximated their carrying amounts at each of the reporting dates. Such non-trading balances have been fully settled as at the date of this report.

(d) Key management personnel compensation

The compensations paid or payable to key management personnel for employee services are shown below:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012 (unaudited)	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages, salaries and bonuses	8,789	22,872	23,496	5,394	6,759
Pension costs – defined contribution plans	84	84	95	42	58
	<u>8,873</u>	<u>22,956</u>	<u>23,591</u>	<u>5,436</u>	<u>6,817</u>

(e) Guarantees for banking facilities of related companies

As at 30 June 2013 the Group had provided guarantees for bank facilities of its related companies amounting to HK\$101,591,000.

(f) Indemnity

Each of the Ultimate Shareholders has jointly and severally undertaken to indemnify and keep each of the Group's companies fully indemnified against all claims and losses suffered or incurred by any company of the Group as a result of or in connection with, amongst others, the use of the land and buildings owned by certain related companies by any company of the Group as tenants, as these related companies have not obtained the approval from the relevant authorities in relation to the lease arrangements of such land and buildings.

33 NOTES TO THE BALANCE SHEET OF THE COMPANY**(a) Investments in a subsidiary – at cost**

	As at 30 June 2013 HK\$'000
Unlisted shares at cost	2
Amounts due from subsidiaries*	<u>228,661</u>
	<u>228,663</u>

* The amounts are unsecured, interest free and repayments are neither planned nor likely to occur in the foreseeable future.

Details of the subsidiaries are set out in Note 1.2.

(b) Capital reserve of the Company represented capitalisation of certain amounts due to certain related companies in 2013 amounting to HK\$228,661,000 (Note 23(b)) less share issuance costs of HK\$6,397,000.

(c) Amounts due to subsidiaries

The amounts due to the subsidiaries were denominated in RMB. They were unsecured, interest-free and repayable on demand. Their carrying amounts approximated their fair values at each of the reporting dates.

34 LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company, which was incorporated on 28 March 2013, for the six months ended 30 June 2013, is dealt with in the Financial Information of the Group to the extent of HK\$21,000.

35 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the report, the following significant events took place after 30 June 2013:

- (a) The Company issued 70,000 shares pursuant to the agreements described in Note 23(b);
- (b) Certain subsidiaries of the Group declared and paid dividends to their immediate holding companies. The declaration and payment of these dividends have no impact on the Group's financial position;
- (c) The Company declared dividends as described in Note 28. These dividends have been subsequently paid; and
- (d) The Company's shareholders passed a written resolution on 29 November 2013 that:
 - (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of an additional 1,996,200,000 shares of a par value of HK\$0.1 each;
 - (ii) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of a global offering, the directors were authorised to capitalise HK\$59,991,000 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,910,000 shares for allotment and issue to the existing shareholders in proportion to their respective shareholdings; and
 - (iii) the rules of a share option scheme be and are approved and adopted.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013 up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong