通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

2011 Annual Report

(Incorporated in the Cayman Islands with limited liability)
Stock Code:698

Contents

Corporate Information

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Sze Man

AUDITORS

Ernst & Young
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wang Ya Hua

PRINCIPAL BANKERS

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

In the PRC:
Bank of China Limited
China Construction Bank Corporation
China Merchant Bank

LEGAL ADVISERS

As to Hong Kong law:
Michael Li & Co.
Hui & Lam

As to PRC law:
Fujian Xieli & Partners Law Firm

As to Cayman Islands law:
Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

LISTING INFORMATION

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Chairman's Statement

I am pleased to announce the annual results of Tongda Group Holdings Limited for the year ended 31 December 2011, and would like to extend my heartfelt thanks to all shareholders for your care and support to our Group on behalf of the Board of Directors.

In 2011, the global economy remained challenging and the competition among industries was fierce. Benefitting from the proactive sales strategies adopted by consumer goods operator customers alongside the economic stimulus package launched by China in recent years, the Group's turnover maintains a steady growth. In 2011, the Group continued to optimize its product portfolio, strengthen the integration of its business and production line, improve the skills of technical personnel and enhance the Group's R&D capacity, thereby reinforcing its operational performance. The Group also implemented a meticulous management through a series of measures to improve efficiency, emphasized on improving the skills of employees and advocated the betterment of both the Company and its employees.

The Group's results of operations for 2011 have reached a new high, with turnover increasing by 34.0% to HK$3,147,119,000 (2010: HK$2,348,264,000), gross profit increasing by 48.5% to HK$605,343,000 (2010: HK$407,574,000), and gross margin elevating to 19.2% (2010: 17.4%). Through a focus on the development of higher margin products, the profit attributable to the shareholders of the Company recorded a subsisting growth and reached HK$250,308,000 (2010: HK$200,931,000) during the year, representing a rise of 24.6% over the previous year. During the Year, the Group has adopted more stringent measures to control cost and improve production efficiency, with its net profit margin reaching approximately 8.0%.

The Group has always been committed to generating attractive returns for its shareholders and maintaining a stable dividend policy. The Board recommended the payment of a final dividend of HK1.0 cent per ordinary share (2010: HK1.0 cent and a special dividend of HK0.2 cent per ordinary share) for the Year. Together with a paid interim dividend of HK0.7 cent (2010: HK0.6 cent) per ordinary share, the total dividend for the Year will amount to HK1.7 cents per ordinary share (2010: HK1.8 cents), representing a dividend payout ratio of 32% (2010: 36%, excluding special dividend).

Well-developed handset markets with robust growth continues to be one of the Group's key development focuses, in particular the smartphone market. According to the estimates by Taiwan Market Intelligence Centre (MIC), global shipment of smartphones in 2011 amounted to approximately 452 million, whilst the global shipment of smartphones in 2012 is likely to substantially increase to 614 million, or up 35.8%. According to MIC, it is also estimated that the existing worldwide penetration of smartphones is 14%, with China's smartphone market revealing a more thriving growth over last year. According to the research report of China by IHS iSuppli, shipment of smartphones by China handset manufacturers will nearly double in 2012 to over 100 million, representing an increase of 92.3% as compared to 52 million in 2011 and a tenfold increase as compared to 10.2 million in 2009. As the forerunner of R&D manufacturers in high-precision fittings and glass touch panels of handsets, the Group further consolidates our position in the industry through the development of high-tech and high value-added products and the production of handset decorative components advancing into all-in-one functional components, while improving its overall profitability.

Despite the favorable views on the TV market last year, its global demand was weaker than expected, which was mainly attributed to the slip in shipment of TV retail brands inflicted by the longer period required by TV manufacturers to consume their inventories, and the sales across the Asian TV market were affected by the Japanese earthquake occurred in the first quarter of 2011 and the economic uncertainties throughout the year, all of which resulted in a mild increase in global TV shipment in 2011. According to the latest release of the "Global Quarterly TV Shipment and Forecast Report" by NPD DisplaySearch, shipment of LCD TV will rebound progressively in 2012 and it is expected that shipment of LED TV against LCD TV will gradually increase. Therefore, the Group remains optimistic about the development of its light guide plate business for LED TVs in 2012. Meanwhile, the Group will strive to expand the customer base for this division, deepen the collaborative relationship with large TV brands in PRC, enhance its operational capacity and create greater profitability for its shareholders.

Looking ahead, the Group believes that the global market will remain volatile in 2012 as there are uncertainties in the global economy. Even if faced with different challenges, the domestic economy can still manage to maintain a stable growth and the domestic consumer market remained strong. The Group expects its total sales and average product selling prices in the PRC will increase, so that the Group is able to alleviate the impacts from surging raw material costs and wages more effectively. Under the new economic conditions of the coming year, the Group's primary tasks in 2012 will be focusing on mainstream operators, meeting market demands, enhancing customer core values, further exploring potentials, enhancing operating efficiency and achieving sustainable development of all business divisions.

In view of the above, the Group will endeavor to maintain its existing stable and healthy development of its business in the domestic market, seize the opportunities presented by the continuous growth in the domestic consumer market, proactively enhance efficiency, promote the Group's competitive edge and expand the existing production line, with a view to promote the long-term development of the Group's overall business. In addition, the Group will actively implement the business diversification strategy and continues its cost control in the hope of broadening income sources and enhancing profitability, so as to create greater returns for our shareholders.

APPRECIATION

I, on behalf of the Board, wish to thank our management and employees for their dedication and contributions during the Year and would also like to express my gratitude to our customers, suppliers, business partners and shareholders for supporting and trusting the Group over the years. In the coming year, we will continue to work closely together to create fruitful results for the Group and bring greater returns for shareholders.

Chairman
Wang Ya Nan

Hong Kong, 14 March 2012

1. FINANCIAL POSITION

During the year, the Group recorded a turnover of HK$3,147,119,000, representing an increase of 34.0% as compared with HK$2,348,264,000 last year. Gross profit of HK$605,343,000 was recorded during the Year as compared to HK$407,574,000 last year. Despite the general rise in wages which may drive the production costs up in the PRC, the Group's gross profit increased by 48.5% over last year, thanks to its effective cost control and strategy on the development of high value-added products, and the gross profit margin rose to 19.2%. The profit attributable to the owners of the Company increased by 24.6% to HK$250,308,000 from HK$200,931,000 in 2010. The Group's overall net profit margin was 8.0% (2010: 8.6%).

As at 31 December 2011, the Group had pledged deposits, restricted bank balances and cash and cash equivalents of approximately HK$311,184,000 (2010: HK$228,006,000).

2. OPERATIONS INFORMATION BY DIVISION

(a) Electrical Fittings Division

The Group's own IML and IMD printing technology are mainly applied to products developed in the electrical fittings division, namely handsets, notebook computers and electrical appliances. Backed by the gradual recovery of the global economy and the insatiable demand of the domestic consumer market, the division achieved a satisfactory sales performance and recorded a revenue growth of 41.5% over last year to HK$2,653,549,000 (2010: HK$1,874,656,000). The Group is committed to strengthening its own scientific research and technology, the research and development of high value-added electrical fittings product portfolio and the implementation of the combination of decorative and functional components, which effectively enhance the Group's competitiveness to implement its long-term development strategy.

i. Handsets

During the Year, handset business remained to be the main growing segment for the electrical fittings division, with smartphones being the key development driver. Turnover of the Group's handset business substantially increased by 49.4% to HK$1,420,412,000 from HK$950,723,000 last year.

The Group's handset casings and glass touch panels operations are benefitted from the rapid growth of smartphones in the PRC. According to the research report of China by IHS iSuppli, shipment of smartphones by China handset manufacturers will nearly double in 2012 to over 100 million. As the leading R&D manufacturers in fittings and glass touch panels of handsets, the Group will further improve the relationship with our customers and suppliers to attain a growth in income from this segment through strengthening the combination of the handset's decorative and the functional components and developing high value-added products. In addition, the Group maintains close working relationship with international renowned mobile phone manufacturers such as ZTE, Huawei, Nokia, and Lenovo, which effectively control its production capacity to satisfy the enormous demand of customers.

ii. *Notebook Computers*

During the Year, the overall performance of the Group's notebook computer division attained steady growth and recorded a turnover of HK$449,179,000 against HK$321,497,000, representing a growth of 39.7% as compared to that of the same period last year. Leveraging the profound collaborative relationship between the Group and the notebook computer brands in PRC, the notebook computer segment still recorded a significant increase in income amid certain adverse factors. In 2011, the global notebook computer segment showed signs of weakness and the competition for notebook computer products became increasingly violent, thus adding pressure to the selling prices of notebook computer casings and fittings. In addition, part of the market share of notebook computer and netbooks was split by tablet PCs and some smartphones. The Group expects that the competition in the industry will remain fierce in 2012, and the Group will at the same time proactively carry out the research and development as well as promotion of the quality components for notebook computers, with a view to maintain a steady profit from the notebook computer segment.

The notebook computer casings and fittings manufactured by the Group cover an extensive product portfolio. In addition to the proprietary IML and self-developed IMD printing technology, the Group is also able to provide customers with quality metal casings and fittings to meet the different tastes of customers. The Group's customers and partners of its notebook business include worldwide renowned brands like Lenovo, Dell, HP, Toshiba and NEC as well as Taiwan's top four computer manufacturers, namely Asus, Acer, Quanta and Compal. The performance of Lenovo in the past year was remarkable, benefiting the Group's sales of components of notebook computers. Meanwhile, by leveraging on the long-term and stable relationship with its customers and partners, the Group's order for notebook business will remain stable in the future.

iii. *Electrical Appliances*

Although sales of electrical appliances was inflicted by the termination of the "Rural Appliance Subsidy Program" in certain regions of the State and government policies were promulgated by the State to repress the property market, the Group still recorded a steady growth in orders and sales of electrical appliances during the Year fostered by its solid cooperation with electrical appliance clienteles such as Haier, Midea and Gree, with turnover increasing by 30.1% to HK$783,958,000 against HK$602,436,000 over last year, accounting for 29.5% of the total turnover from the electrical fittings division. In the future, the Group will continue to improve the product mix of electrical appliances and increase the production of components for high-ended electrical appliances such as casing of appliance composed of glass and plastic for touch screen, so as to meet our customers' demand for high-ended electrical appliances products.

LED Light Guide Plate for LED TV

Despite the fact that the LCD TV market is deemed to have rosy prospect in recent years, its performance was weaker than expected, which was mainly attributed to over-estimated demand from the market. The Group's LED light guide plate for LED TV business was therefore affected. However, along with the pressure from obsolete inventory of TV manufacturers being gradually absorbed, the Group expects that the performance of the business will attain remarkable improvement in 2012. Meanwhile, the Group will proactively capture the opportunity of collaboration with domestic TV brands, and in turn optimize the operation of the LED light guide plate for LED TV business.

(b) Ironware Parts Division

The turnover of this division was stable which totaled HK$376,865,000 during the Year (2010: HK$330,169,000). Owing to the lower profitability of the ironware parts division as compared to other divisions, the Group will concentrate on developing other core business with higher profitability. The sales of this business will account for a further decrease in the share of the Group's total turnover.

(c) Communication Facilities Division and Other Business

The Communication Facilities Division of the Group focuses on the production of satellite TV receivers and set top boxes, with turnover remaining at HK$116,705,000 during the Year (2010: HK$143,439,000).

(d) Total turnover analysis (by products) for the years ended 31 December 2011 and 2010:

	2011	2010
Electrical Fittings Division	84%	80%
i. Handsets	45%	40%
ii. Notebook Computers	14%	14%
iii. Electrical Appliances	25%	26%
Ironware Parts Division	12%	14%
Communication Facilities and Other Business	4%	6%

3. PROSPECTS

Looking ahead, although it is forecasted that the global economy will be reversed in the coming year according to numerous market sources, in view of the uncertainties due to the European sovereign debt crisis, the Group believes that the global market will remain volatile in 2012. The Group will continue to focus on exploring the domestic market by endeavoring to capture every opportunity and is confident of the overall development of its business in the coming year. Against the backdrop of the new economic situation in the year to come, the Group will deploy vigorous operation strategies to meet the challenges posed by the increasingly intricate market conditions. By capitalizing on the Group's in-depth understanding of the domestic market, its solid operating foundation over the years, the broad recognition of its quality products and strong R&D capabilities coupled with its close relationship with various domestic customers, the Group will be able to capture the business opportunities arising from the economic recovery. Meanwhile, the Group will strive to implement the business diversification strategy to further consolidate the Group's image and status as an innovative high-tech enterprise and will broaden income sources with an aim to creating better returns for shareholders and employees.

4. CASH FLOWS AND FINANCIAL RESOURCES

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

As at 31 December 2011, it has cash and bank, restricted bank balances and pledged deposits balance of HK$311,184,000 and without holding any structural investment contract. During the Year, the Group entered into a three-year bank loan of HK$210,000,000 which is used in ordinary course of business and fixed assets addition. Heeding the current economic situation, the Group will allocate its resources carefully and with prudence focusing on developing more high profit and high value-added products, and applying IML technology in more productions so as to gain maximum benefit from the technology. Furthermore, the Group will closely monitor market trends and look for merger and acquisition opportunities at suitable time to help speed up business development and also strengthen and raise its industry position.

As at 31 December 2011, the Group had total assets of HK$3,738,632,000 (2010: HK$3,016,521,000); net current assets of HK$866,383,000 (2010: HK$681,941,000) and equity of HK$1,915,140,000 (2010: HK$1,662,533,000).

The Group's cash and bank balance of about HK$311,184,000, of which HK$57,400,000 has been pledged to bank to secure trade facilities (2010: HK$39,109,000).

The gearing ratio of the Group (consolidated net borrowings/total equity) was 17.1% (2010: 13.5%).

The Company's bank loans are with annual effective interest rates of Hong Kong Interbank Offered rate ("HIBOR") plus 1.15% and 1.5%. Other than the Company's bank loans, the effective interest rates of the bank and other borrowings range from 4.28% to 11.19% per annum, respectively.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Ya Nan, aged 54, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

Mr. Wang Ya Hua, aged 56, is the Vice Chairman and the general manager of the Group. He is responsible for the overall management of the Group with special focus on product development, preparation and monitoring of annual production plans and operating budget. He is also required to give direction of the day-to-day operations to the operation unit located at Xiamen, Fujan Province. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

Mr. Wong Ah Yu, aged 59, is the deputy general manager of the Group and the general manager of Tongda Electrics Company Limited, Shishi City, Fujian. He is responsible for overseeing the operation unit of the Group in Shishi city, Fujian Province ("Shishi") and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wang Ya Hua and Wang Ya Nan.

Mr. Wong Ah Yeung, aged 62, is the deputy general manager of the Group and the general manager of Tongda Ironware (Shenzhen) Company Limited ("Tongda Ironware"). He is responsible for overseeing the operation unit of the Group in Shenzhen, Guangdong Province and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the ironware and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan and the father of Mr. Wang Ming Che.

Mr. Choi Wai Sang, aged 56, is an executive director and is responsible for the development of overseas market and the technical support of the Group's product development. He joined the Group in December 1988. He graduated with a Bachelor and Master of Science degrees in electrical engineering from the University of Illinois, USA.

Mr. Wang Ming Che, aged 36, is an executive director and the Deputy General Manager of Tongda Ironware. He is responsible for overseeing the operation unit and the sales of the Group in Shenzhen. He joined the Group since 2002. Mr. Wang is the son of Mr. Wong Ah Yeung.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *G.B.S. S.B.S, J.P.*, aged 73, joined the Company as an independent non-executive director in October 2007. Dr. Yu is the Chairman of the H.K.I. Group of Companies and a director of a number of manufacturing and investment companies. He is an Independent non-executive director of Wong's International (Holdings) Limited. He served as member of the Preparatory Committee for the Hong Kong Special Administrative Region and as a Hong Kong Affairs Adviser. He is currently a member of the Standing Committee of the Chinese People's Political Consultative Conference, a member of the Standing Committee of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Ting Leung Huel Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, CTA(HK), FHKIoD*, aged 58, is an independent non-executive director of the Company and joined the Company in December 2000. Mr. Ting is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. Mr. Ting is a member of the 9th & 10th Chinese People's Political & Consultative Conference, Fujian. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited and an independent non-executive director of six listed companies, namely, China SCE Property Holdings Limited, Computer and Technologies Holdings Limited, Dongyue Group Limited, JLF Investment Company Limited, Texhong Textile Group Limited and Tong Ren Tang Technologies Company Limited.

Mr. Cheung Wah Fung, Christopher, *JP*, aged 60, is an independent non-executive director of the Company and joined the Company in September 2004. Mr. Cheung is currently the independent non-executive director of Fujian Holdings Limited and the chairman of Christfund Securities group of companies. He serves as a member of the National Committee of the Chinese People's Political Consultative Council, chairman of the Hong Kong Securities Professionals Association, elected director of the Hong Kong Chinese General Chamber of Commerce, director of the Chinese Overseas Friendship Association, director of the Friends of Hong Kong Association, member of the Standing Committee of the Federation of Commerce and Industry of Guangdong Province, Honorary Chairman of Hong Kong Federation of Fujian Associations.

SENIOR MANAGEMENT

Ms. Chan Sze Man, aged 31, is the Chief Financial Officer and Company Secretary since 2011 and is responsible for the corporate finance, accounts and company secretarial functions of the Group. Ms. Chan graduated from the Hong Kong University of Science and Technology with a Bachelor's Degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in June 2010 and have over 9 years of working experience in the field of accounting, auditing and financial management.

Mr. Hui Wai Man, Anthony, *BSc,* aged 44, is the deputy general manager of a subsidiary of the Group. He is mainly responsible for the sales and marketing activities of the Group in Hong Kong & overseas. He is also responsible for the overall purchasing management of the Group. He has over 15 years experience in the field of electronic market. He joined the Group in April 2003.

Mr. Shu Yuen Shu, aged 73, is the senior management consultant of the Group. He assists the Group's General Manager to formulate corporate strategies and staff training, and to implement the Group's quality control program. He holds a Bachelor's Degree in Physics from the University of Xiamen. He joined the Group in June 1998 and has over 30 years of quality management experience in the electronics industry.

Mr. Yuen Sik Kin, aged 51, is the accounting manager of a subsidiary of the Group and is mainly responsible for the accounting and financial management of the operation unit of the Group in Shishi. He obtained his qualification as an accountant from the Finance Department of the People's Republic of China. He joined the Group in 1994 and has over 20 years of working experience in the accounting and finance field.

Mr. Pan Jianjun, aged 37, is the business manager of a subsidiary of the Group. Mr. Pan joined the Group in March 2003, he has over a decade of experience in electronics and ironware industry, served various positions in Taiwan and American invested entities.

Mr. Zhang Haijiang, aged 36, is the production manager of a subsidiary of the Group. Mr. Zhang joined the Group in 2002 with more than 10 years experience in production management. He served successively as Production supervisor, Production manager and Precision Parts Manager.

Biographical Details of Directors and Senior Management

Mr. Zhou Shuangxi, aged 39, is the business manager of a subsidiary of the Group. He joined the Group in June 1998 and has held successively such positions as manager assistant of the integrated management department (in charge of human resources and quality management), technical manager of the R&D Centre and business manager. Mr. Zhou has nearly 13 years experience in internal management of integrated corporate operation.

Mr. Ye Jinhuang, aged 47, joined the Group in 2008 and is the general manger of a subsidiary of the Group. He has over 25 years experience in the plastic product industry. Beginning to engage in high-tech industry in 1986, he is currently the vice president of 廈門注塑工業協會 (Xiamen Association of the Molded Plastic Industry*).

Mr. You Junfeng, aged 43, is the vice general manager of a subsidiary of the Group. With over 20 years of technical and managerial experience in the production of molded plastic components, Mr. You joined the Group in 2008 and is now responsible for the management of operations including marketing, procurement and project management.

Mr. Xiao Ruihai, aged 40, is the vice general manager of a subsidiary of the Group and he gained over 16 years of experience in electronic technology industry. He joined the Group in 2005 and is responsible for the business operation management in Xiamen.

Mr. Liu Zhenzhou, aged 54, is the vice general manager of a subsidiary of the Group, and he joined the Group in 2010. Mr. Liu has 19 years of experience in the high-tech industry and 5 years of managerial experience in touch panels and modules operations.

Mr. Zhang Bing, aged 38, is the engineering manager of a subsidiary of the Group, and he joined the Group in 2007. Mr. Zhang has more than 14 years experience in mould design & manufacturing as well as new product development.

Mr. Wang Mingli, aged 30, is the general manager of a subsidiary of the Group and he is responsible for the sales and promotion of the notebook computer business. He is graduated from Macquarie University in Australia and majored in Accounting. He has gained accounting and audit experiences before joining the Group. Mr. Wang joined the Group in October 2008 and he is the son of Mr. Wong Ah Yu.

Mr. Lu Chaohui, aged 35, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2006. Mr. Lu has more than 17 years of experience in the field of plastic with proficient business operational experience.

Mr. Wong Mingsik, aged 32, is the deputy general manager of a subsidiary of the Group, He joined the Group in 2005 and in charge of corporate finance, business, sales and production of the operation unit in Shenzhen. Mr. Wong graduated from University of Central Lancashire in the UK with MSc, Business Management and BA(Hons), Accounting and Financial Studies.

* *For identification purpose only*

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

The Company has compiled with the code provisions of the Code of Best Practice (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited throughout 2011 with certain deviations in respect of the distinctive roles of chairman and chief executive officer. The following summarizes the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management manages the businesses of the Group within the delegated power and authority given by the Board. The management is delegated power and authority given by the Board for the dary-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation. The Board is also responsible for the establishment of the internal control of the Company. The Board discusses with the management regularly to ensure that internal control is operating effectively.

The Board is bound to manage the Company in a responsible and effective manner, and therefore every Director should ensure that he carries out his duty in good faith and in compliance with the standards of the applicable laws and regulations, and acts in the best interests of the Company and its shareholders at all times.

As at 31 December 2011 and at the date of this report, the Board comprises six executive directors (including the chairman of the Board) and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

The three independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group. There is no fixed term of office for each independent non-executive Director but each of them is required to retire in accordance with the articles of association of the Company.

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

The Directors have been informed of the requirement under code provision A. 6.1 of the CG Code regarding continuous professional development. Details of how each Director complies with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

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

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

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

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

In compliance with the code provisions of the CG Code, the Company has set up a Remuneration Committee ("RC") and an Audit Committee ("AC") under the Board. Pursuant to the amendments to the Listing Rules which will be effective on 1 April 2012, the Company established a Nomination Committee ("NC") with specific written terms of reference adopted on 14 March 2012.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wang Ya Nan currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Also, vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The balance of power is further ensured by the following reasons:

– Audit Committee is comprised exclusively of all independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advices when considered necessary.

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

REMUNERATION COMMITTEE

The RC comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the RC. The main responsibility of the RC is to review and to determine the remuneration of each director and senior management. The terms of reference of RC are in compliance with Listing Rules.

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

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

AUDIT COMMITTEE

The AC comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, executive Director, Mr. Choi Wai Sang and three independent non-executive Directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible to review and supervise the internal control system of the Group.

The Group's unaudited interim results for the six months ended 30 June 2011 and audited annual results for the year ended 31 December 2011 have been reviewed by the AC which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

Attendance at AC meeting	Number of meetings attended (2 meetings in total)
AC members and attendants:	
Mr. Wang Ya Nan	2/2
Mr. Choi Wai Sang	2/2
Mr. Ting Leung Huel Stephen	2/2
Mr. Cheung Wah Fung, Christopher, *JP*	2/2
Dr. Yu Sun Say, *GBS, SBS, JP*	2/2

NOMINATION COMMITTEE

The NC comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Wang takes the chair of the NC. The main responsibility of the NC is to make recommendation to the Board for the nomination of directors.

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

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

AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 December 2011 are as follows:

Services	Fees HK$'000
Annual audit	2,470
Non-audit services	225
	2,695

ACCOUNTABILITY AND INTERNAL CONTROL

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

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

The Board is responsible for the effectiveness of the Group's internal control system. The Board is also aware of and acknowledges its responsibility towards the Group's internal control, financial control and risk management, and its responsibility of supervising the efficiency from time to time. The internal control system is designated to meet the Group's needs. Relevant procedures have been designed for safeguarding assets against unauthorised use or disposal; for controlling excessive capital expenditure; for maintaining proper accounting records; and for the reliability of financial information used in the operations or for publication. Qualified management personnel of the company will maintain and monitor the internal control system on a going-concern basis. The management and the Chief Financial Officer of the Company will report the internal control situation to the AC and the Board periodically for evaluation.

COMPANY SECRETARY

The company secretary of the Company is Ms. Chan Sze Man. Pursuant to the amendments to the Listing Rules which will be effective on 1 April 2012, our Company Secretary has been informed of the requirement under Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training in each financial year and her compliance with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

EXTERNAL AUDITORS

Currently, the Group's external auditors are Ernst & Young. Ernst and Young has been appointed as the external auditors of the Company by the shareholders of the Company at the Annual General Meeting 2011. The AC is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The AC has given their opinion on the fee charged by the external auditors to the Company and has approved the appointment of Ernst & Young as auditors, which the Board fully concurred with such approval of the AC. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditors' Report" on pages 29 to 30.

SHAREHOLDERS' RIGHTS

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

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

PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The Board will review regularly the Group's operation and corporate governance of the Company in order to ensure compliance of the articles of association of the Company, the laws of the Cayman Islands and regulations and to protect the interest of its shareholders. There is no change in the Company's memorandum and articles of association during the year ended 31 December 2011.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 113.

An interim dividend of HK0.7 cent per ordinary share was paid on 23 September 2011.

The directors recommend the payment of a final dividend of HK1.0 cent per ordinary share in respect of the year to shareholders whose names appear on the register of members on 7 June 2012. This together with the interim dividend of HK0.7 cent per ordinary share gives a total of HK1.7 cents per ordinary share for the year (2010: HK1.8 cents per ordinary share). The proposed final dividend will be paid on 15 June 2012 following approval at the 2011 Annual General Meeting. Details are set out in note 11 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 114. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, warrants and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$779,021,000, of which HK$46,783,000 has been proposed after the reporting period as a final dividend. This includes the Company's share premium account in the amount of HK$636,109,000 as at 31 December 2011, which may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$22,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 46% of the total sales for the year and sales to the largest customer included therein amounted to 14.1%. Purchases from the Group's five largest suppliers accounted for 14% of the total purchases for the year and purchases from the largest supplier included therein amounted to 3.8%.

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

DIRECTORS

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

Executive Directors:

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

Independent Non-executive Directors:

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

In accordance with article 108(A) of the Company's articles of association, Mr. Wang Ya Hua, Mr. Cheung Wah Fung, Christopher, and Dr. Yu Sun Say will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from Messrs. Ting Leung Huel Stephen, Cheung Wah Fung, Christopher and Dr. Yu Sun Say, and as at the date of this report still considers them to be independent.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through controlled corporation	Notes	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	130,010,000	2,296,490,000	1,2	2,426,500,000	51.87
Mr. Wang Ya Hua	19,920,000	2,000,490,000	1	2,020,410,000	43.19
Mr. Wong Ah Yu	25,160,000	2,000,490,000	1	2,025,650,000	43.30
Mr. Wong Ah Yeung	32,000,000	2,000,490,000	1	2,032,490,000	43.45
Mr. Choi Wai Sang	19,750,000	78,750,000	3	98,500,000	2.11
Dr. Yu Sun Say	2,500,000	—		2,500,000	0.05

Long positions in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	59,300,000
Mr. Wang Ya Hua	59,300,000
Mr. Wong Ah Yu	59,300,000
Mr. Wong Ah Yeung	59,300,000
Mr. Choi Wai Sang	10,000,000
Mr. Wang Ming Che	16,000,000
Mr. Ting Leung Huel Stephen	8,450,000
Mr. Cheung Wah Fung, Christopher, *JP*	8,450,000
Dr. Yu Sun Say, *GBS, SBS, JP*	3,950,000
	284,050,000

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

Notes:

1. 2,000,490,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").

2. 296,000,000 shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.

3. These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

Save as disclosed above, as at 31 December 2011, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 30 to the financial statements.

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

	Number of share options						
Name or category of participants	At 1 January 2011	Granted during the year	Exercised during the year	At 31 December 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors							
Mr. Wang Ya Nan	59,300,000	–	–	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Wang Ya Hua	59,300,000	–	–	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Wong Ah Yu	59,300,000	–	–	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Wong Ah Yeung	59,300,000	–	–	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280

SHARE OPTION SCHEME *(continued)*

Name or category of participants	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	At 31 December 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors							
Mr. Choi Wai Sang	13,500,000	–	(3,500,000)	10,000,000	16 February 2008, 25 September 2009 and 31 May 2010	16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.315, 0.2262 and 0.280
Mr. Wang Ming Che	16,000,000	–	–	16,000,000	25 September 2009 and 31 May 2010	25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.2262 and 0.280
Mr. Ting Leung Huel Stephen	8,450,000	–	–	8,450,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Mr. Cheung Wah Fung, Christopher, *JP*	8,450,000	–	–	8,450,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.280
Dr. Yu Sun Say, *GBS, SBS, JP*	6,450,000	–	(2,500,000)	3,950,000	16 February 2008, 25 September 2009 and 31 May 2010	16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.315, 0.2262 and 0.280

SHARE OPTION SCHEME *(continued)*

Name or category of participants	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	At 31 December 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Other employees							
In aggregate	38,500,000	–	(13,000,000)	25,500,000	9 March 2007, 16 February 2008 and 31 May 2010	10 March 2007 to 9 March 2017, 16 February 2008 to 15 February 2018, and 31 May 2010 to 30 May 2013	0.485, 0.315 and 0.280
	328,550,000	–	(19,000,000)	309,550,000			

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

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

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

*** The weighted average closing price of the Company's share immediately before the exercise dates of the share options was HK$0.4388 per share.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2011, the following parties were interested in 5% or more of the Company's issued share capital as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	2,000,490,000	42.77
E-Growth Resources Limited	2	Directly beneficially owned	296,000,000	6.33

Notes:

1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% by each of the Wong Brothers.

2. The issued share capital of E-Growth Resources Limited is held and beneficially owned as to 100% by Mr. Wang Ya Nan.

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

CONTINUING CONNECTED TRANSACTION

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

Lease of an investment property

A subsidiary of the Company has been leasing the Group's investment property in Shanghai to a related company controlled by a director of the Company. Pursuant to the Company's announcement dated 21 April 2011, the annual cap for the lease agreement were HK$2,848,000 (equivalent to approximately RMB2,400,000), HK$3,000,000 (equivalent to approximately RMB2,400,000) and HK$1,300,000 (equivalent to approximately RMB1,000,000) for each of the three years ended/ending 31 December 2013, respectively. Further details are set out in note 35(a)(vi) to the financial statements.

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

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

DISCLOSURE PURSUANT TO RULE 13.18 AND 13.21 OF THE LISTING RULES

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

On 24 June 2010, the Company as borrower, entered into a term loan facility agreement up to a principal amount of HK$300,000,000. Under this agreement, specific performance obligations are imposed as follows:

(i) Mr. Wang Ya Nan ("Mr. Wang"), Mr. Wang Yan Hua, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Choi Wai Sing (collectively, the "Majority Shareholders") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right of the Company, free from any security;

(ii) the Wong Brothers collectively procure Landmark Worldwide Holdings Limited ("Landmark Worldwide") not to or cease to be the single largest shareholder of the Company;

(iii) the Wong Brothers collectively do not or cease to own, directly or indirectly, 100% of the beneficial interest in Landmark Worldwide, carrying 100% of the voting right of Landmark Worldwide, free from any security;

(iv) Mr. Wang is not, or ceases to be chairman of the Company; and

(v) any one of more of the Majority Shareholders do not cease to actively involve in the board of directors of the Company, management and business of the Company and its subsidiaries from time to time.

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

(i) the Wong Brothers collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial interest in the Company, carrying at least 40% of the voting right of the Company, free from any security;

(ii) the Wong Brothers collectively procure Landmark Worldwide Holdings Limited ("Landmark Worldwide") not to or cease to be the single largest shareholder of the Company;

(iii) the Wong Brothers collectively do not or cease to own, directly or indirectly, 100% of the beneficial interest in Landmark Worldwide, carrying 100% of the voting right of Landmark Worldwide, free from any security;

(iv) Mr. Wang is not, or ceases to be chairman of the Company; and

(v) any one of more of the Majority Shareholders do not cease to actively involve in the board of directors of the Company, management and business of the Company and its subsidiaries from time to time.

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONTRACT OF SIGNIFICANCE

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

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

ON BEHALF OF THE BOARD

Wang Ya Nan
TONGDA GROUP HOLDINGS LIMITED
Chairman

Hong Kong
14 March 2012

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Tongda Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 113, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

ERNST & YOUNG
安 永

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
14 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**3,147,119**	2,348,264
Cost of sales		**(2,541,776)**	(1,940,690)
Gross profit		**605,343**	407,574
Other income and gains, net	5	**39,778**	36,475
Selling and distribution costs		**(70,435)**	(53,115)
Administrative expenses		**(172,142)**	(122,827)
Other operating expenses, net		**(14,466)**	(5,974)
Finance costs	6	**(53,268)**	(20,254)
Share of profits and losses of associates		**2,124**	2,607
PROFIT BEFORE TAX	7	**336,934**	244,486
Income tax expense	9	**(77,419)**	(34,241)
PROFIT FOR THE YEAR		**259,515**	210,245
Attributable to:			
Owners of the Company	10	**250,308**	200,931
Non-controlling interests		**9,207**	9,314
		259,515	210,245
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
— Basic		**HK5.36 cents**	HK4.50 cents
— Diluted		**HK5.30 cents**	HK4.43 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR		**259,515**	210,245
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation	13	**5,905**	6,529
Income tax effect	28	**(974)**	(1,077)
Exchange differences on translation of foreign operations			
— subsidiaries		**56,522**	20,817
— associates		**1,327**	450
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**62,780**	26,719
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**322,295**	236,964
Attributable to:			
Owners of the Company	10	**309,512**	226,493
Non-controlling interests		**12,783**	10,471
		322,295	236,964

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,077,552**	957,035
Prepaid land lease payments	15	**34,026**	30,968
Investment property	14	**50,976**	46,977
Goodwill	16	**22,751**	22,751
Available-for-sale investment	19	**—**	8,061
Prepayments	20	**59,141**	56,354
Investments in associates	18	**46,986**	34,408
Long term deposits	21	**32,040**	17,482
Deferred tax assets	28	**3,703**	3,703
Total non-current assets		**1,327,175**	1,177,739
CURRENT ASSETS			
Inventories	22	**672,876**	472,249
Trade and bills receivables	23	**1,303,892**	1,019,725
Prepayments, deposits and other receivables		**118,823**	112,745
Due from a related company	26	**4,550**	—
Tax recoverable		**132**	6,057
Pledged deposits	24	**57,400**	39,109
Restricted bank balances	24	**—**	5,199
Cash and cash equivalents	24	**253,784**	183,698
Total current assets		**2,411,457**	1,838,782
CURRENT LIABILITIES			
Trade and bills payables	25	**857,218**	655,883
Accrued liabilities and other payables		**122,831**	92,079
Due to non-controlling shareholders of subsidiaries	26	**54**	189
Due to a related company	26	**—**	1,862
Tax payable		**162,332**	124,436
Interest-bearing bank and other borrowings	27	**402,639**	282,392
Total current liabilities		**1,545,074**	1,156,841
NET CURRENT ASSETS		**866,383**	681,941

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,193,558**	1,859,680
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**236,911**	169,750
Loan from a non-controlling shareholder of a subsidiary	26	**7,331**	7,331
Deferred tax liabilities	28	**34,176**	20,066
Total non-current liabilities		**278,418**	197,147
Net assets		**1,915,140**	1,662,533
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital	29	**46,783**	46,049
Reserves	31(a)	**1,811,464**	1,569,947
		1,858,247	1,615,996
NON-CONTROLLING INTERESTS		**56,893**	46,537
Total equity		**1,915,140**	1,662,533

Wang Ya Nan
Director

Wang Ya Hua
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Capital reserve HK$'000 (Note 31(a))	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 31(a))	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011		**46,049**	**613,649**	**23,212**	**1,180**	**16,092**	**17,612**	**22,697**	**287**	**101,937**	**773,281**	**1,615,996**	**46,537**	**1,662,533**
Profit for the year		-	-	-	-	-	-	-	-	-	250,308	250,308	9,207	259,515
Other comprehensive income for the year:														
Gain on property revaluation, net of tax		-	-	-	-	-	4,931	-	-	-	-	4,931	-	4,931
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	54,273	-	54,273	3,576	57,849
Total comprehensive income for the year		-	-	-	-	-	4,931	-	-	54,273	250,308	309,512	12,783	322,295
Dividend paid to a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	-	(2,427)	(2,427)
Transfer to statutory reserve		-	-	-	-	-	-	26,082	-	-	(26,082)	-	-	-
Exercise of warrants	29(v), 31(b)	544	16,206	-	(430)	-	-	-	-	-	-	16,320	-	16,320
Expiry of warrants	29, 31(b)	-	-	-	(750)	-	-	-	-	-	750	-	-	-
Shares issued upon exercise of share options	29 (iv), 30, 31(b)	190	6,254	(1,167)	-	-	-	-	-	-	-	5,277	-	5,277
Final and special 2010 dividends declared	11	-	-	-	-	-	-	-	-	-	(56,110)	(56,110)	-	(56,110)
Interim 2011 dividend	11	-	-	-	-	-	-	-	-	-	(32,748)	(32,748)	-	(32,748)
At 31 December 2011		**46,783**	**636,109***	**22,045***	**-**	**16,092***	**22,543***	**48,779***	**287***	**156,210***	**909,399***	**1,858,247**	**56,893**	**1,915,140**
At 1 January 2010		43,058	535,759	15,431	-	993	12,160	5,078	287	81,664	639,093	1,333,523	47,287	1,380,810
Profit for the year		-	-	-	-	-	-	-	-	-	200,931	200,931	9,314	210,245
Other comprehensive income for the year:														
Gain on property revaluation, net of tax		-	-	-	-	-	5,452	-	-	-	-	5,452	-	5,452
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	20,110	-	20,110	1,157	21,267
Total comprehensive income for the year		-	-	-	-	-	5,452	-	-	20,110	200,931	226,493	10,471	236,964
Transfer to statutory reserve		-	-	-	-	-	-	17,619	-	-	(17,619)	-	-	-
Acquisition of non-controlling interests	17(a)	-	-	-	-	(615)	-	-	-	163	-	(452)	(10,679)	(11,131)
Partial disposal of a subsidiary	17(b)	-	-	-	-	15,714	-	-	-	-	-	15,714	(664)	15,050
Capital contribution from non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	122	122
Shares issued	29(i), 31(b)	1,600	36,800	-	-	-	-	-	-	-	-	38,400	-	38,400
Share issue expenses		-	(425)	-	-	-	-	-	-	-	-	(425)	-	(425)
Issue of warrants	29, 31(b)	-	-	-	2,270	-	-	-	-	-	-	2,270	-	2,270
Exercise of warrants	29(iii), 31(b)	1,376	40,994	-	(1,090)	-	-	-	-	-	-	41,280	-	41,280
Equity-settled share option arrangements	30	-	-	7,897	-	-	-	-	-	-	-	7,897	-	7,897
Shares issued upon exercise of share options	29(ii), 31(b)	15	521	(116)	-	-	-	-	-	-	-	420	-	420
Final 2009 dividend declared	11	-	-	-	-	-	-	-	-	-	(22,329)	(22,329)	-	(22,329)
Interim 2010 dividend	11	-	-	-	-	-	-	-	-	-	(26,795)	(26,795)	-	(26,795)
At 31 December 2010		46,049	613,649*	23,212*	1,180*	16,092*	17,612*	22,697*	287*	101,937*	773,281*	1,615,996	46,537	1,662,533

* These reserve accounts comprise the consolidated reserves of HK$1,811,464,000 (2010: HK$1,569,947,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**336,934**	244,486
Adjustments for:			
Finance costs	6	**53,268**	20,254
Share of profits and losses of associates		**(2,124)**	(2,607)
Depreciation	7	**119,896**	96,496
Amortisation of prepaid land lease payments	7	**785**	748
Amortisation of prepayments	7	**1,461**	1,361
Impairment of investments in associates	7	**5,000**	1,061
Bank interest income	5	**(922)**	(1,155)
Gain on disposal of items of property, plant and equipment	7	**(45)**	(303)
Changes in fair value of an investment property	7	**(1,707)**	—
Gain on disposal of an investment property	5	**—**	(453)
Impairment of trade receivables	7	**10,617**	1,212
Write-back of impairment of trade receivables	7	**(1,990)**	(2,608)
Write-off of trade receivables	7	**826**	5,439
Provision against obsolete inventories	7	**9,992**	1,452
Equity-settled share option expense	30	**—**	7,897
		531,991	373,280
Increase in inventories		**(210,619)**	(104,459)
Increase in trade and bills receivables		**(293,620)**	(392,897)
Increase in prepayments, deposits and other receivables		**(6,041)**	(37,230)
Decrease/(increase) in amounts due from associates		**(3,674)**	4,550
Increase in trade and bills payables		**201,335**	244,578
Increase in accrued liabilities and other payables		**30,752**	10,974
Increase in an amount due from a related company		**(4,550)**	(8,131)
Decrease in an amount due to a related company		**(1,862)**	—
Decrease in amounts due to non-controlling shareholders of subsidiaries		**(135)**	(476)
Cash generated from operations		**243,577**	90,189
Interest paid		**(53,268)**	(20,254)
Hong Kong profits tax paid		**(787)**	(1,607)
Overseas taxes paid		**(20,109)**	(19,042)
Net cash flows from operating activities		**169,413**	49,286

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		922	1,155
Dividend received from an associate	18	1,500	4,500
Purchases of items of property, plant and equipment		(177,380)	(200,811)
Proceeds from disposal of items of property, plant and equipment		3,520	769
Acquisition of associates		(3,892)	—
Acquisition of non-controlling interests		—	(11,131)
Acquisition of an available-for-sale investment		—	(8,061)
Proceeds from partial disposal of a subsidiary		—	15,050
Proceeds from disposal of an investment property	14	—	4,803
Increase in prepaid land lease payments		(2,332)	—
Increase in long term deposits		(30,980)	(17,482)
Increase in pledged bank deposits		(18,291)	(18,867)
Decrease/(increase) in restricted bank balances		5,199	(5,199)
Net cash flows used in investing activities		(221,734)	(235,274)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		501,713	355,622
Repayment of bank loans		(314,305)	(250,800)
Proceeds from issue of warrants		—	2,270
Proceeds from issue of shares, net of related expense		—	37,975
Proceeds from exercise of warrants		16,320	41,280
Proceeds from exercise of share options		5,277	420
Loan from a non-controlling shareholder of a subsidiary		—	7,331
Dividend paid to a non-controlling shareholder		(2,427)	—
Capital contribution from non-controlling shareholders		—	122
Dividends paid		(88,858)	(49,124)
Net cash flows from financing activities		117,720	145,096
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		65,399	(40,892)
Cash and cash equivalents at beginning of year		183,698	225,808
Effect of foreign exchange rate changes, net		4,687	(1,218)
CASH AND CASH EQUIVALENTS AT END OF YEAR		253,784	183,698
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	24		
Cash and bank balances		253,784	183,698
Cash and cash equivalents as stated in the consolidated statement of financial position		253,784	183,698

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**120,690**	120,690
CURRENT ASSETS			
Due from subsidiaries	17	**1,120,511**	953,644
Prepayments, deposits and other receivables		**553**	628
Cash and cash equivalents	24	**2,138**	19,437
Total current assets		**1,123,202**	973,709
CURRENT LIABILITIES			
Due to a subsidiary	17	**43**	—
Accrued liabilities and other payables		**818**	673
Interest-bearing bank borrowings	27	**157,984**	98,944
Total current liabilities		**158,845**	99,617
NET CURRENT ASSETS		**964,357**	874,092
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,085,047**	994,782
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**236,911**	169,750
Net assets		**848,136**	825,032
EQUITY			
Issued capital	29	**46,783**	46,049
Reserves	31(b)	**801,353**	778,983
Total equity		**848,136**	825,032

Wang Ya Nan
Director

Wang Ya Hua
Director

1. CORPORATE INFORMATION

Tongda Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands.

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 35 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

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

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

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

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

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

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group, has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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

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

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

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

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

Inventories

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement
Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)
The Group's financial assets include cash and bank balances, restricted bank balances, pledged deposits, trade and bills receivables, other receivables, unquoted financial instruments and an amount due from a related company.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

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

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

Impairment of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

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

Financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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

Subsequent measurement
The subsequent measurement of loans and borrowings is as follows:

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Research and development costs

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

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

Cash and cash equivalents

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

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) rental income, on a time proportion basis over the lease terms; and

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

Employee benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 30 to the financial statements.

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

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

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

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

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

Retirement benefit schemes

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$22,751,000 (2010: HK$22,751,000). More details are given in note 16.

Impairment of non-financial assets (other than goodwill)

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

Valuation of share options

The fair value of options granted under the share option scheme is determined using the binomial option pricing model. The significant inputs into the model were share price at the grant date, exercise price, risk-free interest rate, dividend yield, expected volatility and expected life of options. When the actual results of the inputs differ from the management's estimate, it will have impact on share option expense and the related share option reserve of the Company. More details are given in note 30.

4. OPERATING SEGMENT INFORMATION

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

(a) the electrical fittings segment produces accessories for electrical appliance products including handsets, notebook computers and other electrical appliance products;

(b) the ironware parts segment is a supplier of metallic casings and other ironware parts for electrical and electronic appliances; and

(c) the communication facilities and others segment comprises a supply of electronic components and the trading of electrical appliances, the Group's management services business and the corporate income and expense items.

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

Segment assets exclude an available-for-sale investment, investments in associates, goodwill, deferred tax assets, tax recoverable, pledged deposits, restricted bank balances and cash and cash equivalents as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit and certain assets and liabilities information for the Group's operating segments for the years ended 31 December 2011 and 2010.

Group

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:										
Sales to external customers	2,653,549	1,874,656	376,865	330,169	116,705	143,439	–	–	3,147,119	2,348,264
Intersegment sales	7,383	24,594	19,542	20,256	4,950	18,326	(31,875)	(63,176)	–	–
Total	2,660,932	1,899,250	396,407	350,425	121,655	161,765	(31,875)	(63,176)	3,147,119	2,348,264
Segment results before depreciation and amortisation	496,182	334,818	20,586	39,744	(16,299)	(8,699)	–	–	500,469	365,863
Depreciation	(104,464)	(82,415)	(12,709)	(11,487)	(2,723)	(2,594)	–	–	(119,896)	(96,496)
Amortisation	(707)	(672)	(1,460)	(1,361)	(79)	(76)	–	–	(2,246)	(2,109)
Segment results	391,011	251,731	6,417	26,896	(19,101)	(11,369)	–	–	378,327	267,258
Unallocated income									39,778	36,475
Corporate and other unallocated expenses									(30,027)	(41,600)
Finance costs									(53,268)	(20,254)
Share of profits and losses of associates									2,124	2,607
Profit before tax									336,934	244,486
Income tax expense									(77,419)	(34,241)
Profit for the year									259,515	210,245
Other segment information:										
Impairment losses/write-down recognised in the income statement*	(4,563)	(4,585)	(8,716)	(2,841)	(8,156)	(677)	–	–	(21,435)	(8,103)
Impairment losses reversed in the income statement**	126	2,556	1,733	–	131	52	–	–	1,990	2,608
Segment assets	3,149,188	2,593,128	431,446	364,415	627,024	594,644	(853,782)	(838,652)	3,353,876	2,713,535
Unallocated assets									384,756	302,986
Total assets									3,738,632	3,016,521
Segment liabilities	1,834,514	1,634,427	200,954	173,344	273,338	208,346	(1,321,372)	(1,258,773)	987,434	757,344
Unallocated liabilities									836,058	596,644
Total liabilities									1,823,492	1,353,988

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

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

4. **OPERATING SEGMENT INFORMATION** *(continued)*

Geographical Information

(a) Revenue from customers
Group

	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**2,895,032**	2,040,413	**37,481**	62,027	**68,229**	96,733	**146,377**	149,091	**3,147,119**	2,348,264
(b) Non-current assets	**1,215,824**	1,075,729	**–**	–	**–**	–	**37,911**	33,087	**1,253,735**	1,108,816

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

The non-current assets information above is based on the location of assets and excludes investments in associates, available-for-sale investment, goodwill and deferred tax assets.

Information about major customers

	2011
	HK$'000
Customer A	**443,734**
Customer B	**391,008**
	834,742

Sales to Customer A and Customer B during the year ended 31 December 2010 were less than 10% of the revenue during that year. Accordingly, the sales amounts for that year were not presented above. The above revenues include sales to a group of entities which are known to be under common control of the respective customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2011 HK$'000	2010 HK$'000
Revenue		
Manufacture and sale of:		
Electrical fittings	2,653,549	1,874,656
Ironware parts	376,865	330,169
Communication facilities and others	116,705	143,439
	3,147,119	2,348,264
Other income and gains, net		
Bank interest income	922	1,155
Gross rental income with nil outgoings	4,292	3,746
Sales of scrap materials	4,140	5,530
Gain on disposal of an investment property	—	453
Foreign exchange differences, net	25,465	9,124
Sales of moulds and tooling income	—	11,652
Others	4,959	4,815
	39,778	36,475

6. FINANCE COSTS

	Group	
	2011 HK$'000	2010 HK$'000
Interest expenses on bank and other loans wholly repayable within five years	12,715	7,633
Interest expenses on discounted bills	40,553	12,621
	53,268	20,254

7. PROFIT BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	**2,541,776**	1,940,690
Depreciation	**119,896**	96,496
Amortisation of prepaid land lease payments	**785**	748
Amortisation of prepayments	**1,461**	1,361
Research and development costs**	**68,623**	48,771
Minimum lease payments under operating leases of leasehold land and buildings	**18,476**	12,287
Employee benefit expense (excluding directors' remuneration—note 8):		
Salaries and wages	**510,982**	345,377
Equity-settled share option expense	**—**	928
Pension scheme contributions	**12,187**	5,449
Less: amounts included in research and development costs	**(9,875)**	(9,511)
	513,294	342,243
Auditors' remuneration	**2,470**	2,160
Impairment of investments in associates* (note 18)	**5,000**	1,061
Impairment of trade receivables*	**10,617**	1,212
Write-back of impairment of trade receivables*	**(1,990)**	(2,608)
Write-off of trade receivables*	**826**	5,439
Provision against obsolete inventories	**9,992**	1,452
Changes in fair value of an investment property	**(1,707)**	–
Gain on disposal of items of property, plant and equipment*	**(45)**	(303)

7. PROFIT BEFORE TAX *(continued)*

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

** Included in the research and development costs are items of plant and equipment amounted to HK$16,917,000 (2010: HK$16,281,000) which are capitalised under property, plant and equipment in the consolidated statement of financial position and are depreciated over their estimated useful lives.

Cost of inventories sold includes HK$579,765,000 (2010: HK$399,868,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against obsolete inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**3,960**	3,930
Other emoluments:		
Salaries, allowances and benefits in kind	**1,940**	1,940
Equity-settled share option expense	**—**	6,969
Pension scheme contributions	**174**	174
	2,114	9,083
	6,074	13,013

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

Directors' remuneration *(continued)*

(a) Independent non-executive directors

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

	2011 HK$'000	2010 HK$'000
Mr. Ting Leung Huel Stephen	180	165
Mr. Cheung Wah Fung, Christopher, *JP*	150	135
Dr. Yu Sun Say, *GBS, SBS, JP*	150	150
	480	450

Except for the above fees of HK$480,000 (2010: fees of HK$450,000 and equity-settled share option expense of HK$453,000), there were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors

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

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

Directors' remuneration *(continued)*

(b) Executive directors *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors:					
Mr. Wang Ya Nan	870	360	1,377	54	2,661
Mr. Wang Ya Hua	630	360	1,377	30	2,397
Mr. Wong Ah Yu	630	360	1,377	30	2,397
Mr. Wong Ah Yeung	630	360	1,377	30	2,397
Mr. Choi Wai Sang	360	260	389	30	1,039
Mr. Wang Ming Che	360	240	619	—	1,219
	3,480	1,940	6,516	174	12,110

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

Five highest paid employees

The five highest paid employees during the year included four (2010: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
Salaries, allowances and benefits in kind	**1,298**	1,141
Equity-settled share option expense	**—**	387
Pension scheme contributions	**12**	12
	1,310	1,540

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

Five highest paid employees *(continued)*

The above remuneration of the non-director, highest paid employee fell within the band of HK$1,000,000 to HK$1,500,000 (2010: HK$1,500,001 to HK$2,000,000).

During the year ended 31 December 2010, share options were granted to directors in respect of their services to the Group, further details of which are included in note 30 to the financial statements. The fair value of such options, which has been charged to the income statement for that year, was determined as at the date of grant and included in the above directors' remuneration disclosures.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2011 **HK$'000**	2010 HK$'000
Group:		
Current — Hong Kong		
Charge for the year	**42**	43
Overprovision in prior years	**(115)**	—
	(73)	43
Current — Elsewhere		
Charge for the year	**58,281**	40,159
Underprovision/(overprovision) in prior years	**6,509**	(8,845)
	64,790	31,314
Deferred (note 28)	**12,702**	2,884
Total tax charge for the year	**77,419**	34,241

9. INCOME TAX *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax	**336,934**	244,486
Tax at the applicable tax rates	**85,277**	61,967
Lower applicable tax rates enjoyed by the Group	**(37,660)**	(25,187)
Estimated tax effect of net income that is not taxable in determining taxable profit	**11,643**	3,858
Profit attributable to associates	**(531)**	(652)
Adjustments in respect of current tax of prior years	**6,394**	(8,845)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**12,296**	3,100
Tax charge at the Group's effective rate	**77,419**	34,241

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

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

The assessable profits of 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited) is subject to a preferential CIT rate of 24% (2010: 22%).

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

The share of tax attributable to associates amounting to HK$209,000 (2010: HK$789,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of HK$90,365,000 (2010: profit of HK$56,711,000) which has been dealt with in the financial statements of the Company (note 31(b)).

11. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends paid during the year:		
Final and speical in respect of the financial year ended 31 December 2010 — HK1 cent and HK0.2 cent per ordinary share (2010: final dividend of HK0.5 cent per ordinary share, in respect of the financial year ended 31 December 2009)	**56,110**	22,329
Interim — HK0.7 cent (2010: HK0.6 cent) per ordinary share	**32,748**	26,795
	88,858	49,124
Proposed final dividend:		
Final — HK1 cent (2010: HK1 cent) per ordinary share	**46,783**	46,723
Special — Nil (2010: HK0.2 cent) per ordinary share	**—**	9,345

The proposed final dividend of HK1 cent per ordinary share (2010: HK1 cent and a special dividend of HK0.2 cent per ordinary share) for the year is subject to the approval of the Company's shareholders at the forthcoming annual meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,673,263,000 (2010: 4,469,943,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

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

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

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

	2011 HK$'000	2010 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company	**250,308**	200,931

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,673,263**	4,469,943
Effect of dilutive potential ordinary shares:		
Share options	**44,617**	42,664
Warrants	**3,380**	21,677
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,721,260**	4,534,284

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011								
Cost or valuation:								
At 1 January 2011	32,000	275,501	21,491	894,219	28,054	28,532	32,988	1,312,785
Additions	–	–	5,860	164,820	9,187	2,832	11,103	193,802
Disposals	–	–	–	(4,954)	(280)	–	–	(5,234)
Transfer	–	–	–	21,249	73	–	(21,322)	–
Transfer to prepayment (Note 20)	–	–	–	–	–	–	(1,500)	(1,500)
Surplus on revaluation	5,200	–	–	–	–	–	–	5,200
Exchange realignment	–	13,430	991	44,560	1,253	1,331	1,618	63,183
At 31 December 2011	37,200	288,931	28,342	1,119,894	38,287	32,695	22,887	1,568,236
Accumulated depreciation:								
At 1 January 2011	–	58,867	9,244	260,200	12,652	14,787	–	355,750
Provided for the year	705	13,479	3,389	95,245	3,505	3,573	–	119,896
Disposals	–	–	–	(1,497)	(262)	–	–	(1,759)
Reversal upon revaluation	(705)	–	–	–	–	–	–	(705)
Exchange realignment	–	2,872	393	13,022	541	674	–	17,502
At 31 December 2011	–	75,218	13,026	366,970	16,436	19,034	–	490,684
Net book value:								
At 31 December 2011	37,200	213,713	15,316	752,924	21,851	13,661	22,887	1,077,552

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

At cost	–	288,931	28,342	1,119,894	38,287	32,695	22,887	1,531,036
At 31 December 2011 valuation	37,200	–	–	–	–	–	–	37,200
At 31 December 2011	37,200	288,931	28,342	1,119,894	38,287	32,695	22,887	1,568,236

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

Group *(continued)*

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010								
Cost or valuation:								
At 1 January 2010	26,030	269,244	17,150	715,543	23,048	25,003	268	1,076,286
Additions	–	–	3,970	162,000	4,568	2,976	32,709	206,223
Disposals	–	–	–	(535)	(47)	–	–	(582)
Surplus on revaluation	5,970	–	–	–	–	–	–	5,970
Exchange realignment	–	6,257	371	17,211	485	553	11	24,888
At 31 December 2010	32,000	275,501	21,491	894,219	28,054	28,532	32,988	1,312,785
Accumulated depreciation:								
At 1 January 2010	–	44,947	6,892	180,609	10,059	11,476	–	253,983
Provided for the year	559	12,875	2,219	75,347	2,436	3,060	–	96,496
Disposals	–	–	–	(72)	(44)	–	–	(116)
Reversal upon revaluation	(559)	–	–	–	–	–	–	(559)
Exchange realignment	–	1,045	133	4,316	201	251	–	5,946
At 31 December 2010	–	58,867	9,244	260,200	12,652	14,787	–	355,750
Net book value:								
At 31 December 2010	32,000	216,634	12,247	634,019	15,402	13,745	32,988	957,035

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

At cost	–	275,501	21,491	894,219	28,054	28,532	32,988	1,280,785
At 31 December 2010 valuation	32,000	–	–	–	–	–	–	32,000
At 31 December 2010	32,000	275,501	21,491	894,219	28,054	28,532	32,988	1,312,785

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

The Group's leasehold buildings situated in Hong Kong were revalued at the end of the reporting period by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at an open market value of HK$37,200,000 (2010: HK$32,000,000). A revaluation surplus of HK$5,905,000 (2010: HK$6,529,000), resulting from the above valuation, has been credited to other comprehensive income.

The Group's leasehold buildings situated in Hong Kong at valuation of HK$37,200,000 (2010: HK$32,000,000) are held under long term leases. The Group's leasehold buildings situated in Mainland China are held under medium term leases.

Had all of the Group's leasehold building situated in Hong Kong been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately HK$11,652,000 (2010: HK$11,910,000).

As at 31 December 2011, one of the Group's buildings with a net carrying amount of HK$37,200,000 (2010: HK$32,000,000) was pledged to secure bank loan granted to the Group (note 27).

As at 31 December 2011, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Xiamen city and Shishi city, Fujian, the PRC with a net book value of HK$6,808,000 (2010: HK$7,380,000) and HK$31,396,000 (2010: HK$31,586,000) respectively, and the respective title ownership certificates are currently under application. The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

14. INVESTMENT PROPERTY

	2011 **HK$'000**	2010 HK$'000
Carrying amount at 1 January	**46,977**	50,230
Disposal	**–**	(4,350)
Change in fair value	**1,707**	–
Exchange realignment	**2,292**	1,097
Carrying amount at 31 December	**50,976**	46,977

14. INVESTMENT PROPERTY *(continued)*

During the year ended 31 December 2010, the investment property located in Hong Kong was disposed of to an independent third party at a net consideraton of HK$4,803,000, resulting into a gain on disposal of HK$453,000.

The Group's investment property in Shanghai was revaluated on 31 December 2011 by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, on an open market, existing use basis at HK$50,976,000 (2010: HK$46,977,000). The investment property in Shanghai is leased to a related company controlled by a director of the Company under operating leases, further details of which are included in note 33(a) and 35(a)(vi) to the financial statements.

As at 31 December 2011, the Group has not yet obtained the title ownership certificates for certain of its buildings situated in Shanghai and currently applying for the title ownership certificates. The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of certain land on which the buildings are located, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

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

15. PREPAID LAND LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	31,716	31,726
Additions	2,332	–
Amortisation recognised during the year	(785)	(748)
Exchange realignment	1,548	738
Carrying amount at 31 December	34,811	31,716
Current portion included in prepayments, deposits and other receivables	(785)	(748)
Non-current portion	34,026	30,968

The leasehold land is held under a medium term lease and is situated in Mainland China.

16. GOODWILL

	2011 HK$'000
Cost	
Balance at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	31,809
Accumulated impairment losses	
Balance at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	9,058
Carrying amount	
Balance at 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	22,751

Impairment testing of goodwill

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

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections covering a 5-year (2010: 5-year) period approved by senior management. The discount rate applied to the cash flow projections is 10% (2010: 10%) and cash flows beyond the 5-year period are extrapolated using a growth rate of 5% (2010: 5%).

The key assumptions for the above cash flow projections are the budgeted operating profits made with reference to the operating profits achieved in the year immediately before the projection period, increases for expected market development, and the pre-tax discount rate of 10% (2010: 10%), which is before tax and reflect specific risks relating to the cash-generating unit.

17. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted investments, at cost	**79,379**	79,379
Loans to subsidiaries	**41,311**	41,311
	120,690	120,690

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

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2011	Percentage of equity attributable to the Company 2010	Principal activities
Directly held					
Tong Da Holdings (BVI) Limited	British Virgin Islands ("BVI")	Ordinary US$10,000	**100**	100	Investment holding
Indirectly held					
Tong Da General Holdings (H.K.) Limited	Hong Kong	Ordinary HK$880,000	**100**	100	Investment holding, raw materials sourcing and trading of electrical appliance and ironware products
Ever Target Limited	Hong Kong	Ordinary HK$4	**100**	100	Investment holding
Tongda Group International Limited	Hong Kong	Ordinary HK$2	**100**	100	Property holding and investment holding
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian)*	PRC/Mainland China	Registered HK$120,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2011	2010	Principal activities
Indirectly held *(continued)*					
福建省石獅通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian)*	PRC/Mainland China	Registered Renminbi ("RMB") RMB32,000,000	**100**	100	Manufacture and sale of resistors and other electronic products
廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited) (Note a)*	PRC/Mainland China	Registered US$8,903,723	**100**	100	Property holding
通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited)*	PRC/Mainland China	Registered HK$30,000,000	**100**	100	Manufacture and sale of ironware products
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Tongda Overseas Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	**100**	100	Trading of electrical appliance products
Tongda (Xiamen) Company Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
Tongda General (H.K.) Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding and machinery sourcing
通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited)*	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products
通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited)*	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Manufacture and sale of ironware products
石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi)*	PRC/Mainland China	Registered HK$18,000,000	**100**	100	Manufacture of accessories of electrical appliance products

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2011	2010	Principal activities
Indirectly held *(continued)*					
石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi)*	PRC/Mainland China	Registered HK$28,000,000	**100**	100	Manufacture of accessories of electrical appliance products
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
Evertarget (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**51**	51	Trading of lifestyle consumer products
通達（廈門）科技有限公司 (Tongda (Xiamen) Technology Limited)**	PRC/Mainland China	Registered RMB53,776,300	**75**	75	Manufacture and sale of precise injection and printing parts
深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited)**	PRC/Mainland China	Registered HK$45,000,000	**75**	75	Manufacture and sale of plastic injection and printing parts
Tongda (Shanghai) Company Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
通達（上海）電器裝飾件有限公司*	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Property holding
通達光電有限公司 (Tongda Optical Company Limited) (Note b)	Hong Kong	Ordinary HK$800,000	**55**	55	Investment holding
通達（廈門）光電科技有限公司 (Tong Da (Xiamen) Optical Technology Company Limited) (Note b)*	PRC/Mainland China	Registered HK$50,000,000	**55**	55	Manufacture and sale of accessories for electrical appliance products
通達宏泰科技（蘇州）有限公司 (Tongda HT Technology (Suzhou) Company Limited)**	PRC/Mainland China	Registered HK$80,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Notes:

a. Pursuant to a sale and purchase agreement entered into between the Group and a non-controlling shareholder on 25 January 2010, the remaining 19% equity interests in Xiamen Optic Conduct Cable Company Limited ("Xiamen Optic") were acquired by the Group from a non-controlling shareholder at a cash consideration of approximately HK$11,131,000 and the difference of HK$615,000 between the consideration and the non-controlling interest share of assets and liabilities at the date of acquisition was debited to the Group's capital reserve.

b. Tongda (Xiamen) Optical Technology Company Limited is a wholly-owned subsidiary of Tongda Optical Company Limited ("Tongda Optical") (collectively "Tongda Optical Subgroup"). The Company owned a 85.1% equity interest in Tongda Optical upon its incorporation/establishment. On 24 February 2010, the Group entered into an agreement with Matsushitu Shokai Co., Ltd. ("Matsushitu Shokai"), the non-controlling shareholder of Tongda Optical, and agreed to grant to Matsushitu Shokai an option to acquire 240,800 shares (the "Option") of Tongda Optical from the Group, which represented 30.1% of the issued share capital of Tongda Optical, at HK$15,050,000. The exercise price of the Option was HK$1 which shall be payable upon the exercise of the option. On 15 November 2010, the Option was exercised by Matsushitu Shokai. After the exercise of the Option, the Group owned a 55% equity interest in Tongda Optical. The difference of HK$15,714,000 between the consideration and the non-controlling interest share of assets and liabilities at the date of disposal was credited to the Group's capital reserve during the year ended 31 December 2010.

   As Matsushitu Shokai is the then beneficial owner of 14.9% of the issued share capital of Tongda Optical, Matsushitu Shokai is a connected person to the Company and the grant of the Option constitutes a connected transaction of the Group under the Listing Rules. Further details are set out in the Company's announcements dated 24 February 2010, 5 March 2010 and 15 November 2010.

18. INVESTMENTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Share of net assets	**30,321**	25,764
Goodwill on acquisition	**14,308**	1,061
	44,629	26,825
Due from associates	**12,318**	8,644
Due to an associate	**(3,900)**	–
	53,047	35,469
Provision for impairment	**(6,061)**	(1,061)
	46,986	34,408

18. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group 2011	2010	Principal activities
Meijitsu Tongda (HK) Company Limited ("Meijitsu")	Hong Kong/ Mainland China	Ordinary HK$10,000	**50**	50	Investment holding
Meijitsu Tongda (Vietnam) Company Limited	Vietnam	Registered Vietnamese Dong ("VND") 9,600,000,000	**50**	50	Manufacture and sale of label/seal for automation office products
通達名科技(深圳)有限公司	PRC/Mainland China	Registered RMB11,000,000	**50**	50	Manufacture and sale of silk-screen printing products
Tongda Fuso (HK) Company Limited ("Fuso (HK)") (Note b)	Hong Kong	Ordinary HK$7,625,630	**70**	70	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited ("Fuso (Shanghai)") (Note b)	PRC/Mainland China	Registered US$1,300,000	**70**	70	Manufacture and sale of silk-screen printing products
東莞市康祥電子有限公司 ("Kangxiang") (Note a)	PRC/Mainland China	Registered RMB13,500,000	**34.9**	34.9	Manufacture and sale of electronic components
Justone Holdings Limited ("Justone") (Note c)	BVI	Ordinary US$33,333	**28**	–	Investment holding
Justone Technologies Limited (Note c)	Hong Kong	Ordinary HK$10,000	**28**	–	Investment holding
Justone(北京)通訊技術有限公司 (Note c)	PRC/Mainland China	Registered RMB5,000,000	**28**	–	Provision of software platform to run integrated fixed line phone

Notes:

a. During the year ended 31 December 2010, the Group acquired a 34.9% equity interest in Kangxiang at a consideration of RMB4,712,000 (equivalent to HK$5,479,000 including goodwill of HK$1,061,000). An impairment loss of HK$1,061,000 was charged to the consolidated income statement for the year ended 31 December 2010.

b. The directors considered that Fuso (HK) and Fuso (Shanghai) are the associates of the Company as at 31 December 2011 and 2010 because the Company did not have unilateral or joint control over Fuso (HK) and Fuso (Shanghai) and is in a position to exercise significant influence over Fuso (HK) and Fuso (Shanghai).

18. INVESTMENTS IN ASSOCIATES *(continued)*

Notes: *(continued)*

c. During the year ended 31 December 2010, the Group acquired a 5.26% equity interest in Justone at a consideration of approximately US$1,000,000 (equivalent to HK$7,800,000) together with the directly attributable cost of approximately HK$261,000 which was recorded as an available-for-sale investment at 31 December 2010 (note 19). During the year ended 31 December 2011, the Group has further acquired an additional 22.74% equity interest in Justone, which then has two wholly-owned subsidiaries, namely Justone Technologies Limited and Justone(北京)通訊技術有限公司, at a consideration of approximately US$1,000,000 (equivalent to HK$7,792,000) of which US$500,000 (equivalent to HK$3,900,000) remained unsettled as at 31 December 2011 and included as an amount due to an associate. The aggregate consideration of approximately US$2,000,000 (equivalent to HK$15,592,000) together with the directly attributable cost of approximately HK$261,000 was recorded as investments in associates as at 31 December 2011. An impairment loss of HK$5,000,000 was charged to the consolidated income statement for the year ended 31 December 2011.

The Group received dividend income of HK$1,500,000 (2010: HK$4,500,000) from an associate during the year.

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

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

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

	2011	2010
	HK$'000	HK$'000
Assets	**188,768**	157,371
Liabilities	**102,429**	81,750
Revenue	**112,244**	97,378
Profits	**686**	5,833

19. AVAILABLE-FOR-SALE INVESTMENT

	2011	2010
	HK$'000	HK$'000
Unlisted equity investment, at cost	**–**	8,061

As at 31 December 2010, the unlisted equity investment representing a 5.26% equity interest in Justone with a carrying amount of HK$8,061,000 was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. During the year, the Group has further acquired a 22.74% equity interest in the unlisted equity investment and the available-for-sale investment has been reclassified to investments in associates (note 18(c)).

20. PREPAYMENTS

Group

	Prepaid rental HK$'000	Prepaid premises cost HK$'000	Total HK$'000
31 December 2011			
Cost:			
At 1 January 2011	2,198	62,364	64,562
Transfer from construction in progress (note 13)	–	1,500	1,500
Exchange realignment	107	3,041	3,148
At 31 December 2011	2,305	66,905	69,210
Amortisation:			
At 1 January 2011	374	7,834	8,208
Amortised during the year	50	1,411	1,461
Exchange realignment	18	382	400
At 31 December 2011	442	9,627	10,069
Net book value:			
At 31 December 2011	1,863	57,278	59,141
31 December 2010			
Cost:			
At 1 January 2010	2,148	60,945	63,093
Exchange realignment	50	1,419	1,469
At 31 December 2010	2,198	62,364	64,562
Amortisation:			
At 1 January 2010	318	6,374	6,692
Amortised during the year	48	1,313	1,361
Exchange realignment	8	147	155
At 31 December 2010	374	7,834	8,208
Net book value:			
At 31 December 2010	1,824	54,530	56,354

20. PREPAYMENTS *(continued)*

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

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

21. LONG TERM DEPOSITS

	Group	
	2011	2010
	HK$'000	HK$'000
Deposit for acquisition of property, plant and equipment	**32,040**	16,422
Deposit for acquisition of land use right	**–**	1,060
	32,040	17,482

22. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**221,802**	179,630
Work in progress	**112,453**	86,989
Finished goods	**338,621**	205,630
	672,876	472,249

As at 31 December 2011, moulds of HK$61,376,000 (2010: HK$43,126,000) are included in the finished goods.

23. TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Trade receivables	**1,183,844**	888,559
Impairment allowances	**(31,195)**	(22,174)
	1,152,649	866,385
Bills receivables	**151,243**	153,340
	1,303,892	1,019,725

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

An aged analysis of the Group's trade and bills receivables as at 31 December 2011, based on the invoice date, is as follows:

	Group 2011 HK$'000	2010 HK$'000
Within 3 months	**1,131,887**	906,218
4 to 6 months, inclusive	**165,634**	100,410
7 to 9 months, inclusive	**6,283**	10,446
10 to 12 months, inclusive	**1,220**	1,433
More than 1 year	**30,063**	23,392
	1,335,087	1,041,899
Impairment allowances	**(31,195)**	(22,174)
	1,303,892	1,019,725

Certain of the above trade receivables as at 31 December 2011 were factored to a bank in exchange for cash and the related bank loans have been included as "Interest-bearing bank and other borrowings" on the face of the consolidated statement of financial position (note 27).

23. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**22,174**	23,335
Impairment of trade receivables (note 7)	**10,617**	1,212
Write-back of impairment of trade receivables (note 7)	**(1,990)**	(2,608)
Exchange realignment	**394**	235
At 31 December	**31,195**	22,174

The above impairment allowances for trade receivables are allowances for individually impaired trade receivables with a carrying amount of HK$61,117,000 (2010: HK$32,749,000). The individually impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**1,188,820**	925,422
Within 3 months	**77,208**	63,260
4 to 6 months, inclusive	**6,817**	17,005
7 to 9 months, inclusive	**942**	1,951
10 to 12 months, inclusive	**105**	858
More than 1 year	**78**	654
	1,273,970	1,009,150

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

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

24. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and bank balances	253,784	188,897	2,138	19,437
Time deposits	57,400	39,109	–	–
	311,184	228,006	2,138	19,437
Less: Pledged deposits (Note 27)	(57,400)	(39,109)	–	–
Less: Restricted bank balances (Note)	–	(5,199)	–	–
	253,784	183,698	2,138	19,437

Note: Pursuant to the requirement from the PRC Customs, the Group has to maintain certain cash balances in a designated bank account for the Group's import purchases. All these restricted bank balances have been released during the year.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$200,733,000 (2010: HK$137,479,000). RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for approximately from one month to three months on average depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

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

25. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	678,602	491,534
Bills payables	178,616	164,349
	857,218	655,883

25. TRADE AND BILLS PAYABLES *(continued)*

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 31 December 2011, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 3 months	**655,123**	516,664
4 to 6 months, inclusive	**164,989**	114,499
7 to 9 months, inclusive	**7,479**	15,211
10 to 12 months, inclusive	**13,584**	2,949
More than 1 year	**16,043**	6,560
	857,218	655,883

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

As at 31 December 2010, the amount due to a related company was unsecured, interest-free and fully settled during the year ended 31 December 2011.

As at 31 December 2011, the amount due from a related company was unsecured, interest-free and with no fixed terms of repayment.

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2011			2010		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans, unsecured	9.36%-11.19%	2012	26,664	–	–	–
Current portion of long term bank loans, secured	HIBOR + 1.15%	2012	157,984	–	–	–
Bank loans, unsecured	5.36% to 8.86%/ HIBOR + 2.75%	2012	64,415	Board rate/ 4.95% to 6.12%/ HIBOR + 1.1% to 2.5%	2011	282,392
Bank loans on factored trade receivables, unsecured (note 23)	4.28%-7.7%	2012	153,576	–	–	–
			402,639			282,392
Non-current						
Bank loans, secured	HIBOR + 1.15%	2013	139,900	HIBOR + 1.15%	2012-2013	169,750
Bank loans, unsecured	HIBOR + 1.5%	2013-2014	97,011	–	–	–
			236,911			169,750
Total			639,550			452,142

Company	2011			2010		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Current portion of long term bank loans, secured	HIBOR + 1.15%	2012	157,984	–	–	–
Bank loans, unsecured	–	–	–	HIBOR + 1.1%	2011	98,944
			157,984			98,944
Non-current						
Bank loans, secured	HIBOR + 1.15%	2013	139,900	HIBOR + 1.15%	2012-2013	169,750
Bank loans, unsecured	HIBOR + 1.5%	2013-2014	97,011	–	–	–
			236,911			169,750
Total			394,895			268,694

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank and other borrowings repayable:				
Within one year	**402,639**	282,392	**157,984**	98,944
In the second year	**236,911**	159,850	**236,911**	159,850
In the third to fifth years, inclusive	**–**	9,900	**–**	9,900
	639,550	452,142	**394,895**	268,694
Analysed into:				
HK$	**394,895**	270,803	**394,895**	268,694
JPY	**–**	1,774	**–**	–
RMB	**241,216**	152,543	**–**	–
US$	**3,439**	27,022	**–**	–
	639,550	452,142	**394,895**	268,694

Notes:

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

(a) the pledge of bank deposits of approximately HK$57,400,000 (2010: HK$39,109,000) (note 24) to secure the issuance of bills payables;

(b) corporate guarantees from the Company and certain of its subsidiaries;

(c) mortgages over the Group's leasehold building in Hong Kong with a carrying amount of approximately HK$37,200,000 to secure certain of the Group's bank loans.

(ii) As at 31 December 2010, the Group received corporate guarantees from (i) a related company controlled by directors of the Company to the extent of RMB50,000,000 and (ii) a third party customer to the extent of RMB10,000,000 at nil consideration. Both corporate guarantees expired during the year.

28 DEFERRED TAX

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

Deferred tax liabilities

Group

	Withholding taxes HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2010	4,476	11,549	16,025
Debited/(credited) to the income statement during the year (Note 9)	3,100	(346)	2,754
Deferred tax debited to equity during the year	–	1,077	1,077
Exchange realignment	–	210	210
At 31 December 2010 and 1 January 2011	7,576	12,490	20,066
Debited to the income statement during the year (Note 9)	12,296	406	12,702
Deferred tax debited to equity during the year	–	974	974
Exchange realignment	–	434	434
At 31 December 2011	19,872	14,304	34,176

Deferred tax assets

Group

	Depreciation allowance in excess of related depreciation HK$'000
At 1 January 2010	3,833
Debited to the income statement (Note 9)	(130)
At 31 December 2010, 1 January 2011 and 31 December 2011	3,703

The Group and the Company have estimated tax losses arising in Hong Kong of HK$30,151,000 (2010: HK$30,306,000) and HK$8,323,000 (2010: HK$8,323,000) respectively that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. DEFERRED TAX *(continued)*

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

However, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and associates of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and associates will distribute such earnings in the foreseeable future.

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

29. SHARE CAPITAL

	2011	2010
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
4,678,300,000 (2010: 4,604,900,000) ordinary shares of HK$0.01 each	**46,783**	46,049

29. SHARE CAPITAL *(continued)*

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

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
As at 1 January 2010		4,305,800,000	43,058	535,759	578,817
Issue of shares	(i)	160,000,000	1,600	36,800	38,400
Share issue expense		–	–	(425)	(425)
Shares issued upon exercise of share options	(ii)	1,500,000	15	521	536
Shares issued upon exercise of warrants	(iii)	137,600,000	1,376	40,994	42,370
		299,100,000	2,991	77,890	80,881
As at 31 December 2010 and 1 January 2011		4,604,900,000	46,049	613,649	659,698
Shares issued upon exercise of share options	(iv)	19,000,000	190	6,254	6,444
Shares issued upon exercise of warrants	(v)	54,400,000	544	16,206	16,750
		73,400,000	734	22,460	23,194
As at 31 December 2011		4,678,300,000	46,783	636,109	682,892

Notes:

(i) Pursuant to a placing and subscription agreement entered into on 15 January 2010, the Company allotted and issued 160,000,000 new ordinary shares of HK$0.01 each at the subscription price of HK$0.24 per share to E-Growth, a shareholder then holding 296,000,000 ordinary issued shares representing approximately 6.87% of the entire issued share capital (before the placement of 160,000,000 new ordinary shares) of the Company.

(ii) During the year ended 31 December 2010, the subscription rights attaching to 1,500,000 share options were exercised at the subscription price of HK$0.28 per share, resulting in the issue of 1,500,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$420,000. An amount of HK$116,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

29. SHARE CAPITAL *(continued)*

(iii) During the year ended 31 December 2010, 137,600,000 new ordinary shares of HK$0.01 each were issued for cash at a subscription price of HK$0.30 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$41,280,000. An amount of HK$1,090,000 was transferred from the warrant reserve to the share premium account upon the exercise of the warrants.

(iv) During the year ended 31 December 2011, the subscription rights attaching to 8,000,000, 6,000,000 and 5,000,000 share options were exercised at the subscription prices of HK$0.3150, HK$0.2262 and HK$0.2800 per share respectively, resulting in the issue of 19,000,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$5,277,200. An amount of HK$1,166,832 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(v) During the year ended 31 December 2011, 54,400,000 new ordinary shares of HK$0.01 each were issued for cash at a subscription price of HK$0.30 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$16,320,000. An amount of HK$430,000 was transferred from the warrant reserve to the share premium account upon the exercise of the warrants.

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

Share option scheme

Details of the Company's share option scheme and the share options issued under the schemes are included in note 30 to the financial statements.

Warrants

On 28 January 2010, the Company issued 192,000,000 unlisted warrants ("Batch 1 Warrants") at a price of HK$0.008 per warrant to four placees, all being independent third parties to the Group and each warrant entitles its holder to subscribe for one ordinary share of HK$0.01 each of the Company ("Subscription Share"), subject to adjustments, at the initial subscription price of HK$0.3 per Subscription Share at any time during the period of 12 months commencing from the date of issue of warrants. The net proceeds from the issue of warrants amounted to approximately HK$1,520,000 representing the fair value of the warrants at the date of issue.

29. SHARE CAPITAL *(continued)*

On 23 November 2010, the Company issued 150,000,000 unlisted warrants ("Batch 2 Warrants") at a price of HK$0.005 per warrant to a shareholder who held approximately 0.43% of the issued share capital of the Company immediately before the warrant subscription, and each warrant entitles its holder to subscribe for one ordinary share of HK$0.01 each of the Company, subject to adjustments, at the initial subscription price of HK$0.345 per Subscription Share at any time during the period of 12 months commencing from the date of issue of warrants. The net proceeds from the issue of warrants amounted to approximately HK$750,000 representing the fair value of the warrants at the date of issue.

The aggregate consideration received from the issuance of Batch 1 Warrants and Batch 2 Warrants (collectively "Warrants") of HK$2,270,000 are credited to the Group's warrant reserve under equity during the year ended 31 December 2010.

During the year, upon the exercise of 54,400,000 (2010: 137,600,000) Batch 1 Warrants, HK$430,000 (2010: HK$1,090,000) has been transferred from warrant reserve to share premium accounts. During the year, all the Batch 2 Warrants remained unexercised upon expiry and HK$750,000 has been released from the warrant reserve to the retained profits.

30. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2002, a new share option scheme of the Company (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 7 December 2000 (the "Old Scheme"). After the adoption of the New Scheme, no further options can be granted under the Old Scheme. As at 31 December 2010 and 2011, there were no outstanding share options under the Old Scheme. The New Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

30. SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

	2011		2010	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.3162**	**328,550**	0.3322	228,000
Granted during the year	**–**	**–**	0.2800	102,050
Exercised during the year	**0.2777**	**(19,000)**	0.2800	(1,500)
At 31 December	**0.3186**	**309,550**	0.3162	328,550

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.334 per share.

30. SHARE OPTION SCHEME *(continued)*

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

2011

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

2010

Number of options '000	Exercise price* HK$ per share	Exercise period
10,000	0.4850	10 March 2007 to 9 March 2017
38,000	0.5860	4 July 2007 to 3 July 2017
89,000	0.3150	16 February 2008 to 15 February 2018
91,000	0.2262	25 September 2009 to 24 September 2012
100,550	0.2800	31 May 2010 to 30 May 2013
328,550		

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

The fair value of the share options granted during the year ended 31 December 2010 was HK$7,897,000 (HK$0.0774 each) and was recognised as a share option expense of the Group during the year ended 31 December 2010.

The fair value of equity-settled share options granted during the year ended 31 December 2010 was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2010
Dividend yield (%)	3.75
Expected volatility (%)	67.913
Risk-free interest rate (%)	0.999
Expected life of options (year)	3

30. SHARE OPTION SCHEME *(continued)*

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

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

At the end of the reporting period and up to the date of approval of these financial statements, the Company had 309,550,000 share options outstanding under the New Scheme, which represented approximately 6.6% of the Company's shares in issue as at those dates respectively. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 309,550,000 additional ordinary shares of the Company and additional share capital of HK$3,095,500 and share premium of HK$96,528,500 (before issue expenses).

31. RESERVES

(a) Group

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

(i) *Capital reserve*

The capital reserve of the Group represents principally (1) the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group's reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, over the purchase consideration paid therefor; (2) the difference between the consideration paid and the net assets acquired for the further acquisition of Xiamen Optic (note 17(a)) during the year ended 31 December 2010; and (3) the difference between the consideration received and net liabilities disposed of for the partial disposal of Tongda Optical (note 17(b)) during the year ended 31 December 2010.

(ii) *Statutory reserve*

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to a statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set off against accumulated losses, if any, arising under certain specified circumstances. As the reserve has already reached 50% of Tongda Macao's capital fund, no transfer was made in the current year (2010: Nil).

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

31. **RESERVES** *(continued)*

(b) **Company**

	Share premium account HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	535,759	15,431	–	79,179	287	53,889	684,545
Profit for the year	–	–	–	–	–	56,711	56,711
Share issued	36,800	–	–	–	–	–	36,800
Share issue expenses	(425)	–	–	–	–	–	(425)
Issue of warrants	–	–	2,270	–	–	–	2,270
Exercise of warrants	40,994	–	(1,090)	–	–	–	39,904
Equity-settled share option arrangements	–	7,897	–	–	–	–	7,897
Shares issued upon exercise of share options	521	(116)	–	–	–	–	405
Final 2009 dividend	–	–	–	–	–	(22,329)	(22,329)
Interim 2010 dividend	–	–	–	–	–	(26,795)	(26,795)
At 31 December 2010 and 1 January 2011	613,649	23,212	1,180	79,179	287	61,476	778,983
Exercise of warrants (note 29(v))	16,206	–	(430)	–	–	–	15,776
Expiry of warrants (note 29)	–	–	(750)	–	–	750	–
Profit for the year	–	–	–	–	–	90,365	90,365
Shares issued upon exercise of share options (note 29(iv) and 30)	6,254	(1,167)	–	–	–	–	5,087
Final and special 2010 dividends (note 11)	–	–	–	–	–	(56,110)	(56,110)
Interim 2011 dividend (note 11)	–	–	–	–	–	(32,748)	(32,748)
At 31 December 2011	636,109	22,045	–	79,179	287	63,733	801,353

Notes:

(i) Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) As at 31 December 2011, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$779,021,000 subject to the restriction stated in note (i) above.

(iii) The contributed surplus of the Company arose as a result of the Group's reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares, and represents the excess of the combined net assets of the subsidiaries then acquired by the Company, over the nominal value of the share capital of the Company issued in exchange therefor.

(iv) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised, or transferred to retained profits should the related options expire or be cancelled.

32. CONTINGENT LIABILITIES

At 31 December 2011, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries, which were utilised to the extent of approximately HK$42,024,000 (2010: HK$82,499,000) at the end of the reporting period.

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

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one to three years (2010: one to ten years). The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	3,622	4,279
In the second to fifth years, inclusive	1,220	15,741
After five years	–	24,817
	4,842	44,837

(b) As lessee

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

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	11,338	10,848
In the second to fifth years, inclusive	12,620	17,570
After five years	20,063	19,650
	44,021	48,068

34. COMMITMENTS

In addition to the operating lease commitments set out in note 33(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Purchases of property, plant and equipment	**33,819**	36,118
Acquisition of an investment classified as an available-for-sales investment	**–**	7,800
	33,819	43,918

The Company had no significant commitments at the end of the reporting period (2010: Nil).

35. RELATED PARTY TRANSACTIONS

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

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Associates:			
Sales of products	(i)	**4,306**	3,700
Purchases of raw materials and finished goods	(ii)	**340**	456
Technology consultancy fee	(iii)	**600**	600
Rental income	(iv)	**1,365**	867
Related companies controlled by directors of the Company:			
Sales of machineries	(v)	**–**	2,318
Rental income	(vi)	**2,927**	2,791
Sales of products	(vii)	**3,049**	–

Notes:

(i) The sales to associates were made according to the terms similar to those offered to the Group's non-related customers.

(ii) The purchases from associates were made according to the terms similar to those offered by the Group's non-related suppliers.

(iii) The technology consultancy fee charged at HK$50,000 (2010: HK$50,000) per month was received from an associate for the provision of technology support provided by the Group.

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

(iv) The rental income received from an associate was generated from the subleasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC, which was charged at cost.

(v) The sales of machineries to a related company controlled by directors of the Company were made at cost.

(vi) The rental income received from a related company controlled by a director of the Company was charged at a monthly rate of RMB200,000.

(vii) The sales to a related company were made on a basis mutually agreed by the Group and the related company.

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

(b) As at 31 December 2010, a banking facility of a subsidiary of the Company has been guaranteed to the extent of RMB50,000,000 (equivalent to HK$58,140,000) by a related company controlled by directors of the Company at nil consideration. The banking facility remained unutilised as at 31 December 2010 and has been cancelled during the year.

(c) On 19 April 2010, an acquisition agreement (the "Agreement") was entered into by the Group with 廈門市國土資源與房產管理局 ("Xiamen Land Bureau") for the acquisition of a piece of land located in Xiamen City, Fujian Province, the PRC (the "Land") at a total cash consideration of RMB63,200,000 (approximately HK$73,488,000),

On 7 May 2010, a joint venture agreement was entered into by the Group with Cloud Ace Limited ("Cloud Ace"), a company incorporated in Hong Kong with limited liability which was wholly and beneficially owned by Wong Brothers, the directors and substantial shareholders of the Company, to form a joint venture company namely Lungta Limited ("Lungta"), with 95% of its equity interests owned by Cloud Ace and the remaining 5% equity interest owned by the Group for the purpose of future development of the Land.

Lungta was established on 29 April 2010 and the Land was transferred to Lungta on 10 December 2010, after the consideration of the Land fully paid and the ownership certificate of the Land was obtained on 27 October 2010.

On 24 December 2010, the Group's 5% equity interest in Lungta was disposed of to Cloud Ace at a total consideration of approximately HK$3,892,000, which was determined based on the share of the then carrying value of the Land, resulting in no material gain or loss on disposal.

As Cloud Ace was owned as to 100% by the Wong Brothers, Cloud Ace was a connected person to the Company. Accordingly, the above transactions constituted connected transactions of the Group under the Listing Rules. Further details are set out in the Company's announcement dated 7 May 2010.

35. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties

Details of the Group's balances with its associates, non-controlling shareholders of subsidiaries and the related companies as at the end of the reporting period are disclosed in notes 18 and 26 to the financial statements, respectively.

(e) Compensation of key management personnel of the Group

	2011 HK$'000	2010 HK$'000
Short term employee benefits	4,611	6,971
Post-employment benefits	140	213
Equity-settled share-based payments	–	7,290
Total compensation paid to key management personnel	4,751	14,474

Further details of directors' emoluments are included in note 8 to the financial statements.

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, a deposit for the acquisition of property, plant and equipment of HK$16,422,000 (2010: HK$5,412,000) was transferred to property, plant and equipment upon acceptance by and delivery to the Group (note 21).

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2011

Group

Financial assets

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

Financial liabilities

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

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2010

Group

Financial assets

	Available-for-sale financial asset HK$'000	Loans and receivables HK$'000	Total HK$'000
Available-for-sale investment	8,061	–	8,061
Due from associates (note 18)	–	8,644	8,644
Trade and bills receivables	–	1,019,725	1,019,725
Financial assets included in prepayments, deposits and other receivables	–	53,747	53,747
Pledged deposits	–	39,109	39,109
Restricted bank balances	–	5,199	5,199
Cash and cash equivalents	–	183,698	183,698
	8,061	1,310,122	1,318,183

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	655,883
Financial liabilities included in accrued liabilities and other payables	87,502
Interest-bearing bank and other borrowings	452,142
Due to non-controlling shareholders of subsidiaries	189
Due to a related company	1,862
Loan from a non-controlling shareholder of a subsidiary	7,331
	1,204,909

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	2011 Loans and receivables HK$'000	2010 Loans and receivables HK$'000
Due from subsidiaries	**1,120,511**	953,644
Financial assets included in prepayments, deposits and other receivables	**553**	628
Cash and cash equivalents	**2,138**	19,437
	1,123,202	973,709

Financial liabilities

	2011 Financial liabilities at amortised cost HK$'000	2010 Financial liabilities at amortised cost HK$'000
Due to a subsidiary	**43**	–
Financial liabilities included in accrued liabilities and other payables	**818**	673
Interest-bearing bank borrowings	**394,895**	268,694
	395,756	269,367

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 27 to the financial statements.

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

	Group		Company
	Increase/ (decrease) in percentage points	Increase/ (decrease) in profit after tax and equity HK$'000	Increase/ (decrease) in profit after tax in equity HK$'000
2011			
Hong Kong dollars	0.5%	(2,569)	(1,649)
Hong Kong dollars	(0.5%)	2,569	1,649
2010			
Hong Kong dollars	0.5%	(1,899)	(1,122)
Hong Kong dollars	(0.5%)	1,899	1,122

Commodity price risk

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

Foreign currency risk

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

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

Foreign currency risk *(continued)*

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

The Group has entered into foreign exchange derivative transactions to manage the foreign currency risk arising from the Group's operations. Moreover, the majority of the Group's operating assets are located in the Mainland China and denominated in RMB. As the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation.

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's net profit HK$'000
2011		
If Hong Kong dollars weakens against RMB	**5**	**31,222**
If Hong Kong dollars strengthens against RMB	**(5)**	**(31,222)**
2010		
If Hong Kong dollars weakens against RMB	5	33,794
If Hong Kong dollars strengthens against RMB	(5)	(33,794)

Credit risk

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

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

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

Liquidity risk

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

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

Group

			2011		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amount due to an associate	3,900	–	–	–	3,900
Trade and bills payables	–	857,218	–	–	857,218
Financial liabilities included in accrued liabilities and other payables	117,810	–	–	–	117,810
Interest-bearing bank and other borrowings	–	152,576	242,520	242,939	638,035
Loan from a non-controlling shareholder of a subsidiary	–	–	–	7,331	7,331
Due to non-controlling shareholders of subsidiaries	54	–	–	–	54
	121,764	1,009,794	242,520	250,270	1,624,348

			2010		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	–	655,883	–	–	655,883
Financial liabilities included in accrued liabilities and other payables	87,502	–	–	–	87,502
Interest-bearing bank borrowings	–	123,099	162,752	174,094	459,945
Loan from a non-controlling shareholder of a subsidiary	–	–	–	7,331	7,331
Due to non-controlling shareholders of subsidiaries	189	–	–	–	189
Due to a related company	1,862	–	–	–	1,862
	89,553	778,982	162,752	181,425	1,212,712

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

Liquidity risk *(continued)*

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

Company

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

	On demand HK$'000	Less than 3 months HK$'000	2010 3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	49,561	49,892	174,094	273,547
Financial liabilities included in accrued liabilities and other payables	673	–	–	–	673
Guarantees given to banks in connection with facilities granted to subsidiaries	–	46,543	35,956	–	82,499
	673	96,104	85,848	174,094	356,719

Capital management

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

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

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

Capital management *(continued)*

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

Group

	2011 HK$'000	2010 HK$'000
Interest-bearing bank and other borrowings	639,550	452,142
Loan from a non-controlling shareholder of a subsidiary	7,331	7,331
Less: Cash and cash equivalents	(253,784)	(183,698)
Less: Pledged deposits	(57,400)	(39,109)
Less: Restricted bank balance	–	(5,199)
Net debt	335,697	231,467
Total equity	1,915,140	1,662,533
Gearing ratio	18%	14%

39. EVENT AFTER THE REPORTING PERIOD

On 28 February 2012, the Group has further drawn down an unsecured bank loan of HK$110,000,000 which bore interest at HIBOR plus 1.5% and was repayable by seven equal quarterly installments commencing from February 2013.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2012.

Five-Year Financial Summary

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

RESULTS

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Revenue	**3,147,119**	2,348,264	1,800,254	1,393,843	1,139,540
Gross profit	**605,343**	407,574	302,379	217,918	243,398
Profit for the year attributable to:					
Owners of the Company	**250,308**	200,931	102,085	65,301	174,818
Non-controlling interests	**9,207**	9,314	11,746	6,041	(4,810)

EARNINGS PER SHARE

	2011	2010	2009	2008	2007
Basic	**HK5.36 cents**	HK4.50 cents	HK2.52 cents	HK1.64 cents	HK4.42 cents
Diluted	**HK5.30 cents**	HK4.43 cents	HK2.51 cents	HK1.64 cents	HK4.41 cents

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Non-current assets	**1,327,175**	1,177,739	1,033,468	882,355	670,546
Current assets	**2,411,457**	1,838,782	1,326,000	1,190,660	1,006,838
Total assets	**3,738,632**	3,016,521	2,359,468	2,073,015	1,677,384
Non-current liabilities	**(278,418)**	(197,147)	(115,119)	(214,962)	(2,502)
Current liabilities	**(1,545,074)**	(1,156,841)	(863,539)	(642,721)	(536,481)
Total liabilities	**(1,823,492)**	(1,353,988)	(978,658)	(857,683)	(538,983)
Net assets	**1,915,140**	1,662,533	1,380,810	1,215,332	1,138,401
Total assets less current liabilities	**2,193,558**	1,859,680	1,495,929	1,430,294	1,140,903
Equity attributable to owners of the Company	**(1,858,247)**	(1,615,996)	(1,333,523)	(1,181,667)	(1,132,972)
Non-controlling interests	**(56,893)**	(46,537)	(47,287)	(33,665)	(5,429)