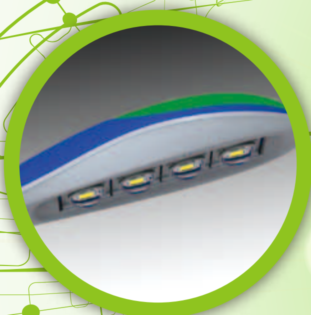
2011 Annual Report



TC Orient Lighting Holdings Limited
達進東方照明控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 515

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan
(chairman of the Board of Directors) (the "Chairman")
Mr. Pak Shek Kuen *(resigned, with effect from 18 April 2012)*
Mr. Zhu Jianqin

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Cheung Sui Wing, Darius *(chairman of the committee)*
Ms. Ho Man Kay
(resigned, with effect from 22 February 2012)
Mr. Wong Siu Fai, Albert

REMUNERATION COMMITTEE

Mr. Cheung Sui Wing, Darius
Mr. Yeung Hoi Shan *(chairman of the committee)*
Ms. Ho Man Kay
(resigned, with effect from 22 February 2012)
Mr. Wong Siu Fai, Albert

NOMINATION COMMITTEE

(The Nomination Committee has been set up with effect from 28 March 2012)
Mr. Yeung Hoi Shan
Mr. Cheung Sui Wing, Darius *(Chairman of the committee)*
Mr. Wong Siu Fai, Albert

COMPANY SECRETARY

Mr.Pak Shek Kuen
(resigned, with effect from 18 April 2012)

AUTHORISED REPRESENTATIVES

Mr. Yeung Hoi Shan
Mr. Pak Shek Kuen *(resigned, with effect from 18 April 2012)*

HEAD OFFICE

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61 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu

MEDIA AND INVESTOR RELATIONS

NCC Financial PR Limited

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhongshan Branch, Guangdong, the PRC
Luso International Banking Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Ray Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

00515

WEB-SITE

www.tatchun.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board of Directors") of TC Orient Lighting Holdings Limted (formerly known as "TC Interconnect Holdings Limited") (the "Company"), and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the Group's result for the year ended 31 December 2011.

OVERVIEW

BRIGHT PROSPECTS FOR LIGHTING INDUSTRY

LED lighting has been promoted internationally and locally given the launch of government policies in recent years. According to Photonics Industry & Technology Development Association (PIDA)'s estimation, the global production value of LED lighting in 2011 was approximately US$3.119 billion, which accounted for less than 5% of market share. This market trend is also further spread by the ban of incandescent lamp internationally, announced by countries including Europe, Canada, Japan, Korea and China. The production and sales volume of incandescent lamp in China in 2010 are 3.85 billion and 1.07 billion respectively, reached the top of the world. As China announced last year that import and sales of incandescent lamp over 100 watts will be forbidden from 1 October 2012, there will be huge potential for the growth of LED lights' market share.

According to The Ministry of Science and Technology, the previously announced "10 Cities 10,000 LED Lights" policy has achieved a great step forward. In 2011, there are over 2,000 LED lighting projects in 37 cities with application of over 4.2 million LED lamps. Total production value reached RMB 140 billion. Meanwhile, the subsidy for energy saving LED lights will soon be announced by National Development and Reform Commission (NDRC) and the Ministry of Finance. With continuous support of governmental policy and the advancement of PRC's urbanization, the market opportunities to the lighting industry become significant.

CONTINUOUS INSPIRING RESULTS

The Group's operating results during the Year achieved remarkable growth. Our total revenue increased to HK$1,195 million by 19.80%, comparing to the same period last year; while the gross profit increased by 40.50% to HK$218 million. Profit attributable to the owners of the Company increased accordingly to HK$51,014,000 by 20.02%; basic earnings per share for the Year was HK$0.12. The Board has resolved to recommend a final dividend of HK 2.0 cents per share, amounting to approximately HK$8,850,000.

MARKET PENETRATION

LED lighting business continues to be our growth driver during the Year. The Group has been continuously securing numerous LED road lamp installation contracts with the local governments in various provinces in China, including Chengdu, Chongqing, Yangzhou, Lianyungang and Tianjin, etc.; varying from road lamp installation to one stop solution (module, lamp shell, electricity etc.). Apart from government projects, we also tapped into the commercial LED lighting business to install LED lamps in commercial buildings, apartments, hotel; coverage includes Chengdu and Guangxi, etc. Apart from the projects in China, we also look for the overseas opportunities through negotiating with the overseas client such as the Mexican government for the road lamp project.

CHAIRMAN'S STATEMENT

The PCB business faced difficult time due to shrinks of export markets and the high operational costs. The sales network of the PCB business covers China, U.S., Europe, Korea, Hong Kong, Singapore and Japan. We had negotiated with potential buyer in September 2011 to sell one of our PCB factories but there is no further progress at the moment. Therefore, we will still continue to operate this business while at the same time develop our high value added LED lighting business. Diversifying the product mix will continue to be our main business goal.

RESEARCH AND DEVELOPMENT, INNOVATION AND LEAN PRODUCTION

The Group pays great attention to research and development of green lighting technology. With a leading research and development team that consists of professional LED lighting expertise, we obtained more than 20 intellectual properties in the LED lighting field, including the patented Aluminum Nitrid Ceramic. More importantly, our innovations in light decay and cooling aspects have achieved patents.

The Group also closely cooperates with world-famous colleges and universities. In 2011, the Group supported Hong Kong Polytechnic University's research and development with the donation of HK$500,000 to the "Advanced Optical Manufacturing Center" and "Printed Circuit Board Technology Center". A great breakthrough in the project "Development of High Destiny Interconnect Ablation and Imaging Technologies in PCB Manufacture" ("HDI Technology") was achieved with the close partnership between the teams from two parties. The HDI Technology achieved significant progress on over 10 research and development projects regarding PCB and electronics substrate. The project provides technical support to us for high value-added PCB and substrate fabrication, which increases competitive edge and promotes awareness on innovation development within the PCB business. We will continuously support the research and development on PCB technology and the optical manufacturing aspects.

With the strong technical support, our lean production is guaranteed. We awarded the Productivity and Quality Certificate by the Hong Kong Awards, for Industries for the outstanding achievements in advanced technology and growth; the TS16949 Quality System Certificate, jointly set by International Automotive Task Force (IATF) and Japan Automobile Manufacturers Association (JAMA), in respect of continuous improvement, defect and inaccuracy prevention, as well as waste reduction; and the ISO 9001 Quality System Certificate, for an overall quality system that implements actions with qualified resources through an organization.

RECOGNITIONS AND MARKETING STRATEGY

The recognition as one of the 19 contractors for the LED road lamp lighting projects in China, jointly selected by NDRC, Ministry of Housing and Urban-Rural Development and Ministry of Transport, signifies the quality of our LED lamps. Also, the Group's LED products obtained the "Product Certificate" and "China Certificate for Energy Conservation Products" from the China Quality Certification Centre in December 2011. Such certificates facilitate the opportunities for both the government and commercial tendered projects.

In respect of energy-saving, our LED products are included in the recommended product catalogue for green lighting cities in Guangdong Province. In additional, according to the announcement by NDRC and Ministry of Finance of PRC (No.19, 2011), TC-Orient Energy Management (Shenzhen) Corporation was listed on the "Energy-saving Services Corporations List (third batch)".

CHAIRMAN'S STATEMENT

The Group ranked the second of 2011 China's competitive LED road lamps companies by GLII, an industrial institutional organisation formed by LED lighting expertise. We are proud of these public recognitions and we are committed to further secure such qualification of our products, and ultimately enlarge our market share through these competitive advantages.

In October 2011, the Group proposed to change its name from "TC Interconnect Holdings Limited" to "TC Orient Lighting Holdings Limited". The Group considers that the change of company name can more accurately reflect the principal activities and also refresh the Company's corporate image and identity. The proposal has been approved by shareholders after the extraordinary general meeting held in December 2011 and becomes effective on 21 March 2012.

On behalf of the Board, I would like to express our sincere gratitude to our shareholders, business partners, customers, the management team and our staff for their great support to the Group over the years.

Sincerely yours,

Yeung Hoi Shan
Chairman

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company recognises the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2011, except the deviation disclosed in the following paragraph:

– With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr. Wong Wing Choi, an executive director and CEO of the Company has resigned on 23 January 2009. Since then, the Company had tried to look for appropriate person to succeed and up to the date of this report, the process is still in progress.

– Following the resignation of Ms. Ho Man Kay with effect from 22 February 2012, the number of the independent non-executive directors and the audit committee members of the company fell below the minimum number required under Rules 3.10(1) and 3.21 of the rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has identified suitable candidate and filled in the vacancy on 23 March 2012.

DIRECTORS

THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises seven members, consisting of three executive directors, two non-executive directors and two independent non-executive directors. Ms Ho Man Kay resigned with effect from 22 February 2012. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 17 to 18 of the Annual Report.

The Board has not met the recommended best practice under the Code for the number of independent non-executive directors as disclosed in above paragraph. One independent non-executive director possesses recognized professional qualifications in accounting. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

The Company has held 32 board meetings during the year ended 31 December 2011 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan	32/32
Pak Shek Kuen	32/32
Zhu Jianqin	27/32
Non-executive directors	
Li Jin Xia	7/32
Yeung Tai Hoi	7/32
Independent non-executive directors	
Cheung Sui Wing, Darius	27/32
Ho Man Kay	27/32
Wong Siu Fai, Albert	27/32

The Company has held 2 shareholders' meetings during the year ended 31 December 2011 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan	2/2
Pak Shek Kuen	2/2
Zhu Jianqin	0/2
Non-executive directors	
Li Jin Xia	0/2
Yeung Tai Hoi	0/2
Independent non-executive directors	
Cheung Sui Wing, Darius	0/2
Ho Man Kay	0/2
Wong Siu Fai, Albert	0/2

Furthermore, the Chairman, during the year ended 31 December 2011, has also held one meeting with all the non-executive and independent non-executive directors without the presence of the executive directors.

DIRECTORS *(Continued)*

APPOINTMENT, RE-ELECTION AND REMOVAL

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

RESPONSIBILITIES OF DIRECTORS

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors, as other directors, participate actively in the board meetings and meetings of Audit Committee and Remuneration Committee. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

OTHER COMMITMENTS

The Board has been fully informed and agrees with the directors' participation in the following part-time non-corporate functions:

No	Name	Organisation	Function	Period
1	Yeung Hoi Shan	Federation of Hong Kong Industries Liaison Office	PRD Council – Vice Chairman and The Chairman of ZhongShan division	Jan 2011 to Dec 2011
2	Yeung Hoi Shan	Hong Kong Young Industrialists Council	Vice President	Jan 2011 to Dec 2011
3	Yeung Hoi Shan	Federation of Industries and Commerce In Kwai Chung & Tsing Yi Ltd	Chairman	Jan 2011 to Dec 2011
4	Yeung Hoi Shan	Kwai Tsing District Junior Police	Call in – Chairman	Jan 2011 to Dec 2011
5	Yeung Hoi Shan	Kwai Tsing District Fight Crime Committee	Member	Jan 2011 to Dec 2011
6	Yeung Hoi Shan	中山市政協	Member	Jan 2011 to Dec 2011
7	Yeung Hoi Shan	香港中山社團聯合會	Vice Chairman	Jan 2011 to Dec 2011
8	Yeung Hoi Shan	香山會所有限公司	Chairman	Jan 2011 to Dec 2011

INSURANCE

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

The Company has also arranged appropriate key man insurance, with coverage being reviewed annually, to cover for potential financial loses that would arise from the death or extended incapacity of the member of the Company specified on the policy. At the moment, key man insurance has been arranged for Mr. Yeung Hoi Shan, Chairman of the Company.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors in advance before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of four directors including Mr. Cheung Sui Wing Darius, Ms. Ho Man Kay and Mr. Wong Siu Fai Albert, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee. Ms Ho Man Kay resigned as member of remuneration committee with effect from 22 February 2012.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management and for the Board's final determination. The full terms of reference are available on the Company's website: www.tatchun.com.

During the year ended 31 December 2011, the Remuneration Committee held 2 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Yeung Hoi Shan	2/2
Cheung Sui Wing, Darius	2/2
Ho Man Kay (resigned on 22 February 2012)	2/2
Wong Siu Fai, Albert	2/2

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

NOMINATION COMMITTEE

The Nomination Committee comprises of three directors including Mr. Cheung Sui Wing Darius and Mr. Wong Siu Fai Albert, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr Cheung Shui Wing Darius is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. The full terms of reference are available on the Company's website: www.tatchun.com.

It is a newly formed committee with effect from 28 March 2012 and no meeting has been held during the year ended 31 December 2011.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has announced its annual and interim results in a timely manner after the end of the relevant periods.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. Since 2008, the Board has maintained a special task force internally to review the effectiveness of the system. During the course of internal review in 2011, no material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors, one of whom possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee. Ms. Ho Man Kay resigned as member of the audit committee with effect from 22 February 2012.

ACCOUNTABILITY AND AUDIT *(Continued)*

AUDIT COMMITTEE *(Continued)*

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The Audit Committee has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal contral or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference are available on the Company's website: www.tatchun.com.

Four Audit Committee meetings were held in 2011 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Cheung Sui Wing, Darius	4/4
Ho Man Kay (resigned with effect from 22 February 2012)	3/4
Wong Siu Fai, Albert	4/4

The Company's annual results for the year ended 31 December 2011 has been reviewed by the Audit Committee.

Apart from the Audit Committee meetings, the two independent non-executive directors have met with the auditors, in the absence of management, to discuss matters relating to the Company's audit fees and other issues arising from the audit for the year ended 31 December 2011. No special attentions have been made to the management of the Company with respect to this meeting.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2011, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	1,600
Non-audit services	
– Taxation services	123
– Interim review	300
– Others	264

DELEGATION BY THE BOARD

MANAGEMENT FUNCTIONS

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

COMMUNICATION WITH SHAREHOLDERS

EFFECTIVE COMMUNICATION

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee and Remuneration Committee will attend the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming annual general meeting on each substantially separate issue, including the re-election of the retiring directors.

VOTING BY POLL

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of board range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

	Year 2011		Year 2010		Increase/ (Decrease)	Change in
	HK$'000	**%**	HK$'000	%	HK$'000	%
LED Lighting	**334,407**	**28.0**	114,399	11.5	220,008	192.3
Single-sided PCB	**242,888**	**20.3**	222,134	22.3	20,754	9.3
Double-sided PCB	**353,723**	**29.6**	340,948	34.2	12,775	3.7
Multi-layered PCB	**263,503**	**22.1**	319,631	32.0	(56,128)	(17.6)
Total	**1,194,521**	**100**	997,112	100	197,409	19.8

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the year, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 54% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 22.3% of turnover.

The Group's turnover by geographical regions are summarized as follows:

	Year 2011		Year 2010		Increase/ (Decrease)	Change in
	HK$'000	**%**	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**230,010**	**19.3**	259,758	26.1	(29,748)	(11.5)
The PRC	**659,990**	**55.3**	338,695	33.9	321,295	94.9
Asia (Excluding Hong Kong and the PRC)	**241,806**	**20.2**	287,637	28.8	(45,831)	(15.9)
Europe	**49,609**	**4.1**	88,460	8.9	(38,851)	(43.9)
Others	**13,106**	**1.1**	22,562	2.3	(9,456)	(41.9)
Total	**1,194,521**	**100**	997,112	100	197,409	19.8

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong of the PRC and one LED manufacturing plant located at Shenzhen, Guangdong of the PRC.

BUSINESS REVIEW *(Continued)*

Production plant	Location	Area	Products	Production capacity	Commencement of operations
LED Lighting	Shenzhen, Guangdong the PRC	3,000 sq m.	LED Lighting	15,000 LED lamps per month	July 2010
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1-8 layered PCBs	2,750,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	4-12 layered PCBs	400,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group's turnover amounted to approximately HK$1,194.5 million, representing an increase of 19.8% as compared to approximately HK$997.1 million for the year ended 31 December 2010. The turnover of PCB has decreased by 2.6% during the year of 2011. Profit attributable to shareholders was approximately HK$51.0 million (2010: HK$42.5 million).

The gross margin for the year of 2011 was 18.3% (2010: 15.6%). The gross margins for LED and PCBs were 39.3% and 10.1%, respectively. The average utilization rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 81%, 65% and 74%, respectively, during the year of 2011.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2011, the Group had total assets of approximately HK$1,863.0 million (31 December 2010: HK$1,494.0 million) and interest-bearing borrowings of approximately HK$399.3 million (31 December 2010: HK$460.5 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 21.4% (31 December 2010: 30.8%).

The Group had net current assets of approximately HK$286.9 million (31 December 2010: net current assets of HK$68.5 million) consisted of current assets of approximately HK$1,152.3 million (31 December 2010: HK$905.9 million) and current liabilities of approximately HK$865.4 million (31 December 2010: HK$837.4 million), representing a current ratio of approximately 1.33 (31 December 2010: 1.08).

As at 31 December 2011, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$389.0 million (31 December 2010: HK$400.0 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of approximately 2,370 employees (31 December 2010: 3,704), including approximately 2,221 employees in its Zhongshan production Site, 133 employees in its PRC LED business units and approximately 16 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are also reviewed by the remuneration committee. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group also holds regular training programmes and also encourages staffs to attend training courses and seminars that are related directly and indirectly to the Group's business.

OTHER INFORMATION

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK2.0 cents per share, amounting to approximately HK$8.85 million (31 December 2010: HK 2.5 cent per share). Subject to Shareholders' approval at the AGM, the final dividends will be payable to the Shareholders on or around 15 June 2012 whose names appear on the register of members of the Company on 8 June 2012.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of Shareholders who are entitled to attend and vote at forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 29 May 2012 to Thursday, 31 May, 2012 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2012.

OTHER INFORMATION *(Continued)*

CLOSURE OF REGISTER OF MEMBERS *(Continued)*

The proposed final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting. For determining the identity of Shareholders who are entitled to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 6 June 2012 to Friday, 8 June 2012 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queens Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 5 June 2012.

OUTLOOK

Looking ahead, the LED industry will continue to boom in the year 2012 given rapid urbanization in China and the favourable policies announced by the Chinese government. While we expect the market share of LED lights will be further expanded after the implementation of the ban of incandescent lamp, the LED light industry is experiencing organic growth under the promotion of "Twelve Five-year Plan" and "10 Cities 10,000 Lamps" policies. According to the Ministry of Science and Technology, it is expected that the penetration rate of LED lighting will reach over 25% in 2015, with total production value of RMB 500 billion in the industry. While the government has announced the subsidy of 30% on LED lamp projects, we strongly believe that there will be plenty of room for LED street lamp and interior lamp markets to grow at a rapid pace.

The expected growth of the LED road lamp business is also statistically supported by GLII. According to the GLII report, the installation of LED road lamps in 2011 amounted to 530,000, which increased by 51% while comparing to the same period in 2010; and the forecast for 2012 is amounting to 850,000. With the encouraging statistics given, securing optimal LED road lamp installation contracts with the various provincial governments in China will be the Group's major focus.

In order to maintain the competitiveness and enlarging the market share in the LED lighting market, the Group will keep diversifying product mix to work on the commercial LED lighting projects in addition to government projects. Such commercial projects include interior lighting projects, landscape lighting projects and lamp renovations etc. Given the recognition from NDRC and provincial governments, we believe that we can further secure more projects in the coming years by leveraging on our high quality LED products through our proven technology and research capability.

The Group aims to co-operate with a strong strategical partner in PCB business and this sector remains our main business apart from LED business. Looking ahead, we will maximize our development efforts in both LED and PCB businesses and strive for the highest return in the coming years.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan, aged 51, has been a director since 25 November 2004 and was appointed as the Chairman of the Company on 5 June 2006. Mr. Yeung is in charge of the corporate strategy, planning and overall development of the Group. He has over 30 years of experience in the electronics manufacturing industry. During the period from 1981 to 1988, Mr. Yeung worked in an electronics manufacturing company in Hong Kong as the production engineer. In 1988, he started his own business of manufacturing and trading of PCBs and founded the Group in the same year. Mr. Yeung is a recipient of the Young Industrialist Awards of Hong Kong 2005. He is a son of Madam Li and the brother of Mr. Yeung Tai Hoi.

Mr. Pak Shek Kuen, aged 53, was appointed as an executive director with effective from 2 January 2007. Mr. Pak is the Chief Financial Officer, qualified accountant and company secretary of the Company and is responsible for the general financial management and accounting of the Group. He is an associate member of Hong Kong Institute of Certified Public Accountants and fellow member of The Chartered Association of Certified Accountants. He obtained a master's degree in Business Administration from The City University of Hong Kong in 1995 and a master's degree in Science for Electronic Commerce and Internet Computing from The University of Hong Kong in 2003. Prior to joining the Company in 2003, he worked for various financial institutions in Hong Kong for more than 20 years in the area of operations, risk management, treasury and internal audit. Mr. Pak has resigned as executive director, company secretary and chief financial officer of the Company with effective from 18 April 2012.

Mr. Zhu Jianqin, aged 38, was appointed as an executive director with effective from 7 September 2010. Mr. Zhu is an expertise in LED control systems and has more than sixteen years of working experience in electronic industry. Mr. Zhu has obtained a bachelor degree and a master degree in Engineering at Harbin Industrial University. He was the co-founder of Shenzhen Maxcolor Opto-Semiconductor Lighting Technology Limited and re-structured it as Orient Opto-Semiconductors Corp. ("Dongfang") in 2009. Mr. Zhu is a shareholder and director of Dongfang (a holder of 30% interest of a subsidiary of the Company).

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia, aged 74, was appointed as a non-executive director on 5 June 2006. Madam Li formerly worked in State Tax Bureau of Zhongshan as an officer. She has been acting as an adviser to the Company in respect of PRC government policies since the incorporation of Tat Chun Printed Circuit Board Company Limited in 1988. She is the mother of Mr. Yeung Hoi Shan and Mr. Yeung Tai Hoi.

Mr. Yeung Tai Hoi, aged 54, was appointed as a non-executive director on 5 June 2006. Mr. Yeung joined Zhongshan Jinghua Printing Ink Factory Co., Ltd. in 1990 as the general manager in charge of the overall management. He is also a director of Gin Hwa Enterprise Limited. It is a private company incorporated in Hong Kong engaged in chemical ink manufacturing and trading. He has over 9 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius, aged 53, was appointed as an independent non-executive director on 5 June 2006. He is currently the managing director of a consumer electronics products company named Techlux International Limited in Hong Kong. Before that, he worked as a vice president and general manager for a consumer electronics manufacturer.

Ms. Ho Man Kay, aged 49, was appointed as an independent non-executive director on 5 June 2006. She is a founding partner of Angela Ho & Associates. Prior to joining her present firm, Ms. Ho was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specializing in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho was President of the Hong Kong Federation of Women Lawyers in 2002-2005. Ms. Ho is a Hong Kong delegate of the 9th All China Women Congress. Ms. Ho resigned as an independent non-executive director with effect from 22 February 2012

Mr. Wong Siu Fai, Albert, aged 52, was appointed as an independent non-executive director on 5 June 2006. He is currently the chief financial officer and an Executive Director of Walcom Group Limited,listed on AIM of London Stock Exchange and has over 28 years of experience in corporate finance and accounting work for various business-consulting companies and audit firms. Mr. Wong obtained an honour diploma in accounting in Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in 1983. He is a fellow member of the ICAEW and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has appropriate professional qualifications, accounting or related financial management expertise pursuant to the Rule 3.10(2) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Fung Eric Gin, aged 45, was appointed as Managing Director of Tat Chun Printed Circuit Board Company Limited in September 2008. Mr. Fung has over 24 years of experience in the PCB and Semiconductor industry, having held numerous Engineering, Sales & Marketing, and General Management positions with IBM, Motorola, Viasystems, OPC, and Mania Technologie. Prior to joining the Group, Mr. Fung was the Vice President of China for Mania Technologie. Mr. Fung holds a Bachelor of Science degree in Electrical Engineering from the University of Illinois, a Master of Science degree in Electrical Engineering from Columbia University, and a Master of Business Administration degree from the University of Ottawa. He also holds a U.S. Patent for his work done at IBM. Mr. Fung is currently the Vice-Chairman and Treasurer of the Hong Kong Printed Circuit Association.

Mr. Ng Sing Hoi, Kenneth, aged 56, was appointed as the V.P. Sales & Marketing of the Group, in charge of the overall sales and marketing activities of the Group, since September 2006, Mr. Ng obtained a bachelor's degree in Business Administration from The Chinese University of Hong Kong in 1979. Before joining the Group, he has spent over 22 years working as key management in sales & marketing for some major global PCB and Laminate manufacturers in Hong Kong and Canada.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of TC Orient Lighting Holdings Limited (formerly known as TC Interconnect Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

CHANGE OF NAME

Pursuant to a special resolution passed in the extraordinary general meeting on 5 December 2011, the name of the Company was changed from TC Interconnect Holdings Limited 達進精電控股有限公司 to TC Orient Lighting Holdings Limited 達進東方照明控股有限公司. The effective date of the change of name is 19 March 2012.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 31.

The directors recommend the payment of a final dividend of HK2.0 cents per share to the shareholders on the register of members on 8 June 2012 amounting to approximately HK$8,850,000, and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 106.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2011 were as follows:

	2011	2010
	HK$'000	HK$'000
Share premium	**437,579**	211,090
Contributed surplus	**145,058**	145,058
Accumulated profits	**17,506**	17,849
	600,143	373,997

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants of the Company are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan *(Chairman)*
Mr. Pak Shek Kuen
Mr. Zhu Jianqin

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius
Ms. Ho Man Kay (resigned on 22 February 2012)
Mr. Wong Siu Fai, Albert

In accordance with the provisions of the Company's Articles of Association, Mr. Yeung Hoi Shan, Madam Li Jinxia, and Mr. Wong Siu Fai, Albert retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhu Jianqin entered into a service contract with the Company for a term of two years from 7 September 2010, with an option to renew at the expiry of the two-year term.

Mr. Yeung Hoi Shan entered into a service contract with the Company for a term of three years from 12 June 2009, determinable by either party by giving three months' prior written notice.

DIRECTORS' SERVICE CONTRACTS *(Continued)*

Mr. Pak Shek Kuen entered into a service contract with the Company for a term of two years from 2 January 2011, determinable by either party by giving three months' prior written notice.

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

SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 27 May 2011, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

SHARE OPTION SCHEME *(Continued)*

Details of movements in the share options of the Company are as follows:

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2011 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2011 '000	Exercisable period
Directors:								
Mr. Yeung Hoi Shan	29 September 2009	1.07	2,400	–	–	–	2,400	(Note 2)
	2 September 2011	2.11	–	2,300	–	–	2,300	(Note 4)
Mr. Pak Shek Kuen	3 July 2007	1.52	480	–	(480)	–	–	(Note1)
	29 September 2009	1.07	1,700	–	(900)	–	800	(Note 2)
	29 September 2010	2.62	1,000	–	–	–	1,000	(Note 3)
	2 September 2011	2.11	–	2,300	–	–	2,300	(Note 4)
Mr. Cheung Kwok Ping (Note 7)	29 September 2009	1.07	140	–	–	(140)	–	(Note 2)
	14 July 2010	1.50	200	–	–	(200)	–	(Note 3)
Mr. Wong Siu Fai, Albert	3 July 2007	1.52	200	–	(200)	–	–	(Note1)
	29 September 2009	1.07	140	–	–	–	140	(Note 2)
	14 July 2010	1.50	200	–	–	–	200	(Note 3)
	2 September 2011	2.11	–	200	–	–	200	(Note 4)
Mr. Cheung Sui Wing, Darius	29 September 2009	1.07	140	–	(60)	–	80	(Note 2)
	14 July 2010	1.50	200	–	(60)	–	140	(Note 3)
	2 September 2011	2.11	–	200	–	–	200	(Note 4)
Ms. Ho Man Kay (Note 6)	3 July 2007	1.52	200	–	(200)	–	–	(Note1)
	29 September 2009	1.07	140	–	(60)	–	80	(Note 2)
	14 July 2010	1.50	200	–	(60)	–	140	(Note 3)
	2 September 2011	2.11	–	200	–	–	200	(Note 4)
Mr. Yeung Tai Hoi	29 September 2009	1.07	80	–	–	–	80	(Note 2)
	2 September 2011	2.11	–	4,000	–	–	4,000	(Note 4)
Madam Li Jinxia	29 September 2009	1.07	700	–	–	–	700	(Note 2)
	2 September 2011	2.11	–	4,000	–	–	4,000	(Note 4)
Mr. Zhu Jianqin	29 September 2009	1.07	1,500	–	(900)	–	600	(Note 2)
	2 September 2011	2.11	–	2,300	–	–	2,300	(Note 4)
Subtotal			9,620	15,500	(2,920)	(340)	21,860	

SHARE OPTION SCHEME *(Continued)*

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2011 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2011 '000	Exercisable period
Consultants:	29 September 2009	1.07	2,350	–	(450)	–	1,900	(Note 2)
	29 September 2010	2.62	2,000	–	–	–	2,000	(Note 3)
	11 October 2010	2.70	400	–	–	–	400	(Note 3)
	29 November 2010	3.39	1,300	–	–	–	1,300	(Note 3)
	26 April 2011	3.13	–	3,000	–	–	3,000	(Note 5)
	2 September 2011	2.11	–	9,000	–	–	9,000	(Note 4)
			6,050	12,000	(450)	–	17,600	
Employees:	3 July 2007	1.52	3,700	–	(900)	(160)	–	(Note 1)
	29 September 2009	1.07	4,164	–	(1,596)	–	2,568	(Note 2)
	14 July 2010	1.50	–	–	(390)	–	2,038	(Note 3)
	29 September 2010	2.62	300	–	–	–	300	(Note 3)
	2 September 2011	2.11	–	5,500	–	–	5,500	(Note 4)
Subtotal			7,952	5,500	(2,886)	(160)	10,406	
Total			23,622	33,000	(6,256)	(500)	49,866	

Note 1: Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant; and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 4: Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

Note 5: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; (iii) all the remaining options are exercisable two years after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 6: Ms. Ho Man Kay resigned as an independent non-executive director on 22 February 2012.

Note 7: Mr. Cheung Kwok Ping resigned as a non-executive director on 7 September 2010 and his share options were forfeited during the year.

Note 8: The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$3.48 (2010: HK$3.02).

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 39 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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:

Interest in securities:

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	157,700,000	35.69%

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Interests in underlying shares pursuant to share options:

Name of director/ a former director *	Capacity	Date of grant	Exercise price per share HK$	Number of share options granted
Mr. Yeung Hoi Shan	Beneficial owner	29 September 2009	1.07	2,400,000
		2 September 2011	2.11	2,300,000
Mr. Pak Shek Kuen	Beneficial owner	29 September 2009	1.07	800,000
		29 September 2010	2.62	1,000,000
		2 September 2011	2.11	2,300,000
Mr. Wong Siu Fai, Albert	Beneficial owner	29 September 2009	1.07	140,000
		14 July 2010	1.50	200,000
		2 September 2011	2.11	200,000
Mr. Cheung Sui Wing, Darius	Beneficial owner	29 September 2009	1.07	80,000
		14 July 2010	1.50	140,000
		2 September 2011	2.11	200,000
Ms. Ho Man Kay*	Beneficial owner	29 September 2009	1.07	80,000
		14 July 2010	1.50	140,000
		2 September 2011	2.11	200,000
Mr. Yeung Tai Hoi	Beneficial owner	29 September 2009	1.07	80,000
		2 September 2011	2.11	4,000,000
Madam Li Jinxia	Beneficial owner	29 September 2009	1.07	700,000
		2 September 2011	2.11	4,000,000
Mr. Zhu Jianqin	Beneficial owner	29 September 2009	1.07	600,000
		2 September 2011	2.11	2,300,000
				21,860,000

* Ms. Ho Man Kay resigned as an independent non-executive director on 22 February 2012.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2011.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2011, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in securities:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issued share capital
Ms. Zhao Man Qi (Note)	Interest of spouse	157,700,000	35.69%

Interest in underlying shares pursuant to share options:

Name	Capacity	Date of grant	Number of share options granted	Exercise price
				HK$
Ms. Zhao Man Qi (Note)	Interest of spouse	29 September 2010	2,400,000	1.07
		2 September 2011	2,300,000	2.11

Note: Ms. Zhao Man Qi, being the spouse of Mr. Yeung Hoi Shan, is deemed to be interested in these shares under the SFO.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2011.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased certain of its own shares through the Stock Exchange, details of which are set out in note 29 to the consolidated financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 11.3% to the total sales for the year. The Group's five largest customers accounted for 36.3% of the Group's total turnover for the year.

The Group's largest supplier contributed 20.5% to the total purchases for the year. The Group's five largest suppliers accounted for 51.5% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest supplier or customers.

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, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

AUDIT COMMITTEE

An Audit Committee was established by the Company to review and supervise the Company's financial reporting process and internal control. The Audit Committee comprises the independent non-executive directors of the Company. Mr. Cheung Sui Wing, Darius, is the chairman of the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee comprises of three directors including Mr. Cheung Sui Wing Darius and Mr. Wong Siu Fai Albert, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr Cheung Shui Wing Darius is the chairman of the Nomination Committee. It is a newly formed committee with effect from 28 March 2012.

The primary function of the Nomination Committee is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee, comprises the independent non-executive directors and an executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

DIRECTORS' REPORT

EMOLUMENT POLICY

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

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

DONATION

During the year, the Group made charitable and other donations amounting to HK$881,000.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Yeung Hoi Shan
CHAIRMAN

Hong Kong
29 March 2012

Deloitte.
德勤

TO THE SHAREHOLDERS OF TC ORIENT LIGHTING HOLDINGS LIMITED
達進東方照明控股有限公司
(FORMERLY KNOWN AS TC INTERCONNECT HOLDINGS LIMITED
達進精電控股有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TC Orient Lighting Holdings Limited (formerly known as TC Interconnect Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 105, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagements, 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	5	**1,194,521**	997,112
Cost of sales		**(976,270)**	(841,815)
Gross profit		**218,251**	155,297
Other income	6	**47,229**	44,981
Other gains and losses	7	**(4,965)**	(8,221)
Selling and distribution expenses		**(36,557)**	(37,838)
Administrative expenses		**(100,119)**	(74,826)
Finance costs	8	**(11,418)**	(11,050)
Profit before tax		**112,421**	68,343
Income tax expense	9	**(41,408)**	(18,867)
Profit for the year	10	**71,013**	49,476
Other comprehensive income			
Exchange differences arising on translation		**13,976**	–
Surplus on revaluation of properties		**17,511**	7,592
Deferred tax liabilities arising from revaluation of properties		**(4,378)**	(1,898)
Other comprehensive income for the year		**27,109**	5,694
Total comprehensive income for the year		**98,122**	55,170
Profit for the year attributable to:			
Owners of the Company		**51,014**	42,504
Non-controlling interests		**19,999**	6,972
		71,013	49,476
Total comprehensive income attributable to:			
Owners of the Company		**74,768**	48,198
Non-controlling interests		**23,354**	6,972
		98,122	55,170
Earnings per share	14		
Basic		**HK$0.12**	HK$0.14
Diluted		**HK$0.11**	HK$0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**443,150**	434,398
Prepaid lease payments – non-current portion	16	**21,305**	21,920
Intangible assets	17	**53,462**	53,589
Interest in an associate	18	**2**	–
Trade receivables with extended credit terms	20(a)	**190,106**	70,840
Deposits paid for acquisition of property, plant and equipment		**2,743**	7,296
		710,768	588,043
Current assets			
Inventories	19	**126,917**	120,416
Prepaid lease payments – current portion	16	**615**	615
Trade and other receivables	20(a)	**629,528**	372,436
Bills receivable	20(b)	**5,681**	8,063
Tax recoverable		**–**	2,940
Derivative financial instruments	21	**495**	1,455
Pledged bank deposits	22	**194,766**	251,730
Bank balances, deposits and cash	22	**194,260**	148,266
		1,152,262	905,921
Current liabilities			
Trade and other payables	23(a)	**314,338**	230,188
Bills payable	23(b)	**90,614**	118,412
Amount due to a shareholder	26	**–**	5,000
Derivative financial instruments	21	**1,409**	1,179
Taxation payable		**71,777**	35,856
Bank borrowings – due within one year	24	**377,402**	428,451
Obligations under finance leases – due within one year	25	**9,815**	18,363
		865,355	837,449
Net current assets		**286,907**	68,472
Total assets less current liabilities		**997,675**	656,515
Non-current liabilities			
Obligations under finance leases – due after one year	25	**12,038**	13,640
Deferred tax liabilities	28	**16,521**	11,743
		28,559	25,383
Net assets		**969,116**	631,132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	29	**44,188**	36,773
Reserves		**856,011**	553,963
Equity attributable to owners of the Company		**900,199**	590,736
Non-controlling interests		**68,917**	40,396
Total equity		**969,116**	631,132

The consolidated financial statements on pages 31 to 105 were approved and authorised for issue by the Board of Directors on 29 March 2012 and are signed on its behalf by:

Yeung Hoi Shan
DIRECTOR

Pak Shek Kuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000 (note 29(i))	Share premium HK$'000	Capital redemption reserve HK$'000 (note 30)	Treasury share HK$'000 (note 29)	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 30)	Special reserve HK$'000 (note 30)	Convertible loan notes equity reserve HK$'000 (note 27)	Share option reserve HK$'000	Warrant reserve HK$'000 (note 29(ii))	Capital contribution reserve HK$'000 (note 30)	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	24,000	30,609	–	–	28,820	3,546	1,156	–	9,337	–	2,536	79	254,342	354,425	–	354,425
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	42,504	42,504	6,972	49,476
Surplus on revaluation properties	–	–	–	–	7,592	–	–	–	–	–	–	–	–	7,592	–	7,592
Deferred tax liabilities arising from revaluation of properties	–	–	–	–	(1,898)	–	–	–	–	–	–	–	–	(1,898)	–	(1,898)
Total comprehensive income for the year	–	–	–	–	5,694	–	–	–	–	–	–	–	42,504	48,198	6,972	55,170
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	33,424	33,424
Issue of shares	6,314	74,486	–	–	–	–	–	–	–	–	–	–	–	80,800	–	80,800
Transfer	–	–	–	–	–	2,582	–	–	–	–	–	–	(2,582)	–	–	–
Issue cost of shares	–	(1,160)	–	–	–	–	–	–	–	–	–	–	–	(1,160)	–	(1,160)
Issue of warrants	–	–	–	–	–	–	–	–	–	1,990	–	–	–	1,990	–	1,990
Issue of shares upon exercise of share options	1,399	25,032	–	–	–	–	–	–	(8,089)	–	–	–	–	18,342	–	18,342
Issue of shares upon exercise of warrants	3,060	42,948	–	–	–	–	–	–	–	(1,518)	–	–	–	44,490	–	44,490
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	(3,060)	(3,060)	–	(3,060)
Release upon early repayment of interest-free shareholder's loan	–	–	–	–	–	–	–	–	–	–	(643)	–	–	(643)	–	(643)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	6,179	–	–	–	–	6,179	–	6,179
Release upon forfeiture of share options	–	–	–	–	–	–	–	–	(129)	–	–	–	129	–	–	–
Recognition of equity component of convertible loan notes	–	–	–	–	–	–	–	5,328	–	–	–	–	–	5,328	–	5,328
Conversion of equity component of convertible loan notes	2,000	39,175	–	–	–	–	–	(5,328)	–	–	–	–	–	35,847	–	35,847
Subtotal	12,773	180,481	–	–	–	2,582	–	–	(2,039)	472	(643)	–	(5,513)	188,113	33,424	221,537
At 31 December 2010 and 1 January 2011	36,773	211,090	–	–	34,514	6,128	1,156	–	7,298	472	1,893	79	291,333	590,736	40,396	631,132
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	51,014	51,014	19,999	71,013
Exchange differences arising on translation	–	–	–	–	–	–	–	–	–	–	–	10,621	–	10,621	3,355	13,976
Surplus on revaluation properties	–	–	–	–	17,511	–	–	–	–	–	–	–	–	17,511	–	17,511
Deferred tax liabilities arising from revaluation of properties	–	–	–	–	(4,378)	–	–	–	–	–	–	–	–	(4,378)	–	(4,378)
Total comprehensive income for the year	–	–	–	–	13,133	–	–	–	–	–	–	10,621	51,014	74,768	23,354	98,122
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5,167	5,167
Issue of shares	6,000	221,400	–	–	–	–	–	–	–	–	–	–	–	227,400	–	227,400
Transfer	–	–	–	–	–	8,583	–	–	–	–	–	–	(8,583)	–	–	–
Issue cost of shares	–	(12,110)	–	–	–	–	–	–	–	–	–	–	–	(12,110)	–	(12,110)
Issue of shares upon exercise of share options	625	10,230	–	–	–	–	–	–	(3,141)	–	–	–	–	7,714	–	7,714
Issue of shares upon exercise of warrants	1,240	18,692	–	–	–	–	–	–	–	(472)	–	–	–	19,460	–	19,460
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	(10,944)	(10,944)	–	(10,944)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	15,721	–	–	–	–	15,721	–	15,721
Release upon forfeiture of share options	–	–	–	–	–	–	–	–	(171)	–	–	–	171	–	–	–
Share repurchased and cancelled	(450)	(11,723)	450	–	–	–	–	–	–	–	–	–	(450)	(12,173)	–	(12,173)
Share repurchased and held as treasury share	–	–	–	(373)	–	–	–	–	–	–	–	–	–	(373)	–	(373)
Subtotal	7,415	226,489	450	(373)	–	8,583	–	–	12,409	(472)	–	–	(19,806)	234,695	5,167	239,862
At 31 December 2011	44,188	437,579	450	(373)	47,647	14,711	1,156	–	19,707	–	1,893	10,700	322,541	900,199	68,917	969,116

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**112,421**	68,343
Adjustments for:		
Amortisation of intangible assets	**7,585**	1,587
Depreciation of property, plant and equipment	**61,716**	53,434
Fair value changes on derivative financial instruments	**384**	(1,862)
Fair value changes on investment properties	**–**	(700)
Finance costs	**11,418**	11,050
Loss on disposal of property, plant and equipment	**–**	227
Impairment loss recognised on trade receivables	**224**	1,108
Imputed interest on trade receivables with extended credit terms	**(8,571)**	(190)
Interest income	**(7,482)**	(2,087)
Release of prepaid lease payments	**615**	615
Reversal of impairment loss previously recognised for trade receivables	**(659)**	(2,112)
Share-based payment expenses	**15,721**	6,179
Operating cash flow before movements in working capital	**193,372**	135,592
Increase in inventories	**(6,412)**	(12,492)
Increase in trade and other receivables	**(359,845)**	(212,109)
Decrease (increase) in bills receivable	**2,382**	(7,533)
Changes in derivative financial instruments	**806**	1,647
Increase in trade and other payables	**76,809**	49,278
(Decrease) increase in bills payable	**(27,798)**	29,915
Cash used in operations	**(120,686)**	(15,702)
Hong Kong Profits Tax refunded	**2,687**	–
PRC Enterprise Income Tax paid	**(4,834)**	(3,546)
NET CASH USED IN OPERATING ACTIVITIES	**(122,833)**	(19,248)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	**504,829**	93,949
Interest received	**7,482**	2,087
Capital contribution from non-controlling interests	**1,884**	–
Placement of pledged bank deposits	**(447,865)**	(265,574)
Purchase of property, plant and equipment	**(29,993)**	(10,398)
Deposits paid for acquisition property, plant and equipment	**(2,743)**	(7,296)
Investment in an associate	**(2)**	–
Proceeds from disposal of investment properties	**–**	4,500
Proceeds from disposal of property, plant and equipment	**–**	740
Purchase of intangible assets	**–**	(5,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**33,592**	(186,992)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
Bank borrowings raised	**508,033**	624,381
Proceeds from issue of shares	**254,574**	125,232
Repayment of bank borrowings	**(559,082)**	(416,118)
Repayment of obligations under finance leases	**(19,053)**	(35,411)
Payment on repurchase of shares	**(12,546)**	–
Expenses on issue of shares	**(12,110)**	(1,160)
Interest paid	**(11,418)**	(9,201)
Dividends paid	**(10,944)**	(3,060)
Repayment to a shareholder	**(5,000)**	(22,459)
Proceeds from issue of convertible loan notes	**–**	40,000
Proceeds from issue of warrants	**–**	1,990
NET CASH FROM FINANCING ACTIVITIES	**132,454**	304,194
NET INCREASE IN CASH AND CASH EQUIVALENTS	**43,213**	97,954
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**148,266**	50,312
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,781**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances, deposits and cash	**194,260**	148,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Yeung Hoi Shan ("Mr. Yeung") is a controlling shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

AMENDMENTS TO HKAS 1 PRESENTATION OF FINANCIAL STATEMENTS (AS PART OF IMPROVEMENTS TO HKFRSs ISSUED IN 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 12 may result in more extensive disclosures for the Group's interests in subsidiaries in the consolidated financial statements. The directors anticipate that the application of HKFRS 10 will have no material impact on the consolidated financial statements.

HKFRS 13 FAIR VALUE MEASUREMNT

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for buildings and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A uniform set of accounting policies is adopted by those entities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

INVESTMENT IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT IN AN ASSOCIATE *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

REVENUE RECOGNITION

Revenue is measured at the fair values of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, value-added tax and other sales related taxes.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the prevailing rate for a similar instrument of an issuer with a similar credit rating.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Income from granting the right to use the licenses of LED-related products of the Group is recognised over the licensing period.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, excluding buildings and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is recognised so as to write off the cost or revaluated amount of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Effective interest method *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, pledged bank deposits and bank balances, deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment as a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss of the loans and receivables is the difference between the loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group include derivatives that are not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade and other payables, bills payable, amount due to a shareholder and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrant reserve).

The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the accumulated profits.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions

Share options granted to directors, employee and others providing similar services rendered by employee

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share issued for acquisition of assets

Share issued in exchange for acquisition of assets are measured at the fair values of the assets at the acquisition date and corresponding credit was made to the share capital and share premium.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFITS COSTS

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgment on estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning future at the end of 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

ESTIMATE IMPAIRMENT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivables is HK$716,356,000 (2010: HK$378,215,000) of which HK$472,162,000 (2010: HK$124,495,000), is trade receivables with extended credit terms). Details of movements of allowance for trade receivables are disclosed in note 20.

5. REVENUE

	2011 HK$'000	2010 HK$'000
An analysis of the Group's revenue is as follows:		
Sales of printed circuit boards ("PCB")	**860,114**	882,713
Sales of light emitting diode ("LED") lighting	**334,407**	114,399
	1,194,521	997,112

6. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Bank interest income	**7,482**	2,087
Imputed interest on trade receivables with extended credit terms	**8,571**	190
Rental income	**198**	551
Sales of scrap materials	**26,764**	32,694
Government grants (note)	**3,510**	4,536
Licensing income	**–**	4,114
Others	**704**	809
	47,229	44,981

note: Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries in Zhongshan City. The government grants have no conditions or contingencies attached to them and they are non-recurring in nature.

7. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Net foreign exchange loss	**(5,016)**	(11,560)
Impairment loss recognised on trade receivables	**(224)**	(1,108)
Fair value changes on derivative financial instruments	**(384)**	1,862
Reversal of impairment loss previously recognised on trade receivables	**659**	2,112
Fair value changes on investment properties	**–**	700
Loss on disposal of property, plant and equipment	**–**	(227)
	(4,965)	(8,221)

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**10,473**	7,996
– obligations under finance leases	**945**	1,101
Imputed interest on amount due to a shareholder	**–**	674
Effective interest expense on convertible loan notes (note 27)	**–**	1,279
	11,418	11,050

9. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	2	–
Underprovision in prior years in respect of Hong Kong Profits Tax	253	–
PRC Enterprise Income Tax ("EIT") (including PRC withholding tax of HK$2,800,000 (2010: HK$1,023,000))	40,753	22,403
	41,008	22,403
Deferred tax (note 28)	400	(3,536)
	41,408	18,867

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

During the years ended 31 December 2010, no provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group had no assessable profit.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Guangdong Tat Chun Electric Technology Company Limited ("Guangdong Tat Chun"), a wholly owned subsidiary of the Company, is entitled to an exemption from the PRC EIT for the first two years commencing from its first profit-making year of operation, and thereafter, it will be entitled to a 50% relief from the PRC EIT for the following three years ("Tax Holiday"). Under the EIT Law, the reduced tax rate for the 50% relief from the PRC EIT is 12.5%. After the expiry of the tax relief period, Guangdong Tat Chun is subject to an income tax rate of 25%. The first profit-making year of operation of Guangdong Tat Chun was 2008 and its tax rate of the PRC EIT was 12.5% for both years.

9. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit before tax	**112,421**	68,343
Tax rate applicable to the major operations of the Group	**25%**	25%
Tax at the applicable rate	**28,105**	17,086
Tax effect of expenses not deductible for tax purpose	**4,461**	741
Tax effect of income not taxable for tax purpose	**(897)**	(581)
Tax effect of Tax Holiday of subsidiaries	**(1,672)**	(1,567)
Tax effect of different tax rates of operations/entities operating in other jurisdictions	**–**	694
Tax effect of tax losses not recognised	**7,958**	1,471
PRC withholding tax	**2,800**	1,023
Deferred tax relating to PRC dividend withholding tax	**400**	–
Underprovision in prior years	**253**	–
Income tax expense	**41,408**	18,867

10. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	**135,738**	128,190
Share-based payments	**15,721**	6,179
Retirement benefit schemes contributions	**5,044**	4,217
Total employee expenses	**156,503**	138,586
Auditor's remuneration	**1,600**	1,530
Cost of inventories recognised as an expense	**976,270**	841,815
Depreciation of property, plant and equipment	**61,716**	53,434
Amortisation of intangible assets (included in cost of sales)	**7,585**	1,587
Release of prepaid lease payments	**615**	615

11. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:

2011

	Mr. Yeung HK$'000	Pak Shek Kuen HK$'000	Zhu Jianqin HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Ho Man Kay HK$'000 (note d)	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:									
– Fees	–	–	–	92	92	92	139	92	507
– Salaries and other benefits	3,974	1,784	1,171	–	–	–	–	–	6,929
– Share-based payments	760	1,266	711	1,141	1,094	117	117	117	5,323
– Performance related incentive payment (note c)	114	64	–	–	–	–	–	–	178
– Retirement benefit scheme contributions	12	12	–	–	–	–	–	–	24
Total emoluments	4,860	3,126	1,882	1,233	1,186	209	256	209	12,961

2010

	Mr. Yeung HK$'000	Pak Shek Kuen HK$'000	Zhu Jianqin HK$'000 (note b)	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Cheung Kwok Ping HK$'000 (note a)	Ho Man Kay HK$'000	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:										
– Fees	–	–	–	90	90	90	61	135	90	556
– Salaries and other benefits	3,817	1,718	727	–	–	–	–	–	–	6,262
– Share-based payments	403	857	254	168	16	109	109	115	115	2,146
– Performance related incentive payment (note c)	387	259	–	–	–	–	–	–	–	646
– Retirement benefit scheme contributions	12	12	–	–	–	–	–	–	–	24
Total emoluments	4,619	2,846	981	258	106	199	170	250	205	9,634

11. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

(a) Mr. Cheung Kwok Ping resigned as a non-executive director of the Company on 7 September 2010.

(b) Mr. Zhu Jianqin ("Mr. Zhu") appointed as an executive director of the Company on 7 September 2010.

(c) The performance related incentive payment was determined based on individual performance.

(d) Ms. Ho Man Kay resigned as an independent non-executive director of the Company on 22 February 2012.

None of the director has waived any emoluments during the year.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, three (2010: two) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2010: three) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	2,826	3,523
Share-based payments	315	853
Performance related incentive payment	104	363
Retirement benefit schemes contributions	24	24
	3,269	4,763

	2011 HK$'000	2010 HK$'000
Their emoluments were within the following bands:		
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	–	1
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	1
	2	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2010 Final dividend of HK2.5 cent per share		
(2010: 2009 Final dividend of HK1 cent per share)	10,944	3,060

The directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2011 to the shareholders whose names appear on the register of members on 8 June 2012, amounting to approximately HK$8,850,000. The final dividend is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	51,014	42,504
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	433,811,622	298,958,514
Effect of dilutive potential ordinary shares:		
Share options	8,519,654	9,860,107
Warrants	2,285,038	9,033,512
Weighted average number of ordinary shares for the purpose of diluted earnings per share	444,616,314	317,852,133

For the year ended 31 December 2010, the computation of diluted earnings per share does not assume the conversion of the Company's convertible loan notes since their exercise would result in an increase in earnings per share.

For the year ended 31 December 2011, weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the 200,000 ordinary shares repurchased but not yet cancelled by the Group.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2010	3,239	141,776	361,169	3,777	5,392	9,281	103,423	628,057
Additions	2,041	–	35,926	257	907	1,035	1,442	41,608
Disposals	–	–	(1,055)	–	(408)	–	–	(1,463)
Surplus on revaluation	–	3,959	–	–	–	–	–	3,959
At 31 December 2010 and 1 January 2011	5,280	145,735	396,040	4,034	5,891	10,316	104,865	672,161
Exchange adjustments	4	–	497	19	–	47	48	615
Additions	303	–	43,958	144	4,048	630	3,283	52,366
Transfer	(3,562)	–	–	–	–	–	3,562	–
Surplus on revaluation	–	13,398	–	–	–	–	–	13,398
At 31 December 2011	2,025	159,133	440,495	4,197	9,939	10,993	111,758	738,540
Comprising:								
At cost	2,025	–	440,495	4,197	9,939	10,993	111,758	579,407
At valuation – 2011	–	159,133	–	–	–	–	–	159,133
	2,025	159,133	440,495	4,197	9,939	10,993	111,758	738,540
DEPRECIATION AND AMORTISATION								
At 1 January 2010	–	–	145,397	1,837	2,661	5,951	32,612	188,458
Provided for the year	–	3,633	36,808	513	854	1,150	10,476	53,434
Elimination on disposals	–	–	(185)	–	(311)	–	–	(496)
Elimination on revaluation	–	(3,633)	–	–	–	–	–	(3,633)
At 31 December 2010 and 1 January 2011	–	–	182,020	2,350	3,204	7,101	43,088	237,763
Exchange adjustments	–	–	16	1	–	1	6	24
Provided for the year	–	4,113	43,637	530	1,306	1,235	10,895	61,716
Elimination on revaluation	–	(4,113)	–	–	–	–	–	(4,113)
At 31 December 2011	–	–	225,673	2,881	4,510	8,337	53,989	295,390
CARRYING VALUES								
At 31 December 2011	2,025	159,133	214,822	1,316	5,429	2,656	57,769	443,150
At 31 December 2010	5,280	145,735	214,020	1,684	2,687	3,215	61,777	434,398

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line method at the following rates per annum:

Buildings	Over the remaining term of lease
Leasehold improvements	10% or over the term of lease, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings and construction in progress shown above are situated in the PRC under medium term leases.

At 31 December 2011, the buildings of the Group were valued by DTZ Debenham Tie Leung Limited, an independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers. The buildings were valued at depreciated replacement cost approach.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$100,520,000 (2010: HK$102,884,000).

As at 31 December 2011, the carrying values of the Group's plant and machinery and motor vehicles include amounts of HK$108,321,000 and HK$3,731,000 (2010: HK$138,197,000 and HK$1,171,000), respectively, in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$159,133,000 (2010: HK$145,735,000) and HK$21,833,000 (2010: HK$24,503,000), respectively, to secure general banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2011 HK$'000	2010 HK$'000
Land use rights in the PRC under medium term leases	**21,920**	22,535
Analysed for reporting purposes as:		
Non-current assets	**21,305**	21,920
Current assets	**615**	615
	21,920	22,535

The prepaid lease payments are charged to profit or loss over the respective term of the lease on a straight-line basis.

The Group has pledged the land use rights of carrying amount of HK$21,920,000 (2010: HK$22,535,000) to secure general banking facilities granted to the Group.

17. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2010	–
Addition	55,176
At 31 December 2010 and 1 January 2011	55,176
Exchange adjustments	4,291
Addition	3,283
At 31 December 2011	62,750
AMORTISATION	
At 1 January 2010	–
Charge for the year	1,587
At 31 December 2010 and 1 January 2011	1,587
Exchange adjustments	116
Charge for the year	7,585
At 31 December 2011	9,288
CARRYING VALUES	
At 31 December 2011	53,462
At 31 December 2010	53,589

The intangible assets of the Group represent the licenses of LED-related products for production of LED lighting. Such intangible assets have definite useful life and are amortised on a straight-line basis over the license periods of the respective assets, which are ranged from 6 to 10 years from the date of acquisition.

18. INTEREST IN AN ASSOCIATE

	2011 HK$'000	2010 HK$'000
Cost of unlisted investment in an associate	2	–

The summarised financial information in respect of the Group's associates is set out below:

	2011 HK$'000	2010 HK$'000
Total assets and net assets	8	–
Group's share of net assets of an associate	2	–
Turnover	–	–
Profit for the year	–	–
Group's share of profit of associate for the year	–	–

Particulars of the Group's associate acquired during the year are set out below.

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company directly 2011	Proportion of nominal value of issued share capital held by the Company directly 2010	Principal activity
Jolly Pearl Enterprises Limited 朝珍企業有限公司	The British Virgin Islands	Ordinary shares US$1,000	30%	–	Inactive

19. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	55,071	51,770
Work in progress	39,974	37,007
Finished goods	31,872	31,639
	126,917	120,416

20. TRADE, BILLS AND OTHER RECEIVABLES

(a) TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables with normal credit terms (note i)	259,536	274,702
Trade receivables with extended credit terms (note ii)	472,162	124,495
Total trade receivables	731,698	399,197
Less: Allowance for doubtful debts	(15,342)	(20,982)
Total trade receivables, net of allowance for doubtful debts	716,356	378,215
Less: Non-current portion of trade receivables with extended credit terms	(190,106)	(70,840)
Current portion of trade receivables	526,250	307,375
Advances to suppliers	51,874	7,334
Value-added tax recoverable	15,490	19,029
Other receivables and prepayments (note iii)	35,914	38,698
Amounts shown under current assets	629,528	372,436

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

The Group generally allows an average credit period of 30 days to 150 days to its trade customers with normal credit terms and credit period ranging from one year to ten years to its trade customers with extended credit terms which is based on the contractual repayment schedule. The following is an aged analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period:

	Extended credit terms		Normal credit terms		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
0 – 30 days	**115,786**	118,910	**64,424**	75,692	**180,210**	194,602
31 – 60 days	**51,145**	5,585	**57,262**	76,335	**108,407**	81,920
61 – 90 days	**69,731**	–	**57,022**	54,138	**126,753**	54,138
91 – 180 days	**25,285**	–	**58,203**	45,048	**83,488**	45,048
Over 180 days	**210,215**	–	**7,283**	2,507	**217,498**	2,507
	472,162	124,495	**244,194**	253,720	**716,356**	378,215

Notes:

I. TRADE RECEIVABLES WITH NORMAL CREDIT TERMS

Before accepting any new customer, the Group will evaluate the potential customer's credit risk and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Around 54% (2010: 72%) of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance with normal credit terms are debtors with an aggregate carrying amount of HK$112,551,000 (2010: HK$72,120,000) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

I. TRADE RECEIVABLES WITH NORMAL CREDIT TERMS *(Continued)*

Ageing of trade receivables with normal credit terms which are past due but not impaired based on invoice date

	2011 HK$'000	2010 HK$'000
31 – 60 days	13,706	17,178
61 – 90 days	36,342	22,310
91 – 180 days	55,220	30,125
Over 180 days	7,283	2,507
Total	112,551	72,120

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	20,982	22,690
Impairment loss recognised on receivables	224	1,108
Amounts written off as uncollectible	(5,205)	(704)
Impairment loss reversed	(659)	(2,112)
Balance at end of the year	15,342	20,982

Included in the allowance for doubtful debts are individually impaired trade receivables with normal credit terms with an aggregate balance of HK$15,342,000 (2010: HK$20,982,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

II. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS

At 31 December 2011, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$472,162,000 (2010: HK$124,495,000) resulted from the sales of LED lighting products to its external customers ("LED Receivables") which will be settled by instalments ranging from one to ten years pursuant to the supply contracts. The fair value of the considerations recognised is determined using an imputed rate of interest.

At the end of the reporting period, the Group has LED Receivables which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**282,056**	53,655
In the second to fifth year inclusive	**169,616**	70,840
Over five years	**20,490**	–
	472,162	124,495

Included in the trade receivables with extended credit terms are balances of HK$145,524,000 (2010: Nil) receivable from certain government authorities in the PRC of which a balance of HK$44,055,000 will be settled by instalments up to ten years. The remaining balances are receivable from corporations with no default payment history.

Before accepting any new customer and entering into a supply contract with customer, the Group will evaluate the potential customer's credit risk and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Around 80% (2010: 100%) of the trade receivables with extended credit terms that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance with extended credit terms are debtors with an aggregate carrying amount of HK$91,816,000 (2010: Nil) which are past due for which the Group has not provided for impairment loss. These receivables relate to a number of independent customers that have no default payment history. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

(a) TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

II. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS *(Continued)*

Ageing of trade receivables with extended credit terms which are past due but not impaired based on invoice date

	2011 HK$'000	2010 HK$'000
0 – 30 days	30,000	–
31 – 60 days	7,742	–
61 – 90 days	3,259	–
91 – 180 days	477	–
Over 180 days	50,338	–
Total	91,816	–

III. Included in the Group's other receivables is an amount of HK$4,451,000 licensing income receivable (2010: HK$4,114,000) from Orient Opto-Semiconductors Corp. ("Dongfang"), a non-controlling interest of a PRC subsidiary of the Company and controlled by a director of the Company, Mr. Zhu.

(b) Included in the bills receivable is an amount of HK$4,035,000 (2010: HK$8,063,000) aged within 30 days at the end of the reporting period. The remaining balance is aged within 91-180 days at the end of the reporting period.

The trade, bills and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 HK$'000	2010 HK$'000
United States dollars ("US$")	204,400	214,896
Renminbi ("RMB")	43,704	199,227
	248,104	414,123

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2011 Assets HK$'000	2011 liabilities HK$'000	2010 Assets HK$'000	2010 liabilities HK$'000
Foreign currency derivatives:					
Forward contracts	(i)	–	550	674	797
Currency structured forward contracts	(ii)	495	–	781	–
Interest rate swaps	(iii)	–	859	–	382
		495	1,409	1,455	1,179

Notes:

(I) FORWARD CONTRACTS

Major terms of foreign currency forward contracts are as below:

As at 31 December 2011

Aggregate notional amount	Maturity	Forward exchange rates
US$4,939,840	From January 2012 to May 2012	Sell RMB/buy US$ at 6.3820 to 6.4840
HK$9,806,685	June 2012	Sell HK$/buy RMB at 0.8261

As at 31 December 2010

Aggregate notional amount	Maturity	Forward exchange rates
US$4,000,000	From January 2011 to April 2011	Sell US$/buy RMB at 6.7258 to 6.7655
US$20,007,433	From January 2011 to December 2011	Sell RMB/buy US$ at 6.4600 to 6.7258

The fair values of forward contracts are determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money.

21. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(II) CURRENCY STRUCTURED FORWARD CONTRACTS

For the year ended 31 December 2011

During the year ended 31 December 2011, the Group entered into two net settled US$/RMB structured forward contracts which give the Group the opportunities to receive fixed US$ per month if the market exchange rate ranges from RMB6.30/US$ to RMB6.84/US$ on the valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate above RMB6.9/US$ on the valuation date. As of 31 December 2011, the aggregate notional amounts of the outstanding currency structured contract was US$4,000,000 covering monthly settlements up to February 2012. These contracts have been matured in February 2012.

In addition, the Group entered into a net settled US$/RMB structured forward contract which give the Group the opportunities to receive variable US$ per month if the market exchange rate at or below RMB6.40/US$ or RMB6.63/US$ on specific valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate above RMB6.40/US$ or RMB6.63/US$ on specific valuation date. The contract is also subject to knockout under which the contract will terminate if the accumulative gains to the Group have exceeded a specified amount. As of 31 December 2011, the aggregate notional amounts of the outstanding currency structured contract was US$60,000,000 covering monthly settlements up to March 2013.

For the year ended 31 December 2010

During the year ended 31 December 2010, the Group entered into two net settled US$/RMB structured forward contracts which give the Group the opportunities to receive fixed US$ per month if the market exchange rate ranges from RMB6.30/US$ to RMB6.84/US$ on the valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate above RMB6.9/US$ on the valuation date.

In addition, the Group entered into a net settled US$/RMB structured forward contract which give the Group the opportunities to receive variable US$ per month if the market exchange rate ranges from RMB6.55/US$ to RMB6.85/US$ on the valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate above RMB6.9/US$ on the valuation date. The contract is also subject to knockout under which the contract will terminate if the accumulative gains to the Group have exceeded a specified amount.

As of 31 December 2010, the aggregate notional amounts of the outstanding currency structured contracts were US$94,000,000 covering monthly settlements up to June 2012.

The fair values of the above currency structured forward contracts are determined by using the Monte Carlos Simulation Model.

21. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(III) INTEREST RATE SWAPS

Major terms of the interest rate swap as at 31 December 2011 are as follows:

As at 31 December 2011

Aggregated notional amounts	Interest rate swap	Maturity
US$4,795,781	Floating rate: London Interbank Offered Rate ("LIBOR") plus 1.75% to 2.00% Fixed rate: ranging from 2.40% to 2.62%	From 15 January 2012 to 17 May 2012
HK$11,549,450	Floating rate: Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% Fixed rate: 2.3%	11 June 2012

As at 31 December 2010

Aggregated notional amounts	Interest rate swap	Maturity
US$9,325,624	Floating rate: LIBOR plus 1% Fixed rate: ranging from 1.60% to 1.70%	From 28 September 2011 to 13 December 2011

In addition to the above interest rate swaps, the Group entered into a commodity linked interest rate swap contract which the Group is obliged to pay a variable interest expense of 1.152% on the notional amount determined by the price of fixed quantity of copper on the valuation date in exchange for a fixed interest income of 1.152% on the notional amount of HK$50,000,000. This contract is net settled and the remaining tenor of the contract is 2 months (2010: 14 months) as at 31 December 2011.

The fair value of the above interest rate swaps are determined by using the Monte Carlos Simulation Model.

All of the Group's derivative financial instruments are denominated in US dollars which is other than the functional currency of the respective group entities.

22. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

As at 31 December 2011, the pledged bank deposits comprise deposits for the issue of bills payable of HK$18,488,000 (2010: HK$30,429,000) and deposits of HK$176,278,000 (2010: HK$221,301,000) for short-term bank borrowings. The pledged bank deposits are classified as current assets because the bills payable and bank borrowings being secured are due within one year.

Pledged bank deposits, bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.02% to 3.90% (2010: 0.01% to 3.90%) per annum.

22. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

(Continued)

The pledged bank deposits, bank balances, deposits and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 HK$'000	2010 HK$'000
US$	112,553	57,087
RMB	236,750	310,690
HK$	7,933	–
	357,236	367,777

23. TRADE, BILLS AND OTHER PAYABLES

(a) TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2011 HK$'000	2010 HK$'000
0 – 30 days	74,906	41,774
31 – 60 days	29,581	35,968
61 – 90 days	26,690	32,126
91 – 180 days	84,996	69,333
Over 180 days	18,526	13,824
	234,699	193,025
Other payables	37,554	14,067
Accrued salaries and other accrued charges	19,368	16,872
Value-added tax payable	22,717	6,224
	314,338	230,188

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the Group's trade and other payables is an amount of HK$35,991,000 (2010: HK$8,486,000) payable to Dongfang.

23. TRADE, BILLS AND OTHER PAYABLES *(Continued)*

(b) BILLS PAYABLE

The aged analysis of bills payable is as follows:

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**17,913**	9,422
31 – 60 days	**6,234**	31,498
61 – 90 days	**9,436**	12,665
91 – 180 days	**57,031**	64,827
	90,614	118,412

The trade, bills and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 **HK$'000**	2010 HK$'000
US$	**76,326**	52,351
RMB	**131,894**	209,864
	208,220	262,215

24. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Bank loans	328,339	361,399
Trust receipt loans	49,063	67,052
	377,402	428,451
Analysed as:		
Secured	320,683	320,807
Unsecured	56,719	107,644
	377,402	428,451
Fixed-rate borrowings	327,614	350,952
Variable-rate borrowings	49,788	77,499
	377,402	428,451

	2011 HK$'000	2010 HK$'000
Carrying amounts repayable within one year based on scheduled repayment dates set out in the loan agreements	373,274	421,879
Carrying amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	4,128	6,572
	377,402	428,451
Less: Amounts due within one year shown under current liabilities	(377,402)	(428,451)
Amounts shown under non-current liabilities	–	–

The bank borrowings were secured by assets of the Group as disclosed in note 37.

24. BANK BORROWINGS *(Continued)*

The above borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011	2010
	HK$'000	HK$'000
US$	**127,551**	173,002
RMB	**130,201**	104,979
	257,752	277,981

The contractual interest rates of variable-rate bank loans are HIBOR plus 1.75% to 4.5% (2010: HIBOR plus 1.75% to 2.65%) per annum. Interest is repriced every year.

The ranges of interest rates on the Group's borrowings are as follows:

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	**0.86% to 5.05%**	0.88% to 5.31%
Variable-rate borrowings	**1.78% to 6.02%**	2.48% to 3.53%

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**10,250**	19,201	**9,815**	18,363
In the second year	**8,130**	7,482	**7,919**	7,211
In the third year	**3,293**	5,396	**3,243**	5,292
In the fourth year	**691**	1,144	**673**	1,137
In the fifth year	**204**	–	**203**	–
	22,568	33,223	**21,853**	32,003
Less: Future finance charges	**(715)**	(1,220)	**–**	–
Present value of lease obligations	**21,853**	32,003	**21,853**	32,003
Less: Amount due within one year shown under current liabilities			**(9,815)**	(18,363)
Amount due after one year			**12,038**	13,640

The Group has leased certain of its plant and machinery and motor vehicles under finance leases. The average lease term is two years and the contractual interest rates for the year are HIBOR plus 1.5% to 3% (2010: HIBOR plus 1.5% to 3%) per annum and the average effective interest rate was 3.51% (2010: 2.72%) per annum. All leases are denominated in functional currency of respective group entities and no arrangement has been entered into for contingent rental payments.

During the year ended 31 December 2011, the Group entered into finance lease arrangements of HK$8,903,000 (2010: HK$18,600,000).

The obligations under finance leases are secured by the lessor's charge over the leased assets.

Certain obligations under finance leases are secured by the corporate guarantees provided by the Company and subsidiaries of the Company.

26. AMOUNT DUE TO A SHAREHOLDER

At 31 December 2010, the balance represented the cash payment due to a shareholder, Mr. Zhu, resulted from the acquisition of the licenses of LED-related products from him. The amount was unsecured, interest free and fully settled during the year.

27. CONVERTIBLE LOAN NOTES

The Company issued convertible loan notes with principal amount of HK$20,000,000 each on 16 July 2010 ("CN Jul 2010") and 5 October 2010 ("CN Oct 2010"), respectively.

All convertible loan notes were denominated in Hong Kong dollars and entitled the holders thereof to convert, in whole or in part, the principal amount into ordinary shares of the Company. CN Jul 2010 was a zero coupon note and CN Oct 2010 carried coupon interest rate of 2.5% per annum and was to be paid semi-annually up to the settlement date.

The major terms of the convertible loan notes were as follows:

	Principal amount of convertible loan notes HK$'000	Maturity date	Effective interest rate	Conversion price
CN Jul 2010	20,000	16 January 2012	14.20%	HK$2 per ordinary share
CN Oct 2010	20,000	5 April 2012	13.29%	HK$2 per ordinary share

All convertible loan notes entitled the holders thereof to convert, in whole or in part, the outstanding principal amount into ordinary shares of the Company at any time prior to the maturity date.

Both CN Jul 2010 and CN Oct 2010 entitled the Company at any time prior to the maturity date and from time to time to redeem at a premium (119.3206% for CN Jul 2010 and 106% for CN Oct 2010) of the outstanding principal amount (in whole or in part) in cash by serving at least 30 business days' prior written notice (the "Early Redemption Notice") on the holder with the total amount proposed to be redeemed from the holder specified therein. The holders can within 15 business days after the date of the Early Redemption Notice convert any outstanding amount of the convertible loan notes in multiples of HK$1,000,000 into the conversion shares at the conversion price. Upon the expiry of 15 business days after the date of the Early Redemption Notice, the Company shall redeem the outstanding principal amount of the convertible loan notes as set out in the Early Redemption Notice.

The convertible loan notes contained three components, issuer early redemption option, liability and equity components in which the fair value issuer early redemption option of both CN Jul 2010, and CN Oct 2010 is minimal.

The valuation of the convertible loan notes including the issuer early redemption option, liability and equity component was performed by Greater China Appraisal Limited. The fair value of the liability component was calculated based on the present value of the contractually determined stream of future cash flow discounted at 14.20% and 13.29% for CN Jul 2010 and CN Oct 2010 respectively, also being the effective interest rate of them.

27. CONVERTIBLE LOAN NOTES *(Continued)*

The movement of the liability component of the convertible loan notes for the year is set out below:

	CN Jul 2010 HK$'000	CN Oct 2010 HK$'000	Total HK$'000
Issued during the year ended 31 December 2010	17,948	16,724	34,672
Interest charged	659	620	1,279
Interest paid	–	(104)	(104)
Converted during the year ended 31 December 2010	(18,607)	(17,240)	(35,847)
As at 31 December 2010 and 31 December 2011	–	–	–

During the year ended 31 December 2010, all the principal of CN Jul 2010 and CN Oct 2010 were converted into an aggregate amount of 20,000,000 ordinary shares of HK$0.1 each in the Company at the conversion price of HK$2. No convertible loan note was outstanding at the end of the reporting period.

28. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Undistributable profits of PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2010	3,536	9,845	–	13,381
Charge to profit or loss	(3,536)	–	–	(3,536)
Charge to other comprehensive income	–	1,898	–	1,898
At 31 December 2010 and 1 January 2011	–	11,743	–	11,743
Charge to profit or loss	–	–	400	400
Charge to other comprehensive income	–	4,378	–	4,378
At 31 December 2011	–	16,121	400	16,521

28. DEFERRED TAX LIABILITIES *(Continued)*

At 31 December 2011, the Group had unused tax losses of approximately HK$52,271,000 (2010: HK$20,439,000) available for offset against future assessable profits in Hong Kong. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$188,935,000 (2010: HK$111,942,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL AND WARRANTS

(I) SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2010	240,000,000	24,000
Issue of shares	48,000,000	4,800
Issued in consideration for the acquisition of intellectual properties	15,137,803	1,514
Exercise of share options	13,988,000	1,399
Exercise of warrants	30,600,000	3,060
Conversion of convertible loan notes	20,000,000	2,000
At 31 December 2010	367,725,803	36,773
Issue of shares (note a)	60,000,000	6,000
Exercise of share options (note b)	6,256,000	625
Exercise of warrants (note c)	12,400,000	1,240
Shares repurchased and cancelled (note d)	(4,498,000)	(450)
At 31 December 2011	441,883,803	44,188

29. SHARE CAPITAL AND WARRANTS *(Continued)*

(I) SHARE CAPITAL *(Continued)*

Notes:

The movements in the ordinary share capital for the year ended 31 December 2011 were as follows:

(a) On 25 January 2011, 60,000,000 ordinary shares of HK$0.1 each of the Company were placed at a price of HK$3.79 per placing share, representing a discount of approximately 13.07% to the closing market price of the Company's shares on 13 January 2011, through a top-up placing and subscription arrangement. The proceeds were used to provide additional working capital for the Company. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 7 June 2010.

(b) The Company issued 1,780,000, 510,000 and 3,966,000 ordinary shares of HK$0.1 each in the Company for cash at HK$1.52, HK$1.50 and HK$1.07 per share, respectively, as a result of the exercise of share options.

(c) The Company issued 5,000,000 and 7,400,000 ordinary shares of HK$0.1 each in the Company for cash at HK$1.45 and HK$1.65 per share, respectively, as a result of the exercise of warrants. The 12,400,000 warrants outstanding at 31 December 2010 were fully exercised during the year.

(d) During the year, 4,698,000 ordinary shares were repurchased on the Stock Exchange for a consideration of HK$12,546,000. Out of the 4,698,000 ordinary shares repurchased, 4,498,000 ordinary shares were cancelled on delivery of the share certificates during the year while the remaining of 200,000 ordinary shares have not yet been cancelled up to date of this report. The nominal value of HK$450,000 of all the shares cancelled during the year was transferred from accumulated profits to capital redemption reserve. The premium paid on the repurchase of these shares cancelled in the amount of HK$11,723,000 was charged to share premium. The aggregate consideration paid for these shares repurchased and cancelled in the amount of HK$12,173,000 was deducted from shareholders' equity.

The 200,000 ordinary shares repurchased but not yet cancelled at the end of the reporting period are treated as treasury shares and the aggregate consideration paid for these shares in the amount of HK$373,000 was deducted from shareholders' equity.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
May 2011	1,100,000	3.87	3.35	4,076
June 2011	1,726,000	3.38	3.11	5,565
July 2011	140,000	2.97	2.87	406
September 2011	1,252,000	1.86	0.88	1,732
October 2011	200,000	1.50	0.94	244
November 2011	80,000	2.08	1.56	150
December 2011	200,000	1.93	1.80	373
	4,698,000			12,546

All the ordinary shares issued during the year rank pari passu in all respects with the then existing shares.

29. SHARE CAPITAL AND WARRANTS *(Continued)*

(II) WARRANTS

The Company issued 35,000,000 and 8,000,000 warrants at HK$0.05 and HK$0.03 each, on 21 January 2010 and 15 July 2010, respectively, to the subscribers to subscribe new shares of the Company at a subscription price of HK$1.45 and HK$1.65 each, respectively, (subject to anti-dilutive adjustment) for a period of twelve months commenced from the date of issue of the warrants. Each warrant carries the rights to subscribe one new share. A proceed of HK$1,990,000 was received as of the issue and the same amount has been credited to warrant reserve during the year ended 31 December 2010. During the year ended 31 December 2010, 30,600,000 warrants were exercised.

During the year ended 31 December 2011, remaining 12,400,000 outstanding warrants were exercised by the subscribers (note 29(i)(c)) and no warrant remained outstanding at the end of the reporting period.

30. RESERVES

(A) PRC STATUTORY RESERVE

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

(B) SPECIAL RESERVE

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(C) CAPITAL CONTRIBUTION RESERVE

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

30. RESERVES *(Continued)*

(D) CAPITAL REDEMPTION RESERVE

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

31. SHARE OPTION SCHEME

On 5 June 2006, the share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The exercise price of the share options is determined, at the discretion of the directors, and must be at least the highest of:

(a) the average of the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options;

(b) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options; and

(c) the nominal value of the shares of the Company.

31. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares). On 27 May 2011, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the "Refreshed Scheme Mandate") provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011 (such 10% limit representing 43,777,580 shares and options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of the grant of options is HK$1.

The following table discloses the details of the Company's share options and movements for both years:

	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2010 '000	Granted during the year '000	Reclassification '000 (Note 6)	Exercised during the year '000 (Note 7)	Forfeited during the year '000 (Note 8)	Outstanding at 31 December 2010 '000	Granted during the year '000	Exercised during the year '000 (Note 7)	Forfeited during the year '000	Outstanding at 31 December 2011 '000
Directors	3 July 2007	(Note 1)	1.52	5,800	–	–	(4,920)	–	880	–	(880)	–	–
	29 September 2009	(Note 2)	1.07	6,400	–	1,500	(960)	–	6,940	–	(1,920)	(140)	4,880
	14 July 2010	(Note 3)	1.50	–	11,740	–	–	(10,940)	800	–	(120)	(200)	480
	29 September 2010	(Note 3)	2.62	–	1,000	–	–	–	1,000	–	–	–	1,000
	2 September 2011	(Note 4)	2.11	–	–	–	–	–	–	15,500	–	–	15,500
Subtotal				12,200	12,740	1,500	(5,880)	(10,940)	9,620	15,500	(2,920)	(340)	21,860
Consultants	29 September 2009	(Note 2)	1.07	6,250	–	(1,500)	(2,400)	–	2,350	–	(450)	–	1,900
	29 September 2010	(Note 3)	2.62	–	2,000	–	–	–	2,000	–	–	–	2,000
	11 October 2010	(Note 3)	2.70	–	400	–	–	–	400	–	–	–	400
	29 November 2010	(Note 3)	3.39	–	1,300	–	–	–	1,300	–	–	–	1,300
	26 April 2011	(Note 5)	3.13	–	–	–	–	–	–	3,000	–	–	3,000
	2 September 2011	(Note 4)	2.11	–	–	–	–	–	–	9,000	–	–	9,000
Subtotal				6,250	3,700	(1,500)	(2,400)	–	6,050	12,000	(450)	–	17,600
Employees	3 July 2007	(Note 1)	1.52	3,700	–	–	(2,120)	(520)	1,060	–	(900)	(160)	–
	29 September 2009	(Note 2)	1.07	7,990	–	–	(3,106)	(720)	4,164	–	(1,596)	–	2,568
	14 July 2010	(Note 3)	1.50	–	2,910	–	(482)	–	2,428	–	(390)	–	2,038
	29 September 2010	(Note 3)	2.62	–	300	–	–	–	300	–	–	–	300
	2 September 2011	(Note 4)	2.11	–	–	–	–	–	–	5,500	–	–	5,500
Subtotal				11,690	3,210	–	(5,708)	(1,240)	7,952	5,500	(2,886)	(160)	10,406
Total				30,140	19,650	–	(13,988)	(12,180)	23,622	33,000	(6,256)	(500)	49,866
Exercisable at the end of the year				12,842					9,217				14.362
Weighted average exercise price				HK$1.21	HK$1.84	N/A	HK$1.31	HK$1.48	HK$1.54	HK$2.20	HK$1.23	HK$1.39	HK$2.02

31. SHARE OPTION SCHEME *(Continued)*

Note 1: Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant; and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 4: Options are exercisable subject to (i) up to 25% of the options are exercisable on or after 2 March 2012; (ii) up to 50% of the options are exercisable on or after 2 March 2013; (iii) up to 75% of the options are exercisable on or after 2 March 2014; and (iv) all the remaining options are exercisable on or after 2 March 2015. The options will be expired in the 10th year after the date of grant.

Note 5: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; (iii) all the remaining options are exercisable two years after the date of grant. The options will be expired in the 10th year after the date of grant.

Note 6: During the year ended 31 December 2010, Mr. Zhu, a consultant of the Group, was appointed as an executive director of the Company and 1,500,000 share options held by him was reclassified from consultant to director.

Note 7: The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$3.48 (2010: HK$3.02).

Note 8: During the year ended 31 December 2010, 10,940,000 share options granted to the directors of the Company were cancelled with effect from 2 September 2010 in accordance with the terms of the Share Option Scheme that all options granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of the share options, cannot exceed 1% of the shares in issue.

With reference to the vesting period attached to the respective share options, the Group recognised share-based payment expenses as follows:

	2011 HK$'000	2010 HK$'000
Directors' emoluments	**5,323**	2,146
Other staff costs	**10,398**	4,033
	15,721	6,179

31. SHARE OPTION SCHEME *(Continued)*

The fair values of the share options granted at the respective dates of grant during the year, is HK$33,921,000 (2010: HK$17,295,000), calculated using the Binominal Model with the following inputs:

	2 September 2011	26 April 2011
Exercise price	HK$2.11	HK$3.13
Share price on date of grant	HK$2.11	HK$3.09
Expected volatility	44.57%	46.14%
Expected life	10 years	10 years
Risk-free interest rate	2.25%	2.65%
Expected dividend yield	1.2%	0.8%
Sub-optimal factors	2.46-2.49	2.47

The model is one of the commonly used models to estimate the fair value of the share options. The assumptions and variables used in computing the fair value of the share options are based on the directors' best estimates. Changes in variables and assumptions may result in changes in the fair value of the share option.

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous twelve months. The expected life used in the model is based on the directors' best estimate.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, and equity attributable to owners of the Company as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new shares and share buy-backs as well as the issue of new debt or the redemption of existing debt.

33. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2011 HK$'000	2010 HK$'000
Financial assets		
Derivative financial instruments	495	1,455
Loans and receivables (including cash and cash equivalents)	1,146,977	824,972
Financial liabilities		
Derivative financial instruments	1,409	1,179
Amortised cost	715,077	745,836

B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bills receivable, derivative financial instruments, pledged bank deposits, bank balances, deposits and cash, trade and other payables, bills payable, amount due to a shareholder and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to initiate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. In order to mitigate the currency risk, the Group has entered into forward currency contracts to partially hedge US$ and HK$ against RMB. Details of the contracts are set out in note 21. The Group continues reviewing the effectiveness of these instruments and the underlying strategies in monitoring currency risk.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of relevant group entities at the reporting date are as follows:

	2011 HK$'000	2010 HK$'000
Assets		
US$	**317,448**	273,438
RMB	**280,454**	509,917
HK$	**7,933**	–
Liabilities		
US$	**205,286**	226,532
RMB	**262,095**	314,843

Sensitivity analysis
The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 10% (2010: 10%) against RMB, the Group's post-tax profit for the year ended 31 December 2011 would increase by HK$780,000 (2010: increase by HK$14,630,000). If the HK$ strengthened by 10% (2010: 10%) against RMB, there would be an equal and opposite impact on the profit for the year.

For the outstanding forward contracts, if the market bid and ask forward exchange rate of US$ against RMB and HK$ against RMB had been 2% (2010: 2%) higher/lower, profit for the year ended 31 December 2011 would increase/decrease by approximately HK$740,000/HK$429,000 (2010: HK$605,000/HK$630,000).

For the outstanding currency structured forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% (2010: 2%) higher/lower, profit for the year ended 31 December 2011 would decrease/increase by approximately HK$2,131,000/HK$6,964,000 (2010: increase/decrease by approximately HK$204,000/HK$1,777,000).

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see note 22 for details), interest rate swaps (see note 21 for details) and its variable-rate bank borrowings and obligations under finance leases (see notes 24 and 25 for details of these borrowings and leases). The Group currently does not have any interest rate hedging policy. Management will also consider hedging significant interest rate exposure should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings.

Sensitivity analysis
Since bank balances and deposits are in short maturity date and in current accounts, the Group does not expect any significant impact due to movement in interest rates and the balances are excluded from the sensitivity analysis.

The sensitivity analyses below have been determined based on the exposure to interest rates for interest rate swaps, variable-rate bank borrowings and obligations under finance leases at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 120 basis point (2010: 120 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

For the variable-rate bank borrowings and obligations under finance leases if interest rates had been 120 basis points (2010: 120 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by approximately HK$860,000 (2010: decrease/increase by HK$1,314,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and obligations under finance leases.

For the interest rate swaps, if interest rates had been 120 basis points (2010: 120 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase/decrease by approximately HK$2,643,000/HK$260,000 (2010: increase/decrease by HK$6,736,000/4,420,000).

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronic industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 50% (2010: 32%) of the trade receivables with normal credit terms and the largest trade receivable attributable to the Group's trade receivables with normal credit terms was approximately 24% (2010: 15%). The major customers are located in the Hong Kong ("HK") and the PRC and mainly engaged in manufacturing and trading of consumer electronics. The five largest customers under normal credit terms have good repayment history and credit qualify with reference to the track records of these customers under internal assessment by the Group.

The Group also has concentration of credit risk on certain major customers of the LED lighting industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 52% (2010: 99%) of the trade receivables with extended credit terms and the largest trade receivable attributable to the Group's trade receivables with extended credit terms was approximately 17% (2010: 68%). The major customers are located in the PRC including certain government authorities in the PRC and corporations which mainly engaged in construction industry. The trade receivables from certain government authorities in the PRC accounted for approximately 31% (2010: Nil) of the trade receivables with extended credit terms.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on the Group's trade receivables with extended credit terms is limited because the counterparties are certain government authorities in the PRC or corporations having no default payment history.

The credit risk on bank deposits is limited because the counterparties are banks with high reputation.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current assets of HK$286,907,000 (2010: HK$68,472,000) as at 31 December, 2011. The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cash flows from operations.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative financial liabilities that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2011								
Non-derivative financial liabilities								
Trade and other payables	–	–	247,061	–	–	–	247,061	247,061
Bills payable	–	–	90,614	–	–	–	90,614	90,614
Obligations under finance leases – variable	3.51	–	10,250	8,130	3,293	895	22,568	21,853
Bank and other borrowings								
– fixed rate	4.05	4,128	333,515	–	–	–	337,643	327,614
– variable rate	2.73	–	51,146	–	–	–	51,146	49,788
		4,128	732,586	8,130	3,293	895	749,032	736,930
Derivatives – net settlement								
Forward contracts	–	–	550	–	–	–	550	550
Interest rate swaps	–	–	859	–	–	–	859	859
		–	1,409	–	–	–	1,409	1,409
2010								
Non-derivative financial liabilities								
Trade and other payables	–	–	193,973	–	–	–	193,973	193,973
Bills payable	–	–	118,412	–	–	–	118,412	118,412
Amount due to a shareholder	–	–	5,000	–	–	–	5,000	5,000
Obligations under finance leases – variable	2.72	–	19,201	7,482	5,396	1,144	33,223	32,003
Bank and other borrowings								
– fixed rate	3.93	6,572	356,508	–	–	–	363,080	350,952
– variable rate	2.61	–	79,525	–	–	–	79,525	77,499
		6,572	772,619	7,482	5,396	1,144	793,213	777,839
Derivatives – net settlement								
Forward contracts	–	–	797	–	–	–	797	797
Interest rate swaps	–	–	382	–	–	–	382	382
		–	1,179	–	–	–	1,179	1,179

33. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2011 and 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$4,128,000 and HK$6,572,000, respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the aggregate principal of such bank loans and interest will be repayable in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	2011 **HK$'000**	2010 HK$'000
In the second year	**2,717**	3,188
In the third year	**1,586**	2,717
In the fourth year	**–**	1,586
	4,303	7,491

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

C. FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

– the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

– the fair values of forward contracts are determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rates and discounted using an appropriate discount rate to take account of the time value of money; and

– the fair values of the currency structured forward contracts and interest rate swaps are determined by using the Monte Carlos Simulation Model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost on the consolidated financial statements approximate their fair values.

33. FINANCIAL INSTRUMENTS *(Continued)*

C. FAIR VALUE *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial assets	–	–	495	495
Financial liabilities at FVTPL				
Derivative financial liabilities	–	550	859	1,409

	2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	674	781	1,455
Financial liabilities at FVTPL				
Derivative financial liabilities	–	797	382	1,179

There were no transfers between Levels in the current year.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, the major non-cash transactions were as follows:

(a) the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$8,903,000.

(b) Licenses of LED – related products of HK$3,283,000 were injected by Dongfang into a newly formed PRC subsidiary of the Company as investment cost.

During the year ended 31 December 2010, the major non-cash transactions were as follows:

(a) the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$18,600,000.

(b) On 31 May 2010, the Company issued an aggregate of 15,137,803 ordinary shares of HK$0.1 each as part of the consideration for acquisition of LED-related products.

(c) Convertible loan notes of principal amounts of HK$40,000,000 were converted into 20,000,000 ordinary shares of the Company of HK$0.1 each at the conversion price of HK$2.

(d) Licenses of LED – related products and property, plant and equipment of HK$26,776,000 and HK$6,648,000, respectively, were injected by Dongfang into a newly formed PRC subsidiary of the Company as investment cost.

35. OPERATING LEASES

(A) OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2011 HK$'000	2010 HK$'000
Premises	**2,427**	819

35. OPERATING LEASES *(Continued)*

(A) OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	1,799	1,017
In the second to fifth year inclusive	2,199	2,373
Over five years	1,264	1,472
	5,262	4,862

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for an average term ranging from two to ten years with fixed rental.

The Group as lessor

During the year ended 31 December 2011, property rental income earned HK$198,000 (2010: HK$551,000).

At the end of the reporting period, the Group has contacted with a tenant for future minimum lease payments of HK$116,000 (2010: Nil) under non-cancellable operating lease for one year.

36. CAPITAL COMMITMENT

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,240	32,820

37. PLEDGE OF ASSETS

At the respective end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2011 HK$'000	2010 HK$'000
Buildings	159,133	145,735
Plant and machinery	21,833	24,503
Pledged bank deposits	194,766	251,730
Prepaid lease payments	21,920	22,535
	397,652	444,503

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,000 per month. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the specific contributions under the schemes.

39. RELATED PARTY DISCLOSURES

(I) RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of key management for the Group (representing directors) during the year are set out as follows:

	2011 HK$'000	2010 HK$'000
Short-term benefits	**7,614**	7,464
Post-employment benefits	**24**	24
Share-based payments	**5,323**	2,146
	12,961	9,634

(b) During the year ended 31 December 2011, the Group purchased raw materials of HK$34,049,000 (2010: HK$16,488,000) from Dongfang. During the year ended 31 December 2010, the Group also generated a licensing income of HK$4,114,000 (2011: Nil) from Dongfang.

(II) RELATED PARTY BALANCES

Details of the Group's outstanding balances with related parties are set out on the consolidated statement of financial position and in notes 20 (a)(iii), 23 (a) and 26.

40. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker, Chief Executive Officer, for making strategic decisions. The Group engaged in manufacturing and trading of PCB business and LED lighting business and the information reported to the Chief Executive Officer was analysed based on three types of PCB and LED lighting which representing the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Single-sided PCB ("Single-sided PCB")
- Manufacturing and trading of Double-sided PCB ("Double-sided PCB")
- Manufacturing and trading of Multi-layered PCB ("Multi-layered PCB")
- Manufacturing and trading of LED lighting

No information of segment assets and liabilities is available for the assessment of performance of different operating segments. Therefore, only segment turnover and segment results are presented.

40. SEGMENTAL INFORMATION *(Continued)*

SEGMENT TURNOVER AND PROFITS

The following is an analysis of the Group's turnover and results by reportable and operating segment.

	2011 HK$'000	2010 HK$'000
TURNOVER – external sales		
Single-sided PCB	**242,888**	222,134
Double-sided PCB	**353,723**	340,948
Multi-layered PCB	**263,503**	319,631
LED lighting	**334,407**	114,399
Total	**1,194,521**	997,112
RESULT		
Segment profits		
– Single-sided PCB	**734**	6,056
– Double-sided PCB	**4,827**	15,375
– Multi-layered PCB	**9,676**	25,074
– LED lighting	**110,209**	38,649
	125,446	85,154
Other income	**8,363**	7,983
Central administrative costs	**(9,586)**	(16,306)
Fair value changes on derivative financial instruments	**(384)**	1,862
Fair value changes on investment properties	**–**	700
Finance costs	**(11,418)**	(11,050)
Profit before tax	**112,421**	68,343

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose), fair value changes on derivative financial instruments, fair value changes on investment properties and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

40. SEGMENTAL INFORMATION *(Continued)*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit:

	2011 **HK$'000**	2010 HK$'000
Depreciation and amortisation		
– Single-sided PCB	**16,432**	12,866
– Double-sided PCB	**23,778**	19,748
– Multi-layered PCB	**17,980**	18,513
– LED lighting	**8,799**	1,815
	66,989	52,942
– unallocated	**2,927**	2,694
	69,916	55,636
Net impairment loss reversed in respect of trade receivables		
– Single-sided PCB	**123**	252
– Double-sided PCB	**179**	388
– Multi-layered PCB	**133**	364
	435	1,004

40. SEGMENTAL INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are located in HK and the PRC.

The Group's revenue from external customers based on the location of customers and information about its non-current assets excluding trade receivables with extended credit terms and interest in an associate by geographical location of the assets are detailed below:

	Revenue from external customers For the year ended 31 December		Non-current assets (note) As at 31 December	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Asia:				
HK	**230,010**	259,758	**6,379**	4,065
Taiwan	**150,893**	176,420	**–**	–
The PRC (excluding HK and Taiwan)	**659,990**	338,695	**514,281**	513,138
Japan	**49,188**	28,310	**–**	–
Other Asian countries	**41,725**	82,907	**–**	–
Europe:				
Hungary	**9,788**	28,309	**–**	–
Turkey	**13,253**	21,506	**–**	–
Other European countries	**26,568**	38,645	**–**	–
Others	**13,106**	22,562	**–**	–
	1,194,521	997,112	**520,660**	517,203

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A (note i)	**134,828**	128,684
Customer B (notes i and ii)	**128,558**	N/A

Notes:

(i) The revenue is mainly from Multi-layered PCB segment.

(ii) No disclosure of revenue from Customer B for the year ended 31 December 2010 because it contributed less than 10% of total sales for the year ended 31 December 2010.

41. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

The summarised financial information of the Company is as follows:

	2011 HK$'000	2010 HK$'000
ASSETS		
Investment in subsidiaries	391,471	375,593
Investment in an associate	2	–
Amounts due from subsidiaries	514,039	134,983
Bank balances and cash	8,558	23,411
	914,070	533,987
LIABILITIES		
Amounts due to subsidiaries	247,798	112,722
Other payables	264	832
	248,062	113,554
	666,008	420,433
CAPITAL AND RESERVES		
Share capital	44,188	36,773
Reserves (note)	621,820	383,660
	666,008	420,433

41. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note:

Reserves of the Company:

	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury share HK$'000	Convertible loan notes equity reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000 (note)	Accumulated profits HK$'000	Total equity HK$'000
At 1 January 2010	30,609	–	–	–	9,337	–	2,536	145,058	3,873	191,413
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	16,907	16,907
Issue of shares	74,486	–	–	–	–	–	–	–	–	74,486
Issue cost of shares	(1,160)	–	–	–	–	–	–	–	–	(1,160)
Issue of warrants	–	–	–	–	–	1,990	–	–	–	1,990
Issue of shares upon exercise of share options	25,032	–	–	–	(8,089)	–	–	–	–	16,943
Issue of shares upon exercise of warrants	42,948	–	–	–	–	(1,518)	–	–	–	41,430
Dividends paid	–	–	–	–	–	–	–	–	(3,060)	(3,060)
Release upon early repayment of interest-free shareholder's loan	–	–	–	–	–	–	(643)	–	–	(643)
Recognition of equity-settled share-based payments	–	–	–	–	6,179	–	–	–	–	6,179
Release upon forfeiture of share options	–	–	–	–	(129)	–	–	–	129	–
Recognition of equity component of convertible loan notes	–	–	–	5,328	–	–	–	–	–	5,328
Conversion of equity component of convertible loan notes	39,175	–	–	(5,328)	–	–	–	–	–	33,847
At 31 December 2010 and 1 January 2011	211,090	–	–	–	7,298	472	1,893	145,058	17,849	383,660
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	10,880	10,880
Issue of shares	221,400	–	–	–	–	–	–	–	–	221,400
Issue cost of shares	(12,110)	–	–	–	–	–	–	–	–	(12,110)
Issue of shares upon exercise of share options	10,230	–	–	–	(3,141)	–	–	–	–	7,089
Issue of shares upon exercise of warrants	18,692	–	–	–	–	(472)	–	–	–	18,220
Dividends paid	–	–	–	–	–	–	–	–	(10,944)	(10,944)
Recognition of equity-settled share-based payments	–	–	–	–	15,721	–	–	–	–	15,721
Release upon forfeiture of share options	–	–	–	–	(171)	–	–	–	171	–
Share repurchased and cancelled	(11,723)	450	–	–	–	–	–	–	(450)	(11,723)
Share repurchased and held as treasury share	–	–	(373)	–	–	–	–	–	–	(373)
At 31 December 2011	437,579	450	(373)	–	19,707	–	1,893	145,058	17,506	621,820

Note: The contributed surplus of the Company represents the difference between the underlying net assets of Tat Chun Printed Circuit Board Company Limited and Pacific Leader Development Limited that acquired by the Company under the group reorganisation and the nominal amount of the ordinary shares issued by the Company in exchange thereof.

42. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2011	2010	2011	2010	
Pacific Leader Development Limited 亮宇發展有限公司	HK	Ordinary shares HK$10,000	100%	100%	–	–	Investment holding
Tat Chun Printed Circuit Board Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	100%	100%	–	–	Trading of printed circuit boards
Zhongshan Electric Company Limited 中山市達進電子元件有限公司	The PRC (note i)	Registered capital HK$36,600,000	–	–	100%	100%	Manufacturing and trading of printed circuit boards
Zhongshan Tat Chun Printed Circuit Board Company Limited 中山市達進電子有限公司	The PRC (note i)	Registered capital HK$190,000,000	–	–	100%	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun 廣東達進電子科技有限公司	The PRC (note i)	Registered capital HK$250,000,000	100%	100%	–	–	Manufacturing and trading of printed circuit boards
Zhongshan Jinwang Electric Technology Company Limited 中山市憬旺電子科技有限公司	The PRC (note i)	Registered capital HK$12,860,000	–	–	100%	100%	Manufacturing and trading of printed circuit boards
四川達進東方能源管理有限公司	The PRC (note ii)	Registered capital HK$13,117,000	–	–	59.5%	70%	Manufacturing and trading of LED lighting

42. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2011	2010	2011	2010	
達進東方照明（深圳）有限公司 (formerly known as 達進精電能源管理（深圳）有限公司)	The PRC (note ii)	Registered capital HK$111,408,000	–	–	70%	70%	Manufacturing and trading of LED lighting
達進東方（揚州）能源管理有限公司 (note iii)	The PRC (note ii)	Registered capital HK$78,000,000	–	–	74.5% (note iv)	74.5% (note iv)	Manufacturing and trading of LED lighting
達進（揚州）光電科技有限公司 (note iii)	The PRC (note i)	Registered capital HK$117,000,000	–	–	100%	–	Manufacturing and trading of LED lighting
達進東方能源管理（啟東）有限公司 (note iii)	The PRC (note i)	Registered capital HK$39,000,000	–	–	100%	–	Manufacturing and trading of LED lighting

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The companies are sino-foreign equity joint ventures.

(iii) The companies are newly established during the year ended 31 December 2011.

(iv) This represents the effective interest held by the Company.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Turnover	740,968	838,870	739,314	997,112	**1,194,521**
Profit for the year	60,034	27,721	11,137	49,476	**71,013**

ASSETS AND LIABILITIES

	At 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	921,151	925,576	944,815	1,493,964	**1,863,030**
Total liabilities	(612,671)	(589,859)	(590,390)	(862,832)	**(893,914)**
Total equity	308,480	335,717	354,425	631,132	**969,116**
Equity attributable to owners of the Company	308,480	335,717	354,425	590,736	**900,199**
Non-controlling interests	–	–	–	40,396	**68,917**
	308,480	335,717	354,425	631,132	**969,116**