TC ORIENT LIGHTING HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

Stock Code: 515

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan
(chairman of the Board of Directors) (the "Chairman")
Mr. Zhu Jianqin
Mr. Kwok Tung Fai *(appointed, with effect from 1 April 2012)*
Mr. Pak Shek Kuen *(resigned, with effect from 18 April 2012)*

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)*
Mr. Wong Siu Fai, Albert
Mr. Sung Lee Ming, Alfred
(appointed, with effect from 1 April 2012)
Mr. Fong Ping *(appointed, with effect from 15 June 2012)*
Ms. Ho Man Kay
(resigned, with effect from 22 February 2012)

REMUNERATION COMMITTEE

Mr. Sung Lee Ming, Alfred *(appointed as Chairman of the committee, with effect from 1 April 2012)*
Mr. Yeung Hoi Shan *(resigned as Chairman of the committee but remained as member, with effect from 1 April 2012)*
Mr. Cheung Sui Wing, Darius
Mr. Wong Siu Fai, Albert
Mr. Fong Ping *(appointed, with effect from 15 June 2012)*
Ms. Ho Man Kay
(resigned, with effect from 22 February 2012)

NOMINATION COMMITTEE

(The Nomination Committee has been set up with effect from 28 March 2012)
Mr. Cheung Sui Wing, Darius *(Chairman of the committee)*
Mr. Wong Siu Fai, Albert
Mr. Sung Lee Ming, Alfred
(appointed, with effect from 1 April 2012)
Mr. Fong Ping *(appointed, with effect from 15 June 2012)*
Mr. Yeung Hoi Shan

COMPANY SECRETARY

Mr. Kwok Tung Fai
(appointed, with effect from 18 April 2012)
Mr.Pak Shek Kuen *(resigned, with effect from 18 April 2012)*

AUTHORISED REPRESENTATIVES

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

HEAD OFFICE

31/F, Aitken Vanson Centre
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

AUDITOR

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
Chinatrust Commercial Bank, Ltd.

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 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 2012.

OVERVIEW

STEADY DEVELOPMENT OF LED LIGHTING INDUSTRY

The global economy experienced slow recovery in 2012 and the LED industry developed steadily. According to research from GLII, a well-known LED research institution in the PRC, the LED road lamp installation in China in 2012 has increased by 80%, comparing with the same period last year. It is expected that the growth rate of LED market can reach 30% in 2013.

MARKET PENETRATION

The Group has secured numerous LED road lamp installation contracts with the local governments in various provinces in China during the Year, including Qidong, Henan and Zhongshan. Apart from government projects, we also developed the commercial LED lighting business through cooperation with property developer.

The PCB business remained as the Group's core business. On 8 November 2012, the Group announced the termination of the framework agreement to sell its PCB business to a Korean-based company. The Group's PCB technology is developed maturely and continued to bring steady revenue to the Group.

RECOGNITIONS AND MARKETING STRATEGY

GLII announced the "Ranking of China's Competitive LED Road Lamp Corporations in 2012-2013" and the Group has been ranked the 2nd for two years continuously, which signified the recognition on the Group's sales volume and technology in the industry.

GLII investigated into China's LED road lamp market with research on 178 LED road lamp corporations regarding its production and sales. The corporations were judged by its sales of LED road lamps and technology in the first 11 months in 2012. Full scores were 100, while 80 scores accounted for sales volume and 20 scores accounted for technology. TC Orient Lighting has an overall score of 92.4, GLII commented positively on its performance of LED road lamps in 2012 with constantly high output level. The Group has established its LED road lamp projects in China, including Tianjin, Chengdu, Zhengzhou, Chongqing, Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, Liangyungang, Qidong and Chengde, etc.

NEW FINANCING MODEL

The Group has adopted new financing model to ensure steady working capital for the Group to expand its LED business. The source of financing in the LED industry is limited nowadays, given that banks are conservative when considering loan approval to LED companies. The Group started to negotiate with foreign bank for loan financing. The Group has signed an agreement at the end of December 2012, to borrow RMB 15 million in the form of liquidity revolving loan and bank acceptance bill from a Shenzhen branch of a foreign bank in the PRC, by pledging account receivables of RMB 17.32 million to the bank and providing corporate guarantee. This financing model will be one of the corporate strategies to secure working capital in the future.

CHAIRMAN'S STATEMENT

STRONG SUPPORT FROM THE GOVERNMENT

The PRC government has been supporting the LED industry continuously. As at December 2012, Dongguan completed installation of 52,072 LED road lamps, and set the target to install 200,000 LED road lamps by the end of 2013. It is expected that the production value of LED road lamp in Dongguan by 2012 will reach RMB200 billion. Moreover, according to the Ministry of Science and Technology, the "12th Five-Year Special Plan for Development of LED Lighting Technology" (半導體照明科技發展"十二五"專項規劃) was announced during the Year, LED's market share will reach 30% and production value will reach RMB 500 billion by 2015. Given the favourable support from the PRC government, the Group will strive to develop the LED business and expand its market penetration.

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.

CORPORATE GOVERNANCE PRACTICES

The Company and the directors confirm, to the best of their knowledge, that the Company complied with the code provisions of the Code on Corporate Governance Practices (the "Former Code") during the period from 1 January 2012 to 31 March 2012 and of the new Corporate Governance Code (the "New Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period from 1 April 2012 to 31 December 2012 , 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, namely Mr. Sung Lee Ming, Alfred, and filled in the vacancy by 1 April 2012.

– The CG Code Provision A.6.7 provides that the non-executive directors and independent non-executive directors should attend general meetings of the Company. 2 non-executive directors and 3 independent non-executive directors did not attend the 2012 extra-ordinary general meeting of the Company held on 20 July 2012 as they have other business engagements.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for directors in their dealings in the Company's securities. Having made specific enquiry with directors, all directors confirmed that they complied with the Model Code during the year ended 31 December 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

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 nine members, consisting of three executive directors ("ED"), two non-executive directors ("NED") and four independent non-executive directors ("INED"). Further details of the composition of the Board are set out on page 2. Ms. Ho Man Kay resigned as INED with effect from 22 February 2012 and Mr. Sung Lee Ming, Alfred was appointed as INED with effect from 1 April 2012. Mr. Pak Shek Kuen resigned as ED with effect from 18 April 2012 and Mr. Kwok Tung Fai was appointed as ED with effect from 1 April 2012. Mr. Fong Ping was appointed as INED with effect from 15 June 2012. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 21 to 23 of the Annual Report.

The Board has not met Rule 3.10(A) of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board, as disclosed in previous page. In addition, the Board has met Rule 3.10 of the Listing Rules, that at least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise as two INED, namely Mr. Wong Siu Fai, Albert and Mr. Sung Lee Ming, Alfred are qualified accountants. 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.

The Company has held 18 board meetings during the year ended 31 December 2012 and the attendance records are set out below:

Name of directors	**Number of attendance**
Executive directors	
Yeung Hoi Shan	18/18
Zhu Jianqin	4/18
Kwok Tung Fai (appointed, with effect from 1 April 2012)	10/10
Pak Shek Kuen (resigned, with effect from 18 April 2012)	8/8
Non-executive directors	
Li Jin Xia	3/18
Yeung Tai Hoi	3/18
Independent non-executive directors	
Cheung Sui Wing, Darius	16/18
Wong Siu Fai, Albert	16/18
Sung Lee Ming, Alfred (appointed, with effect from 1 April 2012)	8/10
Fong Ping (appointed, with effect from 15 June 2012)	1/7
Ho Man Kay (resigned, with effect from 22 February 2012)	2/2

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

THE BOARD *(Continued)*

The Company has held 2 shareholders' meetings during the year ended 31 December 2012 and the attendance records are set out below:

Name of directors	Number of attendance
Executive directors	
Yeung Hoi Shan	2/2
Zhu Jianqin	0/2
Kwok Tung Fai (appointed, with effect from 1 April 2012)	2/2
Pak Shek Kuen (resigned, with effect from 18 April 2012)	N/A
Non-executive directors	
Li Jin Xia	1/2
Yeung Tai Hoi	1/2
Independent non-executive directors	
Cheung Sui Wing, Darius	2/2
Wong Siu Fai, Albert	1/2
Sung Lee Ming, Alfred (appointed, with effect from 1 April 2012)	1/2
Fong Ping (appointed, with effect from 15 June 2012)	0/1
Ho Man Kay (resigned, with effect from 22 February 2012)	N/A

Furthermore, the Chairman, during the year ended 31 December 2012, has also held one meeting with all the non-executive and independent non-executive directors without the presence of the executive directors.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Yeung Hoi Shan is the Chairman of the Board of Directors. The Chief Executive position is vacant.

This was at variance with code provision A.2.1 of the Former Code and the New Code, which provides that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as top management. In addition, there are four Independent Non-Executive Directors and two Non-Executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore in the view that there are adequate balance of power and safeguards in place.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Group also provides briefings and other training to develop and refresh the directors' knowledge and skills. The Group continuously updates directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Name of directors	Type of Training
Executive directors	
Yeung Hoi Shan	A,B
Zhu Jianqin	A,B
Kwok Tung Fai (appointed, with effect from 1 April 2012)	A,B
Pak Shek Kuen (resigned, with effect from 18 April 2012)	B
Non-executive directors	
Li Jin Xia	A,B
Yeung Tai Hoi	B
Independent non-executive directors	
Cheung Sui Wing, Darius	A,B
Wong Siu Fai, Albert	A,B
Sung Lee Ming, Alfred (appointed, with effect from 1 April 2012)	A,B
Fong Ping (appointed, with effect from 15 June 2012)	B
Ho Man Kay (resigned, with effect from 22 February 2012)	B

A: attending seminars and or conferences and/or forums.

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities etc.

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, Nomination 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

RESPONSIBILITIES OF DIRECTORS *(Continued)*

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

For directors, the number and nature of offices held in public companies or organisations, if any, are disclosed in the "Biographies of Directors and Senior Management" on pages 21 to 23 of the Annual Report. 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 2012 to Dec 2012
2	Yeung Hoi Shan	Hong Kong Young Industrialists Council	Vice President	Jan 2012 to Dec 2012
3	Yeung Hoi Shan	Federation of Industries and Commerce In Kwai Chung & Tsing Yi Ltd	Chairman	Jan 2012 to Dec 2012
4	Yeung Hoi Shan	Kwai Tsing District Junior Police	Call in – Chairman	Jan 2012 to Dec 2012
5	Yeung Hoi Shan	Kwai Tsing District Fight Crime Committee	Member	Jan 2012 to Dec 2012
6	Yeung Hoi Shan	中山市政協	Member	Jan 2012 to Dec 2012
7	Yeung Hoi Shan	香港中山社團聯合會	Vice Chairman	Jan 2012 to Dec 2012
8	Yeung Hoi Shan	香山會所有限公司	Chairman	Jan 2012 to Dec 2012

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS *(Continued)*

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 ("RC") comprises of five directors including Mr. Sung Lee Ming, Alfred, Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert and Mr Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Sung Lee Ming, Alfred was appointed as the RC chairman, with effect from 1 April 2012. Mr. Yeung resigned as RC Chairman but remained as RC member, with effect from 1 April 2012. Ms. Ho Man Kay resigned as the RC member with effect from 22 February 2012. Mr. Fong Ping was appointed as the RC member with effect from 15 June 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 and The Stock Exchange of Hong Kong Limited("HKEX") website.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management.

During the year ended 31 December 2012, the Remuneration Committee held 5 meetings. The attendance of each member is set out as follows:

Name of member	Number of attendance
Sung Lee Ming, Alfred (appointed as Chairman, with effect from 1 April 2012)	3/3
Yeung Hoi Shan (resigned as Chairman, with effect from 1 April 2012)	5/5
Cheung Sui Wing, Darius	4/5
Wong Siu Fai, Albert	4/5
Fong Ping (appointed, with effect from 15 June 2012)	0/0
Ho Man Kay (resigned, with effect from 22 February 2012)	N/A

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

The Remuneration Committee has considered and approved the Group's policy for the remuneration of directors during the year. 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. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements. Details of the remuneration of senior management (including directors) are disclosed below:

	2012 **No of persons**
Emoluments (including directors fee, salary and other benefits, share-based payments, performance-related incentive payment and retirement benefit scheme contributions)	
HKD 4,000,000 – HKD 5,000,000	—
HKD 3,000,000 – HKD 4,000,000	1
HKD 2,000,000 – HKD 3,000,000	—
HKD 1,000,000 – HKD 2,000,000	2
HKD 500,000 – HKD 1,000,000	2

NOMINATION COMMITTEE

The Nomination Committee ("NC") comprises of five directors including Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming, Alfred and Mr. Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Cheung Shui Wing, Darius was appointed as the NC chairman, with effect from 28 March 2012. Mr. Sung Lee Ming, Alfred was appointed as NC member, with effect from 1 April 2012, and Mr. Fong Ping was appointed NC member with effect from 15 June 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. The full terms of reference are available on the Company's website: www.tatchun.com and HKEX website.

It is a newly formed committee with effect from 28 March 2012. One meeting has been held to nominate new INED to the Board during the year ended 31 December 2012.

Name of member	**Number of attendance**
Cheung Sui Wing, Darius (appointed as Chairman, with effect from 28 March 2012)	1/1
Wong Siu Fai, Albert	1/1
Sung Lee Ming, Alfred (appointed, with effect from 1 April 2012)	1/1
Fong Ping (appointed, with effect from 15 June 2012)	N/A
Yeung Hoi Shan	1/1

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The management provides such explanation and information to the Board on monthly basis 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, and 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 2012, 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 ("AC") comprises the four independent non-executive directors, namely Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming Alfred and Mr. Fong Ping. Two of AC members possess recognised professional qualifications in accounting and have wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee. Ms. Ho Man Kay resigned as AC member with effect from 22 February 2012 and Mr. Sung Lee Ming, Alfred was appointed as AC member with effect from 1 April 2012. Mr. Fong Ping was appointed as AC member with effect from 15 June 2012. No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm.

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 control 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 and HKEX website.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

AUDIT COMMITTEE *(Continued)*

Four Audit Committee meetings were held in 2012 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
Wong Siu Fai, Albert	4/4
Sung Lee Ming, Alfred (appointed, with effect from 1 April 2012)	2/2
Fong Ping (appointed, with effect from 15 June 2012)	0/1
Ho Man Kay (resigned, with effect from 22 February 2012)	1/1

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. The Company's annual results for the year ended 31 December 2012 has been reviewed by the Audit Committee.

Apart from the Audit Committee meetings, the four 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 2012. No special attentions have been made to the management of the Company with respect to this meeting.

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditor and ensures that their engagement in other non-audit services will not impair their audit independence or objectivity.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2012, 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	128
– Interim review	300
– Others (major transaction)	285

CORPORATE GOVERNANCE REPORT

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, Remuneration Committee and Nomination 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. The full Shareholder Communication Policy is available on the Company's website: www.tatchun.com.

According to article 58 of the Article of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the company secretary of the Company by mail to 31/F, Aitken Vanson Centre, No. 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong or by email to tatchun@tatchun.com.

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.

INVESTOR RELATIONS

The full Memorandum and Articles of Association are available on the Company's website: www.tatchun.com and HKEX website. No significant change is made to the Company's constitutional documents during the year.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Kwok Tung Fai was appointed as an executive director of the Company with effect from 1 April 2012, and company secretary, Chief Financial Officer and authorised representative of the Company with effect from 18 April 2012. Mr. Pak Shek Kuen resigned as an executive director, company secretary, Chief Financial Officer, and authorized representative of the Company, with effect from 18 April 2012.

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed.

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 summarised as follows:

	Year 2012		Year 2011		Decrease	Change in
	HK$'000	%	HK$'000	%	HK$'000	%
LED Lighting	132,450	15.8	334,407	28.0	(201,957)	(60.4)
Single-sided PCB	183,591	22.0	242,888	20.3	(59,297)	(24.4)
Double-sided PCB	278,954	33.4	353,723	29.6	(74,769)	(21.1)
Multi-layered PCB	240,506	28.8	263,503	22.1	(22,997)	(8.7)
Total	835,501	100	1,194,521	100	(359,020)	(30.1)

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 52% of the Group's turnover. High end multi-layered PCBs became the core product of the Group, accounted for 28.8% of turnover.

The Group's turnover by geographical regions is summarised as follows:

	Year 2012		Year 2011		(Decrease)/ Increase	Change in
	HK$'000	%	HK$'000	%	HK$'000	%
Hong Kong	185,681	22.2	230,010	19.3	(44,329)	(19.3)
The PRC	411,361	49.2	659,990	55.3	(248,629)	(37.7)
Asia (Excluding Hong Kong and the PRC)	158,638	19.0	241,806	20.2	(83,168)	(34.4)
Europe	67,216	8.1	49,609	4.1	17,607	35.5
Others	12,605	1.5	13,106	1.1	(501)	(3.8)
Total	835,501	100	1,194,521	100	(359,020)	(30.1)

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 2012, the Group's turnover amounted to approximately HK$835.5 million, representing an decrease of 30.1% as compared to approximately HK$1,194.5 million for the year ended 31 December 2011. The turnover of LED has decreased by 60.4% during the year of 2012. The gross profit margin for the year of 2012 was 6.8% (2011: 18.3%). The gross profit margins for LED and PCBs were 19.7% and 4.3%, respectively. The average utilisation rate of single-sided PCBs, double-sided PCBs and multi-layered PCBs were 60%, 52% and 68%, respectively, during the year of 2012. The turnover and gross profit margin in both PCB business and LED lighting business decreased, mainly because weakening global demand for PCB put pressure on selling price and PRC labour cost was increasing and competition in LED lighting was strong.

(Loss) profit attributable to shareholders was approximately HK$(233.1) million (2011: HK$51.0 million). The loss was mainly due to the following non-recurring items.

IMPAIRMENT LOSS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

During the year, the directors conducted a review of the Group's plant and machinery and determined that a number of those assets were impaired due to decline of market price and the increase in cost of production. Accordingly, impairment losses of HK$54,043,000 and HK$15,342,000 respectively have been recognised in respect of plant and machinery and leasehold improvements, which are used in the group PCB business. The recoverable amounts of the relevant assets have been determined on the basis of their value in use and is less than the carrying value before impairment assessment as at 31 December 2012. The discount rate in measuring the amounts of value in use is assumed to be 18% in relation to plant and machinery and leasehold improvements. The growth rate is assumed to be zero. The inflation rate is assumed to be 3%. The remaining weighted average useful life is assumed to be around 5 years. Key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the cash-generating unit's past performance and management expectations for the market development.

No negative cashflow effect is made to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPAIRMENT LOSS RECOGNISED ON INTANGIBLE ASSETS

The intangible assets of the Group represent the licenses of LED — related products for production of LED lighting. Such intangible assets have finite 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.

During the year, the directors conducted a review of the Group's intangible assets and determined that they were impaired, due to decline of market price and the increase in cost of production. Accordingly, impairment losses of HK$10,500,000 has been recognised in respect of intangible assets, which are used in the Group manufacturing and trading of LED lighting business (2011: Nil). The recoverable amounts of the relevant assets have been determined on the basis of their value in use and is less than carrying value before impairment assessment as at 31 December 2012. The discount rate in measuring the amounts of value in use is assumed to be 18%. The growth rate is assumed to be zero. The inflation rate is assumed to be 3%. The remaining weighted average useful life is assumed to be 5.5 years. The net cash inflow for coming 6 years is in the range of HK$10 million to HK$16 million per year approximately. Key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross profit margin, such estimation is based on the cash-generating unit's past performance and management expectations for the market development.

No negative cashflow effect is made to the Group.

IMPAIRMENT LOSS RECOGNISED ON TRADE RECEIVABLES AND OTHER RECEIVABLES

Since July 2010, the Group was over-optimistic in LED business, like our peers, and experienced too fast expansion in securing LED projects in various cities. During the year, management performed an impairment assessment on trade receivables and other receivables and an impairment loss of HKD164,165,000 for LED business and HKD5,077,000 for PCB business respectively, were recognised. More stringent risk management measures have been implemented to control the credit risk.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2012, the Group had total assets of approximately HK$1,336.9 million (31 December 2011: HK$1,863.0 million) and interest-bearing borrowings of approximately HK$196.3 million (31 December 2011: HK$399.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 14.7% (31 December 2011: 21.4%).

The Group had net current assets of approximately HK$201.2 million (31 December 2011: net current assets of HK$286.9 million) consisted of current assets of approximately HK$817.4 million (31 December 2011: HK$1,152.3 million) and current liabilities of approximately HK$616.3 million (31 December 2011: HK$865.4 million), representing a current ratio of approximately 1.33 (31 December 2011: 1.33).

As at 31 December 2012, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$163.9 million (31 December 2011: HK$389.0 million). As at 31 December 2012, the Group had bank balances, deposit and cash of approximately HK$118.8 million (31 December 2011: HK$194.3 million). The decrease was mainly because the Group had repaid HK$51 million bank loan just before 31 December 2012. Subsequent to 31 December 2012 the Group had obtained a bank loan of approximately HK$45 million from the same bank secured by land use rights and buildings situated in Guangdong, and therefore maintained the same total secured bank loan of HK$80 million from the same bank.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2012, the Group employed a total of approximately 2,287 employees (31 December 2011: 2,370), including approximately 2,169 employees in its Zhongshan production Site, 104 employees in its PRC LED business units and approximately 14 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 not to recommend the payment of a final dividend (31 December 2011: HK2.0 cent per share).

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 Wednesday, 29 May 2013 to Friday, 31 May, 2013 (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 Tuesday, 28 May 2013.

OUTLOOK

Looking ahead, it is expected that the LED industry will boom in 2013-2015, given the continuous support from the PRC government. In Jan 2013, The Ministry of Finance announced "The 13th Purchasing List of Energy-saving Products" (第十三期節能產品政府採購清單的通知), LED was firstly selected in the government's purchasing list. This implied popularity of LED is increasing and the government recognised LED as one of the important energy-saving products to be promoted in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2013, The National Development and Reform Commissions, The Ministry of Science and Technology, The Ministry of Industry and Information Technology, The Ministry of Finance, The Ministry of Housing and Urban-Rural Development, and General Administration of Quality Supervision, Inspection and Quarantine jointly announced the "Development Plan for Energy Saving LED Lighting" (半導體照明節能產品產業規劃), which stated that the proportion of energy saving products has to reach 70% while that for LED products is set to be 20% or above in 2015.

Besides, in July 2012, the Ministry of Science and Technology announced "12th Five-Year Special Plan for Development of LED Lighting Technology" (半導體照明科技發展"十二五"專項規劃), which set a target for LED development in 2015: the market share of LED has to reach 30% of the general lighting market, and production scale of LED has to reach RMB500 billion in 2015. The policy set that there will be 20-30 corporations to be established with core technologies, and the government will support 40-50 high tech corporations, and establish 50 demonstration cities of "10 Cities 10,000 LED Lamps" and 20 innovative production bases.

The Group will continue to secure different projects from various sources, including LED road lamp projects from the government with focus on the Guangdong province, and indoor LED lighting. The Group is increasing the percentage of sales with repayment period within 1 year and retains profit margin level. The Group is co-operating with PRC property developer to install indoor LED lighting.

Our LED business model will gradually adjust from one-stop solution service provider (including installation of new LED road lamp and electricity system connection, etc.) to replacement of LED lighting for existing lamps, which is able to allocate the capital raised from the market and control cost in a more effective way.

The Group's PCB business will maintain its steady development and the Group is still confident on the market environment. The Group is still looking for strategic partner to develop its PCB business, and does not rule out any possible joint venture possibilities in the future.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Shan, aged 52, 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 31 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. Kwok Tung Fai, aged 40, was appointed as an executive director with effect from 1 April 2012, and Chief Financial Officer, company secretary and authorized representative with effect from 18 April 2012. He is currently responsible for investor relations, banking facilities, and company secretarial matters. He first joined the Company as the assistant accounting manager in June 2004 and later promoted to the accounting manager. He left the Company in June 2007 and then re-joined the Company as the financial controller in January 2010. As financial controller, he was previously responsible for the banking facilities, company secretarial matters and financial accounting of the Company and its subsidiaries. Apart from working with the Company, Mr. Kwok has over 8 years of experience working in various corporations, including multinational accounting firms, multinational financial institution, listed firm in Hong Kong and other private companies. Mr. Kwok is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. He obtained a Master of Finance degree from Hong Kong University of Science and Technology in 2010 and a bachelor degree in Business Administration from The Chinese University of Hong Kong in 1997.

Mr. Zhu Jianqin, aged 40, 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 17 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).

Mr. Pak Shek Kuen, aged 54, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia, aged 75, 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 55, 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 10 years of experience in management, sales and marketing. He is the brother of Mr. Yeung Hoi Shan and a son of Madam Li Jinxia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius, aged 54, 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.

Mr. Wong Siu Fai, Albert, aged 53, 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 29 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.

Mr. Sung Lee Ming, Alfred, aged 54, was appointed as an independent non-executive director with effect from 1 April 2012. Mr. Sung graduated with a Bachelor of Economics degree from La Trobe University of Australia in 1984. He is a member of CPA (Australia), a fellow member of the Institute of Chartered Accountants in Australia and a fellow member (Practicing) of the Hong Kong Institute of Certified Public Accountants. Mr. Sung has over 28 years of experience in public accounting. He has been practicing as Certified Public Accountant through Alfred Sung & Co. and possesses a lot of experience in auditing, taxation, management and financial advisory services. Mr. Sung has worked with one of the Big Four accounting firms for about 6 years. In 1990, he set up his own practice and provides personalised quality professional services to his clients. Mr. Sung currently is an independent director and chairman of the audit committee of Lightscape Technologies Inc., a company formerly listed in the NASDAQ Stock Exchange and currently quoted on the Over-the-Counter Pink Market of U.S. Mr. Sung is appointed by way of a letter of appointment for a term of two years and is subject to retirement by subject to rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Fong Ping, aged 61, was appointed as an independent non-executive director with effect from 15 June 2012. Mr Fong is the president of Canaan Holdings Limited. He is also a director of Hong Kong Isabelle Company Limited and Hong Kong Zoe Fong Jewelry Limited. Mr. Fong has over 26 years of experience in garment and jewelry industries. Mr. Fong is the chairman of Kwai Tsing District Council, an observer of Independent Police Complaints Council, a member of District Fight Crime Committee, Kwai Tsing, Appeal Tribunal Panel (Buildings) of the Development Bureau of the Government of Hong Kong Special Administrative Region, Municipal Services Appeals Board and Ma Wan Park Advisory Committee. Mr. Fong is also member of Political Consultative Conference of Guangdong Province and Senior of Shantou City People's Political Consultative Conference. Mr. Fong is also a member of The Chinese Manufacturer's Association of Hong Kong, Co-Chairman of The Overseas Teo Chew Young Enterprises, Vice Chairman and Secretary General of New Territories Chiu Chow Federation, director of the Hong Kong Chiu Chow Chamber of Commerce Limited, chairman of Hong Kong & Kowloon Chiu Chow Public Association and Honorary Director of The University of Hong Kong Foundation for Educational Development & Research. Save as disclosed above, Mr. Fong does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications. Mr. Fong is appointed by way of a letter of appointment for a term of two years commencing on 15 June 2012 and is subject to retirement by subject to rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

Ms. Ho Man Kay, aged 50, 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.

SENIOR MANAGEMENT

Mr. Fung Eric Gin, aged 46, was appointed as managing director of Tat Chun Printed Circuit Board Company Limited in September 2008. Mr. Fung has over 25 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. Fung resigned as managing director of Tat Chun Printed Circuit Board Company Limited, with effect from 22 January 2013.

Mr. Ng Sing Hoi, Kenneth, aged 57, 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 23 years working as key management in sales & marketing for some major global PCB and Laminate manufacturers in Hong Kong and Canada. Mr. Ng resigned as V.P. Sales & Marketing of the Group, with effect from 8 April 2013.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of TC Orient Lighting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 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 2012 are set out in the consolidated statement of comprehensive income on page 36.

The directors do not recommend the payment of a final dividend 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 100.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2012 were as follows:

	2012 HK$'000	2011 HK$'000
Share premium	438,395	437,579
Contributed surplus	145,058	145,058
Accumulated profits	–	17,506
	583,453	600,143

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.

DIRECTORS' REPORT

SHARE CAPITAL

Details of movements during the year in the share capital and warrants of the Company are set out in note 27 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. Zhu Jianqin
Mr. Kwok Tung Fai (appointed, with effect from 1 April 2012)
Mr. Pak Shek Kuen (resigned, with effect from 18 April 2012)

NON-EXECUTIVE DIRECTORS

Madam Li Jinxia
Mr. Yeung Tai Hoi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Sui Wing, Darius
Mr. Wong Siu Fai, Albert
Mr. Sung Lee Ming, Alfred (appointed, with effect from 1 April 2012)
Mr. Fong Ping (appointed, with effect from 15 June 2012)
Ms. Ho Man Kay (resigned, with effect from 22 February 2012)

In accordance with the provisions of the Company's Articles of Association, Mr. Zhu Jianqin, Mr. Yeung Tai Hoi, Mr. Cheung Sui wing, Darius and Mr. Fong Ping 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 2012, determinable by either party by giving three months' prior written notice.

Mr. Yeung Hoi Shan entered into a service contract with the Company for a term of two years from 12 June 2012, determinable by either party by giving three months' prior written notice.

Mr. Kwok Tung Fai entered into a service contract with the Company for a term of two years from 1 April 2012, determinable by either party by giving three months' prior written notice.

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. He resigned as executive director with effect from 18 April 2012.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS *(Continued)*

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 31 May 2012, 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 31 May 2012 (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.

DIRECTORS' REPORT

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 2012 '000	Reclassified during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2012 '000	Exercisable period
Directors:								
Mr. Yeung Hoi Shan	29 September 2009	1.07	2,400	–	–	–	2,400	(Note 1)
	2 September 2011	2.11	2,300	–	–	(2,300)	–	(Note 3)
Mr. Pak Shek Kuen (Note 5)	29 September 2009	1.07	800	–	–	(800)	–	(Note 1)
	29 September 2010	2.62	1,000	–	–	(1,000)	–	(Note 2)
	2 September 2011	2.11	2,300	–	–	(2,300)	–	(Note 3)
Mr. Wong Siu Fai, Albert	29 September 2009	1.07	140	–	–	–	140	(Note 1)
	14 July 2010	1.50	200	–	–	–	200	(Note 2)
	2 September 2011	2.11	200	–	–	–	200	(Note 3)
Mr. Cheung Sui Wing, Darius	29 September 2009	1.07	80	–	–	–	80	(Note 1)
	14 July 2010	1.50	140	–	–	–	140	(Note 2)
	2 September 2011	2.11	200	–	–	–	200	(Note 3)
Ms. Ho Man Kay (Note 6)	29 September 2009	1.07	80	–	–	80	–	(Note 1)
	14 July 2010	1.50	140	–	–	140	–	(Note 2)
	2 September 2011	2.11	200	–	–	200	–	(Note 3)
Mr. Yeung Tai Hoi	29 September 2009	1.07	80	–	–	–	80	(Note 1)
	2 September 2011	2.11	4,000	–	–	(4,000)	–	(Note 3)
Madam Li Jinxia	29 September 2009	1.07	700	–	–	–	700	(Note 1)
	2 September 2011	2.11	4,000	–	–	(4,000)	–	(Note 3)
Mr. Zhu Jianqin	29 September 2009	1.07	600	–	–	–	600	(Note 1)
	2 September 2011	2.11	2,300	–	–	–	2,300	(Note 3)
Mr. Kwok Tung Fai (Note 7)	14 July 2010	1.50	–	240	–	–	240	(Note 2)
	2 September 2011	2.11	–	500	–	(500)	–	(Note 3)
Subtotal			21,860	740	–	(15,320)	7,280	

DIRECTORS' REPORT

SHARE OPTION SCHEME *(Continued)*

Grantee	Date of grant	Exercise price per share HK$	Outstanding at 1 January 2012 '000	Reclassified during the year '000	Exercised during the year '000	Forfeited during the year '000	Outstanding at 31 December 2012 '000	Exercisable period
Consultants:	29 September 2009	1.07	1,900	–	(600)	–	1,300	(Note 1)
	29 September 2010	2.62	2,000	–	–	–	2,000	(Note 2)
	11 October 2010	2.70	400	–	–	–	400	(Note 2)
	29 November 2010	3.39	1,300	–	–	–	1,300	(Note 2)
	26 April 2011	3.13	3,000	–	–	(3,000)	–	(Note 4)
	2 September 2011	2.11	9,000	–	–	(9,000)	–	(Note 3)
			17,600	–	(600)	(12,000)	5,000	
Employees:	29 September 2009	1.07	2,568	–	–	(396)	2,172	(Note 1)
	14 July 2010	1.50	2,038	(240)	–	(810)	988	(Note 2)
	29 September 2010	2.62	300	–	–	–	300	(Note 2)
	2 September 2011	2.11	5,500	(500)	–	–	5,000	(Note 3)
Subtotal			10,406	(740)	–	(1,206)	8,460	
Total			49,866	–	(600)	(28,526)	20,740	

Note 1: 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 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 10th year after the date of grant.

Note 3: 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 4: 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 5: Mr. Pak Shek Kuen resigned as a executive director on 18 April 2012 and his share options were forfeited during the year.

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

Note 7: Mr. Kwok Tung Fai was appointed as executive director on 1 April 2012 and 740,000 share options held by him were reclassified from employee to director.

Note 8: The weighted average closing market price per share immediately before the dates on which the share options were exercised was HK$1.70 (2011: HK$3.48).

DIRECTORS' REPORT

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 37 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 2012, 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	145,902,000	32.97%

DIRECTORS' REPORT

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

Interests in underlying shares pursuant to share options:

Name of directors/ 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
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 (Note 1)	Beneficial owner	29 September 2009	1.07	—
		14 July 2010	1.50	—
		2 September 2011	2.11	—
Mr. Yeung Tai Hoi	Beneficial owner	29 September 2009	1.07	80,000
Madam Li Jinxia	Beneficial owner	29 September 2009	1.07	700,000
Mr. Zhu Jianqin	Beneficial owner	29 September 2009	1.07	600,000
		2 September 2011	2.11	2,300,000
Mr. Kwok Tung Fai (Note 2)	Beneficial owner	14 July 2010	1.50	240,000
				7,280,000

Note 1: Ms. Ho Man Kay resigned as an independent non-executive director on 22 February 2012.

Note 2: Mr. Kwok Tung Fai was appointed as an executive director on 1 April 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 2012.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31 December 2012, the following person (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	145,902,000	32.97%

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 2009	2,400,000	1.07

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 2012.

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 has not repurchased any of its own shares through the Stock Exchange.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 14.5% to the total sales for the year. The Group's five largest customers accounted for 41.9% of the Group's total turnover for the year.

The Group's largest supplier contributed 17.8% to the total purchases for the year. The Group's five largest suppliers accounted for 44.2% 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 2012.

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 ("NC") comprises of five directors including Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert, Mr. Sung Lee Ming, Alfred and Mr. Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Cheung Shui Wing, Darius was appointed as the NC chairman, with effect from 28 March 2012. Mr. Sung Lee Ming, Alfred was appointed as NC member, with effect from 1 April 2012, and Mr. Fong Ping was appointed NC member with effect from 15 June 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. The full terms of reference are available on the Company's website: www.tatchun.com and HKEX website.

It is a newly formed committee with effect from 28 March 2012.

DIRECTORS' REPORT

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises of five directors including Mr. Sung Lee Ming, Alfred, Mr. Cheung Sui Wing, Darius, Mr. Wong Siu Fai, Albert and Mr. Fong Ping, all of them are independent non-executive directors and Mr. Yeung Hoi Shan, an executive director. Mr. Sung Lee Ming, Alfred was appointed as the RC chairman, with effect from 1 April 2012. Mr. Yeung resigned as RC Chairman but remained as RC member, with effect from 1 April 2012. Ms. Ho Man Kay resigned as the RC member with effect from 22 February 2012. Mr. Fong Ping was appointed as the RC member with effect from 15 June 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 and The Stock Exchange of Hong Kong Limited("HKEX") website.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management.

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$854,747.

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
26 March 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF 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)

We have audited the consolidated financial statements of TC Orient Lighting Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 99, which comprise the consolidated statement of financial position as at 31 December 2012, 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 engagement, 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 2012, and of the Group's loss 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
26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Turnover	5	**835,501**	1,194,521
Cost of sales		**(778,996)**	(976,270)
Gross profit		**56,505**	218,251
Other income	6	**57,269**	47,229
Other gains and losses	7	**(256,830)**	(4,965)
Selling and distribution expenses		**(25,143)**	(36,557)
Administrative expenses		**(95,660)**	(100,119)
Finance costs	8	**(14,791)**	(11,418)
(Loss) profit before tax		**(278,650)**	112,421
Income tax expense	9	**(2,657)**	(41,408)
(Loss) profit for the year	10	**(281,307)**	71,013
Other comprehensive income			
Exchange differences arising on translation		**3,477**	13,976
Surplus on revaluation of properties		**18,731**	17,511
Deferred tax liabilities arising from revaluation of properties		**(4,683)**	(4,378)
Other comprehensive income for the year		**17,525**	27,109
Total comprehensive (expense) income for the year		**(263,782)**	98,122
(Loss) profit for the year attributable to:			
Owners of the Company		**(233,074)**	51,014
Non-controlling interests		**(48,233)**	19,999
		(281,307)	71,013
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(216,678)**	74,768
Non-controlling interests		**(47,104)**	23,354
		(263,782)	98,122
(Loss) earnings per share	14		
Basic		**(HK$0.53)**	HK$0.12
Diluted		**(HK$0.53)**	HK$0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	337,197	443,150
Prepaid lease payments – non-current portion	16	36,342	21,305
Intangible assets	17	35,345	53,462
Interest in an associate	18	2	2
Trade receivables with extended credit terms	20(a)	107,695	190,106
Deposits paid for acquisition of property, plant and equipment		2,918	2,743
		519,499	710,768
Current assets			
Inventories	19	140,417	126,917
Prepaid lease payments – current portion	16	941	615
Trade and other receivables	20(a)	508,079	629,528
Bills receivable	20(b)	3,756	5,681
Derivative financial instruments	21	297	495
Pledged bank deposits	22	45,123	194,766
Bank balances, deposits and cash	22	118,799	194,260
		817,412	1,152,262
Current liabilities			
Trade and other payables	23(a)	250,104	314,338
Bills payable	23(b)	105,899	90,614
Derivative financial instruments	21	–	1,409
Taxation payable		68,969	71,777
Bank borrowings – due within one year	24	183,238	377,402
Obligations under finance leases – due within one year	25	8,048	9,815
		616,258	865,355
Net current assets		201,154	286,907
Total assets less current liabilities		720,653	997,675
Non-current liabilities			
Obligations under finance leases – due after one year	25	4,968	12,038
Deferred tax liabilities	26	18,558	16,521
		23,526	28,559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Net assets		**697,127**	969,116
Capital and reserves			
Share capital	27	**44,248**	44,188
Reserves		**631,066**	856,011
Equity attributable to owners of the Company		**675,314**	900,199
Non-controlling interests		**21,813**	68,917
Total equity		**697,127**	969,116

The consolidated financial statements on pages 36 to 99 were approved and authorised for issue by the Board of Directors on 26 March 2013 and are signed on its behalf by:

Yeung Hoi Shan
DIRECTOR

Kwok Tung Fai
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital HK$'000 (note 27)	Share premium HK$'000	Capital redemption reserve HK$'000 (note 28)	Treasury share HK$'000	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 28)	Special reserve HK$'000 (note 28)	Share option reserve HK$'000	Warrant reserve HK$'000	Capital contribution reserve HK$'000 (note 28)	Exchange reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 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 and 1 January 2012	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
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(233,074)	(233,074)	(48,233)	(281,307)
Exchange differences arising on translation	–	–	–	–	–	–	–	–	–	–	2,348	–	2,348	1,129	3,477
Surplus on revaluation properties	–	–	–	–	18,731	–	–	–	–	–	–	–	18,731	–	18,731
Deferred tax liabilities arising from revaluation of properties	–	–	–	–	(4,683)	–	–	–	–	–	–	–	(4,683)	–	(4,683)
Total comprehensive income (expense) for the year	–	–	–	–	14,048	–	–	–	–	–	2,348	(233,074)	(216,678)	(47,104)	(263,782)
Transfer	–	–	–	–	–	292	–	–	–	–	–	(292)	–	–	–
Issue of shares upon exercise of share options	60	816	–	–	–	–	–	(234)	–	–	–	–	642	–	642
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	(8,849)	(8,849)	–	(8,849)
Release upon forfeiture of share options	–	–	–	–	–	–	–	(6,847)	–	–	–	6,847	–	–	–
Subtotal	60	816	–	–	–	292	–	(7,081)	–	–	–	(2,294)	(8,207)	–	(8,207)
At 31 December 2012	44,248	438,395	450	(373)	61,695	15,003	1,156	12,626	–	1,893	13,048	87,173	675,314	21,813	697,127

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(278,650)	112,421
Adjustments for:		
Amortisation of intangible assets	7,617	7,585
Depreciation of property, plant and equipment	60,132	61,716
Fair value changes on derivative financial instruments	(2,193)	384
Finance costs	14,791	11,418
Loss on disposal of property, plant and equipment	751	–
Impairment loss recognised on property, plant and equipment	69,385	–
Impairment loss recognised on intangible assets	10,500	–
Written off/impairment loss recognised on trade and other receivables	170,283	224
Imputed interest on trade receivables with extended credit terms	(23,157)	(8,571)
Interest income	(5,949)	(7,482)
Release of prepaid lease payments	941	615
Reversal of impairment loss previously recognised for trade receivables	(1,440)	(659)
Share-based payment expenses	–	15,721
Operating cash flow before movements in working capital	23,011	193,372
Increase in inventories	(13,500)	(6,412)
Decrease (increase) in trade and other receivables	59,192	(359,845)
Decrease in bills receivable	1,925	2,382
Changes in derivative financial instruments	982	806
(Decrease) increase in trade and other payables	(63,277)	76,809
Increase (decrease) in bills payable	15,285	(27,798)
Cash from (used in) operations	23,618	(120,686)
Hong Kong Profits Tax refunded	–	2,687
PRC Enterprise Income Tax paid	(8,111)	(4,834)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	15,507	(122,833)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	506,267	504,829
Interest received	5,949	7,482
Proceeds from disposal of property, plant and equipment	648	–
Placement of pledged bank deposits	(356,624)	(447,865)
Purchase of prepaid lease payments	(16,304)	–
Deposits paid for acquisition property, plant and equipment	(2,918)	(2,743)
Purchase of property, plant and equipment	(2,369)	(29,993)
Investment in an associate	–	(2)
NET CASH FROM INVESTING ACTIVITIES	134,649	31,708

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	(607,997)	(559,082)
Interest paid	(14,791)	(11,418)
Repayment of obligations under finance leases	(9,957)	(19,053)
Dividends paid	(8,849)	(10,944)
Bank borrowings raised	413,833	508,033
Proceeds from issue of shares	642	254,574
Capital contribution from non-controlling interest	–	1,884
Payment on repurchase of shares	–	(12,546)
Expenses on issue of shares	–	(12,110)
Repayment to a shareholder	–	(5,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(227,119)	134,338
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(76,963)	43,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	194,260	148,266
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,502	2,781
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances, deposits and cash	118,799	194,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 the ultimate 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 Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39.

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

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

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

Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments - Disclosures - Transfer of Financial Assets

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 -2011 Cycle[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure [3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurements[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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

ANNUAL IMPROVEMENTS TO HKFRSs 2009 - 2011 CYCLE ISSUED IN JUNE 2012

The *Annual Improvements to HKFRSs 2009 - 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for the Group for annual periods beginning on 1 January 2013.

Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND AMENDMENTS TO HKFRS 7 DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual period beginning on 1 January 2014, with retrospective application required.

The directors anticipate that the application of the amendments to HKFRS 7 may result in more disclosures being made with regard to derivative financial instruments. However, this will not have material impact on the result and the financial position of the Group when applying the amendments to HKAS 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of HKFRS 12 and HKFRS 10 are described below.

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, associated and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first 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. A preliminary review has been performed by the directors and the directors concluded that the application of HKFRS 10 does not have any significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosure for the Group's interests in subsidiaries in the consolidated financial statements.

HKFRS 13 FAIR VALUE MEASUREMENT

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 also require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual periods beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in 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 results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

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.

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, 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 associate's financial statement used for the application of equity method of accounting is prepared using uniform accounting policies with the Group for transactions and events in similar circumstances. Where necessary, adjustments are made to the financial statement of the associate to bring its accounting policies into line with those used in the Group's consolidated financial statements.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT IN AN ASSOCIATE *(Continued)*

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 and value-added tax.

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.

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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance leases), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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. Costs include professional fees and borrowing costs capitalised for qualifying assets in accordance with the Group's accounting policy. 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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are 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 with finite useful lives 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 ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS *(Continued)*

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When allocating an impairment loss to individual assets within a cash-generating unit, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), is value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the cash-generating unit on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Effective interest method (Continued)

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

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 from remeasurement recognised directly in profit or loss in the period in which they arise.

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;
- breach of contract, such as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Impairment of loans and receivables (Continued)

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.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchases 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

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 and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

LEASING *(Continued)*

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 expenses 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 'loss/profit before tax' 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

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 in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis 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.

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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 are the key assumptions concerning future at the end of reporting period that have a significant risk of causing material adjustments, to the carrying amounts of assets and liabilities within the next financial year.

ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Determining whether an impairment loss is recognised requires an estimate of the recoverable amount of the relevant assets or the CGUs to which the assets belong. The management considers that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use which is higher than its fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are more or less than expected, or changes in facts and circumstances which result in revision in future estimated cash flows, a material impairment loss or reversal of impairment loss may arise.

As at 31 December 2012, the carrying amounts of property, plant and equipment and intangible assets respectively are HK$337,197,000 (2011: HK$443,150,000) and HK$35,345,000 (2011: HK$53,462,000), net of accumulated impairment losses of HK$69,385,000 (2011: Nil) and HK$10,500,000 (2011: Nil), respectively. Details are disclosed in notes 15 and 17, respectively.

ESTIMATED 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 2012, the carrying amount of trade receivables is HK$573,451,000 (2011: HK$716,356,000) of which HK$282,404,000 (2011: HK$472,162,000) is trade receivables with extended credit terms. The total allowance for doubtful debts is HK$17,065,000 (2011: HK$15,342,000). Details of movements of allowance for trade receivables are disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5. REVENUE

	2012 HK$'000	2011 HK$'000
An analysis of the Group's revenue is as follows:		
Sales of printed circuit boards ("PCB")	**703,051**	860,114
Sales of light emitting diode ("LED") lighting	**132,450**	334,407
	835,501	1,194,521

6. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	**5,949**	7,482
Imputed interest on trade receivables with extended credit terms	**23,157**	8,571
Rental income	**133**	198
Sales of scrap materials	**22,380**	26,764
Government grants (note)	**4,693**	3,510
Others	**957**	704
	57,269	47,229

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

7. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Net foreign exchange loss	**(9,632)**	(5,016)
Impairment loss recognised on trade and other receivables	**(6,118)**	(224)
Amount written off as uncollectible trade receivables with extended credit terms	**(164,165)**	–
Impairment loss recognised on intangible assets	**(10,500)**	–
Impairment loss in respect of property, plant and equipment	**(69,385)**	–
Fair value changes on derivative financial instruments	**2,193**	(384)
Reversal of impairment loss previously recognised on trade receivables	**1,440**	659
Loss on disposal of property, plant and equipment	**(751)**	–
Others	**88**	–
	(256,830)	(4,965)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
— bank and other borrowings wholly repayable within five years	**14,043**	10,473
— obligations under finance leases	**748**	945
	14,791	11,418

9. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'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 in 2011 (2012: Nil))	**5,303**	40,753
	5,303	41,008
Deferred tax (note 26)	**(2,646)**	400
	2,657	41,408

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

No provision for Hong Kong Profits Tax is made during the year since there is no assessable profit during the year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. INCOME TAX EXPENSE *(Continued)*

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

	2012 HK$'000	2011 HK$'000
(Loss) profit before tax	(278,650)	112,421
Tax rate applicable to the major operations of the Group	25%	25%
Tax at the applicable rate	(69,663)	28,105
Tax effect of expenses not deductible for tax purpose	4,668	4,461
Tax effect of income not taxable for tax purpose	(458)	(897)
Tax effect of Tax Holiday of subsidiaries	–	(1,672)
Tax effect of tax losses not recognised	8,214	7,958
PRC withholding tax	–	2,800
Deferred tax relating to PRC dividend withholding tax	–	400
Tax effect of deductible temporary differences not recognised	59,896	–
Underprovision in prior years	–	253
Income tax expense	2,657	41,408

10. (LOSS) PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	126,965	133,665
Share-based payments	–	15,721
Retirement benefit schemes contributions	7,017	7,117
Total employee expenses	133,982	156,503
Auditor's remuneration	1,600	1,600
Cost of inventories recognised as an expense	778,996	976,270
Depreciation of property, plant and equipment	60,132	61,716
Release of prepaid lease payments	941	615

11. DIRECTORS' EMOLUMENTS

The emoluments of the directors were as follows:

2012

	Yeung Hoi Shan HK$'000	Pak Shek Kuen HK$'000 (note b)	Zhu Jianqin HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Ho Man Kay HK$'000 (note c)	Wong Siu Fai, Albert HK$'000	Sung Lee Ming, Alfred HK$'000 (note d)	Fong Ping HK$'000 (note e)	Kwok Tung Fai HK$'000 (note f)	Total HK$'000
Directors' emoluments:												
– Fees	–	–	–	93	93	113	20	113	90	65	–	587
– Salaries and other benefits	3,974	606	1,124	–	–	–	–	–	–	–	960	6,664
– Performance related incentive payment (note a)	–	–	97	–	–	–	–	–	–	–	–	97
– Retirement benefit scheme contributions	14	4	47	–	–	–	–	–	–	–	10	75
Total emoluments	3,988	610	1,268	93	93	113	20	113	90	65	970	7,423

2011

	Yeung Hoi Shan HK$'000	Pak Shek Kuen HK$'000 (note b)	Zhu Jianqin HK$'000	Li Jinxia HK$'000	Yeung Tai Hoi HK$'000	Cheung Sui Wing, Darius HK$'000	Ho Man Kay HK$'000 (note c)	Wong Siu Fai, Albert HK$'000	Total HK$'000
Directors' emoluments:									
– Fees	–	–	–	92	92	92	139	92	507
– Salaries and other benefits	3,974	1,784	1,124	–	–	–	–	–	6,882
– Share-based payments	760	1,266	711	1,141	1,094	117	117	117	5,323
– Performance related incentive payment (note a)	114	64	–	–	–	–	–	–	178
– Retirement benefit scheme contributions	12	12	47	–	–	–	–	–	71
Total emoluments	4,860	3,126	1,882	1,233	1,186	209	256	209	12,961

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11. DIRECTORS' EMOLUMENTS *(Continued)*

Notes:

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

(b) Mr. Pak Shek Kuen resigned as an executive director on 18 April 2012.

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

(d) Mr. Sung Lee Ming was appointed as an independent non-executive director on 1 April 2012.

(e) Mr. Fong Ping was appointed as an independent non-executive director on 15 June 2012.

(f) Mr. Kwok Tung Fai was appointed as an executive director on 1 April 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 (2011: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**2,826**	2,826
Share-based payments	**–**	315
Performance related incentive payment	**–**	104
Retirement benefit schemes contributions	**28**	24
	2,854	3,269

	2012	2011
Their emoluments were within the following bands:		
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
	2	2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2011 Final dividend of HK2.0 cents per share (2011: 2010 Final dividend of HK2.5 cent per share)	8,849	10,944

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: HK$8,849,000).

14. (LOSS) EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributed to the owners of the Company)	(233,074)	51,014
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	442,254,214	433,811,622
Effect of dilutive potential ordinary shares:		
Share options	–	8,519,654
Warrants	–	2,285,038
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	442,254,214	444,616,314

The calculation of the diluted loss per share for the year ended 31 December 2012 did not assume the exercise of the Company's outstanding share options as the exercise of the Company's share option would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 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 and 1 January 2012	2,025	159,133	440,495	4,197	9,939	10,993	111,758	738,540
Additions	166	–	1,927	334	2,071	180	1,554	6,232
Disposals	(417)	–	(135)	(5)	(1,389)	(30)	(721)	(2,697)
Surplus on revaluation	–	14,432	–	–	–	–	–	14,432
At 31 December 2012	1,774	173,565	442,287	4,526	10,621	11,143	112,591	756,507
Comprising:								
At cost	1,774	–	442,287	4,526	10,621	11,143	112,591	582,942
At valuation – 2012	–	173,565	–	–	–	–	–	173,565
	1,774	173,565	442,287	4,526	10,621	11,143	112,591	756,507
DEPRECIATION AND IMPAIRMENT								
At 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 and 1 January 2012	–	–	225,673	2,881	4,510	8,337	53,989	295,390
Provided for the year	–	4,299	41,248	530	1,499	1,155	11,401	60,132
Disposals	–	–	(117)	(1)	(795)	(5)	(380)	(1,298)
Elimination on revaluation	–	(4,299)	–	–	–	–	–	(4,299)
Impairment loss recognised in profit or loss	–	–	54,043	–	–	–	15,342	69,385
At 31 December 2012	–	–	320,847	3,410	5,214	9,487	80,352	419,310
CARRYING VALUES								
At 31 December 2012	1,774	173,565	121,440	1,116	5,407	1,656	32,239	337,197
At 31 December 2011	2,025	159,133	214,822	1,316	5,429	2,656	57,769	443,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

During the year, in light of the decline of market price and the increase in cost of production which result in operating losses incurred by certain subsidiaries, the directors conducted an impairment review by comparing the carrying amounts and recoverable amounts of the relevant assets. If it is not possible to estimate the recoverable amount of the property, plant and machinery individually, the management determines the recoverable amount of the CGU to which property, plant and machinery belong. For the purpose of the impairment test, the directors considered the plants for the manufacturing of Single-sided PCB, Double-sided PCB and Multi-layered PCB as separate CGUs. The recoverable amounts of the respective CGU were determined on the basis of their value in use, which is higher than the fair value less costs to sell. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management expectations for the market development. The discount rate in measuring the amounts of value in use was 18% for the respective CGUs. Impairment losses on plant and machinery of HK$14,130,000, HK$21,475,000 and HK$18,438,000 has been recognised in respect of Single-sided PCB CGU, Double-sided PCB CGU and Multi-layered PCB CGU, respectively, while impairment losses on leasehold improvements of HK$3,986,000, HK$6,057,000 and HK$5,299,000 has been recognised in respect of three CGUs of Single-sided PCB, Double-sided PCB and Multi-layered PCB, respectively.

At 31 December 2012, 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$98,156,000 (2011: HK$100,520,000).

As at 31 December 2012, the carrying values of the Group's plant and machinery and motor vehicles include amounts of HK$91,612,000 and HK$3,813,000 (2011: HK$108,321,000 and HK$3,731,000), respectively, in respect of assets held under finance leases.

The Group has pledged buildings and plant and machinery having carrying amounts of HK$173,565,000 (2011: HK$159,133,000) and HK$8,965,000 (2011: HK$21,833,000), respectively, to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2012 HK$'000	2011 HK$'000
Land use rights in the PRC under medium term leases	**37,283**	21,920
Analysed for reporting purposes as:		
Non-current assets	**36,342**	21,305
Current assets	**941**	615
	37,283	21,920

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$21,305,000 (2011: HK$21,920,000) to secure general banking facilities granted to the Group.

Included in the medium-term prepaid lease payments are land use rights with carrying amount of HK$15,978,000 (2011: Nil) which are located in the PRC. The Group is in the process of obtaining the land use right certificate.

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17. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2011	55,176
Exchange adjustments	4,291
Addition	3,283
At 31 December 2011, 1 January 2012 and 31 December 2012	62,750
AMORTISATION AND IMPAIRMENT	
At 1 January 2011	1,587
Exchange adjustments	116
Charge for the year	7,585
At 31 December 2011 and 1 January 2012	9,288
Charge for the year	7,617
Impairment loss recognised during the year	10,500
At 31 December 2012	27,405
CARRYING VALUES	
At 31 December 2012	35,345
At 31 December 2011	53,462

The intangible assets of the Group represent the licenses of LED – related products for production of LED lighting. Such intangible assets have finite 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. The amortisation of intangible assets capitalised as inventories was HK$7,617,000 (2011: HK$7,585,000) as at 31 December 2012.

During the year, in light of the decline of market price and the increase in cost of production which result in operating loss incurred by a subsidiary, the directors conducted an impairment review by comparing the carrying amount and recoverable amount of the intangible assets. If it is not possible to estimate the recoverable amount of the intangible assets individually, the management determines the recoverable amount of the CGU of which the intangible assets belong. For the purpose of the impairment test, the directors considered the subsidiary which held the intangible assets for the manufacturing of LED lighting is a CGU. The recoverable amount would be determined on the basis of the CGU's value in use, which is higher than the fair value less costs to sell. Accordingly, impairment loss of HK$10,500,000 has been recognised in respect of the intangible assets. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management expectations for the market development. The discount rate in measuring the amounts of value in use was 18%.

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18. INTEREST IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Cost of unlisted investment in an associate	2	2

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

	2012 HK$'000	2011 HK$'000
Total assets and net assets	8	8
Group's share of net assets of an associate	2	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 shares capital	Proportion of nominal value of issued share capital held by the Company directly 2012	2011	Principal activity
Jolly Pearl Enterprises Limited 朝珍企業有限公司	The British Virgin Islands	Ordinary shares US$1,000	30%	30%	Inactive

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19. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	56,490	55,071
Work in progress	28,977	39,974
Finished goods	54,950	31,872
	140,417	126,917

20. TRADE, BILLS AND OTHER RECEIVABLES

(a) TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables with normal credit terms (note I)	308,112	259,536
Less: Allowance for doubtful debts	(17,065)	(15,342)
	291,047	244,194
Trade receivables with extended credit terms (note II)	282,404	472,162
Total trade receivables, net of allowance for doubtful debts	573,451	716,356
Less: Non-current portion of trade receivables with extended credit terms	(107,695)	(190,106)
Current portion of trade receivables	465,756	526,250
Advances to suppliers	8,302	51,874
Value-added tax recoverable	17,388	15,490
	25,690	67,364
Other receivables (note III)	17,674	35,914
Less: Allowance for doubtful debts	(1,041)	–
	16,633	35,914
Amounts shown under current assets	508,079	629,528

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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 180 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, which approximated the respective revenue recognition dates:

	Extended credit terms		**Normal credit terms**		**Total**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
0 – 30 days	**19,309**	115,786	**67,452**	64,424	**86,761**	180,210
31 – 60 days	**–**	51,145	**64,414**	57,262	**64,414**	108,407
61 – 90 days	**–**	69,731	**46,936**	57,022	**46,936**	126,753
91 – 180 days	**56,637**	25,285	**97,755**	58,203	**154,392**	83,488
Over 180 days	**206,458**	210,215	**14,490**	7,283	**220,948**	217,498
	282,404	472,162	**291,047**	244,194	**573,451**	716,356

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**15,342**	20,982
Impairment loss recognised on receivables	**5,077**	224
Amounts written off as uncollectible	**(1,914)**	(5,205)
Impairment loss reversed	**(1,440)**	(659)
Balance at end of the year	**17,065**	15,342

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$17,065,000 (2011: HK$15,342,000). During the second half of 2012, the Group has renegotiated with certain debtors with extended credit terms with past due trade receivables for the settlement and agreed the remaining unsettled trade receivables to be settled immediately at a discount. Accordingly, the discounted portion of the past due trade receivables amounted to HK$164,165,000 (2011: nil) is written off to the profit or loss. The Group does not hold any collateral over these balances.

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

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

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 78% (2011: 54%) of the trade receivables with normal credit terms 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$64,410,000 (2011: HK$112,551,000) 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 good repayment records without default history and settled certain receivables subsequent to the reporting period. 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.

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

	2012 HK$'000	2011 HK$'000
31 – 60 days	**56,435**	13,706
61 – 90 days	**2,171**	36,342
91 – 180 days	**1,375**	55,220
Over 180 days	**4,429**	7,283
Total	**64,410**	112,551

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.

II. TRADE RECEIVABLES WITH EXTENDED CREDIT TERMS

At 31 December 2012, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$282,404,000 (2011: HK$472,162,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

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

Notes: *(Continued)*

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

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

	2012 HK$'000	2011 HK$'000
Within one year	174,709	282,056
In the second to fifth year inclusive	107,695	169,616
Over five years	–	20,490
	282,404	472,162

Included in the trade receivables with extended credit terms are balances of HK$106,801,000 (2011: HK$145,524,000) receivable from certain government authorities in the PRC.

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 81% (2011: 80%) of the net 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$48,942,000 (2011: HK$91,816,000) 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 good repayment records without default history and settled certain receivables subsequent to the reporting period. 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.

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	12,389	30,000
31 – 60 days	–	7,742
61 – 90 days	–	3,259
91 – 180 days	10,450	477
Over 180 days	26,103	50,338
Total	48,942	91,816

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For the year ended 31 December 2012

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

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

Notes: *(Continued)*

III. Included in the Group's other receivables is an amount of HK$3,548,000 licensing income receivable (2011: HK$4,451,000) 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 Jianqin.

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	–	–
Impairment loss recognised on receivables	1,041	–
Balance at end of the year	1,041	–

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of HK$1,041,000 (2011: Nil) which mainly have either been placed under liquidation or in severe difficulties.

(b) Included in the bills receivable is an amount of HK$1,341,000 (2011: HK$4,035,000) aged within 30 days based on issue date of the bills at the end of the reporting period. The remaining balance is aged within 91-180 days based on issue date of the bills 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:

	2012 HK$'000	2011 HK$'000
United States dollars ("US$")	246,489	204,400
Renminbi ("RMB")	36,656	43,704
	283,145	248,104

At the end of reporting period, the Group has pledged trade receivables having carrying amounts of HK$21,121,000 (2011: Nil) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2012 Assets HK$'000	2012 Liabilities HK$'000	2011 Assets HK$'000	2011 Liabilities HK$'000
Foreign currency derivatives:					
Forward contracts	(i)	–	–	–	550
Currency structured forward contracts	(ii)	297	–	495	–
Interest rate swaps	(iii)	–	–	–	859
		297	–	495	1,409

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$4,940,000	From January 2012 to May 2012	Sell RMB/buy US$ at 6.3820 to 6.4840
HK$9,807,000	June 2012	Sell HK$/buy RMB at 0.8261

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.

(II) CURRENCY STRUCTURED FORWARD CONTRACTS

For the year ended 31 December 2012

During the year ended 31 December 2012, the Group entered into a net settled US$/RMB structured forward contract which gives the Group the opportunities to receive variable US$ per month if the market exchange rate is at or below RMB6.55/US$ or RMB6.40/US$ on a specific valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate is above RMB6.55/US$ or RMB6.40/US$ on a specific valuation date. The contract is also subject to knockout under which the contract will terminate if the number of times that the market exchange rate is at or below RMB6.55/US$ or RMB6.40/US$ on a specific valuation date exceeds a specific number of times. As of 31 December 2012, the aggregate notional amounts of the outstanding currency structured contract was US$45,000,000 covering monthly settlement up to June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(II) CURRENCY STRUCTURED FORWARD CONTRACTS *(Continued)*

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 is above RMB6.9/US$ on the valuation date. As of 31 December 2011, the aggregate notional amount 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$/RMB structured forward contract which gives the Group the opportunities to receive variable US$ per month if the market exchange rate is at or below RMB6.40/US$ or RMB6.63/US$ on a specific valuation date. However, the Group is obliged to pay a variable US$ amount if the market exchange rate is above RMB6.40/US$ or RMB6.63/US$ on a 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 amount of the outstanding currency structured contract was US$60,000,000 covering monthly settlements up to March 2013. Such contract has been early terminated on 31 March 2012.

(III) INTEREST RATE SWAPS

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

As at 31 December 2011

Aggregate notional amounts	Interest rate swap	Maturity
US$4,796,000	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$11,549,000	Floating rate: Hong Kong Interbank Offered Rate ("HIBOR") plus 1.75% Fixed rate: 2.3%	11 June 2012

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

As at 31 December 2012, the pledged bank deposits comprise of deposits for the issue of bills payable of HK$21,953,000 (2011: HK$18,488,000) and deposits of HK$23,170,000 (2011: HK$176,278,000) 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 and bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.02% to 3.50% (2011: 0.02% to 3.90%) per annum.

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

	2012 HK$'000	2011 HK$'000
US$	71,390	112,553
RMB	58,554	236,750
HK$	167	7,933
	130,111	357,236

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.

	2012 HK$'000	2011 HK$'000
0 – 30 days	44,501	74,906
31 – 60 days	33,550	29,581
61 – 90 days	22,638	26,690
91 – 180 days	41,294	84,996
Over 180 days	38,592	18,526
	180,575	234,699
Other payables	51,230	60,271
Accrued salaries and other accrued charges	18,299	19,368
	250,104	314,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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

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.

As at 31 December 2011, an amount of HK$35,991,000 payable to Dongfang is included in the Group's trade and other payables.

(b) BILLS PAYABLE

The aged analysis of bills payable is as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**23,677**	17,913
31 – 60 days	**22,821**	6,234
61 – 90 days	**9,817**	9,436
91 – 180 days	**49,584**	57,031
	105,899	90,614

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:

	2012 HK$'000	2011 HK$'000
US$	**62,598**	76,326
RMB	**197,033**	131,894
	259,631	208,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

24. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank loans	139,585	328,339
Trust receipt loans	43,653	49,063
	183,238	377,402
Analysed as:		
Secured	135,457	320,683
Unsecured	47,781	56,719
	183,238	377,402
Fixed-rate borrowings	104,585	327,614
Variable-rate borrowings	78,653	49,788
	183,238	377,402
Carrying amounts repayable within one year based on scheduled repayment dates set out in the loan agreements	181,679	373,274
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)	1,559	4,128
	183,238	377,402
Less: Amounts due within one year shown under current liabilities	(183,238)	(377,402)
Amounts shown under non-current liabilities	–	–

The bank borrowings were secured by assets of the Group as disclosed in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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:

	2012 **HK$'000**	2011 HK$'000
US$	**64,093**	127,551
RMB	**73,171**	130,201
	137,264	257,752

The contractual interest rates of variable-rate bank loans are HIBOR plus 1.75% to 4% (2011: HIBOR plus 1.75% to 4.5%) per annum. Interest is repriced every year.

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

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**2.16% to 7.20%**	0.86% to 5.05%
Variable-rate borrowings	**1.78% to 6.02%**	1.78% to 6.02%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**8,332**	10,250	**8,048**	9,815
In the second year	**3,545**	8,130	**3,431**	7,919
In the third year	**943**	3,293	**894**	3,243
In the fourth year	**455**	691	**423**	673
In the fifth year	**252**	204	**220**	203
	13,527	22,568	**13,016**	21,853
Less: Future finance charges	**(511)**	(715)	**–**	–
Present value of lease obligations	**13,016**	21,853	**13,016**	21,853
Less: Amount due within one year shown under current liabilities			**(8,048)**	(9,815)
Amount due after one year			**4,968**	12,038

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% (2011: HIBOR plus 1.5% to 3%) per annum and the average effective interest rate was 4.29% (2011: 3.51%) 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 2012, the Group entered into finance lease arrangements of HK$1,120,000 (2011: HK$8,903,000).

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. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**2,646**	–
Deferred tax liabilities	**(21,204)**	(16,521)
	(18,558)	(16,521)

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

	Revaluation of properties HK$'000	**Undistributable profits of PRC subsidiaries** HK$'000	**Impairment loss in respect of property, plant and equipment** HK$'000	**Total** HK$'000
At 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 and 1 January 2012	(16,121)	(400)	–	(16,521)
Credit to profit or loss	–	–	2,646	2,646
Charge to other comprehensive income	(4,683)	–	–	(4,683)
At 31 December 2012	(20,804)	(400)	2,646	(18,558)

At 31 December 2012, the Group has unused tax losses of HK$85,127,000 (2011: HK$52,271,000) 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.

At the end of the reporting period, the Group has deductible temporary differences of HK$250,168,000 (2011: Nil). The deductible temporary differences arise due to impairment loss in respect of property, plant and equipment, intangible assets and trade receivables. No deferred tax asset has been recognised in relation to deductible temporary differences of HK$239,584,000 (2011: Nil) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

26. DEFERRED TAXATION *(Continued)*

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 in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$121,361,000 (2011: HK$188,935,000) 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.

27. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2011	367,725,803	36,773
Issue of shares	60,000,000	6,000
Exercise of share options	6,256,000	625
Exercise of warrants	12,400,000	1,240
Shares repurchased and cancelled	(4,498,000)	(450)
At 31 December 2011	441,883,803	44,188
Exercise of share options (note)	600,000	60
At 31 December 2012	442,483,803	44,248

Note: The Company issued 600,000 ordinary shares of HK$0.1 each in the Company for cash at HK$1.07 per share, as a result of the exercise of share options.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

28. 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.

(d) CAPITAL REDEMPTION RESERVE

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

29. 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 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. SHARE OPTION SCHEME *(Continued)*

No option may be granted to any 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 exercise price is determined by the directors, and will not be less than the highest of (i) the closing price of the Company's share 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 normal value of the Company's shares.

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 2011 '000	Granted during the year '000	Exercised during the year '000 (Note 7)	Forfeited during the year '000	Outstanding at 31 December 2011 '000	Reclassification during the year '000 (Note 6)	Exercised during the year '000 (Note 7)	Forfeited during the year '000	Outstanding at 31 December 2012 '000
Directors	3 July 2007	(Note 1)	1.52	880	–	(880)	–	–	–	–	–	–
	29 September 2009	(Note 2)	1.07	6,940	–	(1,920)	(140)	4,880	–	–	(880)	4,000
	14 July 2010	(Note 3)	1.50	800	–	(120)	(200)	480	240	–	(140)	580
	29 September 2010	(Note 3)	2.62	1,000	–	–	–	1,000	–	–	(1,000)	–
	2 September 2011	(Note 4)	2.11	–	15,500	–	–	15,500	500	–	(13,300)	2,700
Subtotal				9,620	15,500	(2,920)	(340)	21,860	740	–	(15,320)	7,280
Consultants	29 September 2009	(Note 2)	1.07	2,350	–	(450)	–	1,900	–	(600)	–	1,300
	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	–	–	(3,000)	–
	2 September 2011	(Note 4)	2.11	–	9,000	–	–	9,000	–	–	(9,000)	–
Subtotal				6,050	12,000	(450)	–	17,600	–	(600)	(12,000)	5,000
Employees	3 July 2007	(Note 1)	1.52	1,060	–	(900)	(160)	–	–	–	–	–
	29 September 2009	(Note 2)	1.07	4,164	–	(1,596)	–	2,568	–	–	(396)	2,172
	14 July 2010	(Note 3)	1.50	2,428	–	(390)	–	2,038	(240)	–	(810)	988
	29 September 2010	(Note 3)	2.62	300	–	–	–	300	–	–	–	300
	2 September 2011	(Note 4)	2.11	–	5,500	–	–	5,500	(500)	–	–	5,000
Subtotal				7,952	5,500	(2,886)	(160)	10,406	(740)	–	(1,206)	8,460
Total				23,622	33,000	(6,256)	(500)	49,866	–	(600)	(28,526)	20,740
Exercisable at the end of the year				9,217				14,362				14,965
Weighted average exercise price				HK$1.54	HK$2.20	HK$1.23	HK$1.39	HK$2.02	N/A	HK$1.07	HK$2.17	HK$1.84

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29. 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 2012, Mr. Kwok Tung Fai, a financial controller of the Group, was appointed as an executive director of the Company and 740,000 share options held by him was reclassified from employee 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$1.70 (2011: HK$3.48).

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

	2012 **HK$'000**	2011 HK$'000
Directors' emoluments	–	5,323
Other staff costs	–	10,398
	–	15,721

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30. 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-back as well as the issue of new debt or the redemption of existing debt.

31. FINANCIAL INSTRUMENTS

A. CATEGORIES OF FINANCIAL INSTRUMENTS

	2012 HK$'000	2011 HK$'000
Financial assets		
Derivative financial instruments	297	495
Loans and receivables (including cash and cash equivalents)	757,762	1,146,977
Financial liabilities		
Derivative financial instruments	–	1,409
Amortised cost	481,863	715,077

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(Continued)*

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

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.

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:

	2012 HK$'000	2011 HK$'000
Assets		
US$	**318,176**	317,448
RMB	**95,210**	280,454
HK$	**167**	7,933
Liabilities		
US$	**126,691**	205,286
RMB	**270,204**	262,095

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 2% (2011: 2%) against RMB, the Group's post-tax loss for the year ended 31 December 2012 would increase by HK$2,625,000 (2011: post-tax profit decrease by HK$275,000). If the HK$ strengthened by 2% (2011: 2%) against RMB, there would be an equal and opposite impact on the loss for the year. No sensitivity analysis for HK$ against RMB is presented as management considered that it is not significant. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

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

For the outstanding currency structured forward contracts, if the market bid and ask forward exchange rate of US$ against RMB had been 2% (2011: 2%) higher/lower, loss for the year ended 31 December 2012 would increase/decrease by approximately HK$1,445,000/HK$4,831,000 (2011: post-tax profit decrease/increase by HK$2,131,000/HK$6,964,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. 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 (2011: 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 (2011: 120 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2012 would increase/decrease by approximately HK$825,000 (2011: post-tax profit decrease/increase by HK$645,000). 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 as at year ended 31 December 2011, if interest rates had been 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at 31 December 2012, 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 47% (2011: 50%) 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 17% (2011: 24%). The major customers are located in 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 quality 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 51% (2011: 52%) 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 24% (2011: 17%). 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 38% (2011: 31%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. 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$201,154,000 (2011: HK$286,907,000) as at 31 December 2012. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Weighted average effective interest rate	On demand	Within 1 year	1-2 years	2-3 years	Over 3 years	Total undiscounted cash flow	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012								
Non-derivative financial liabilities								
Trade and other payables	–	–	192,726	–	–	–	192,726	192,726
Bills payable	–	–	105,899	–	–	–	105,899	105,899
Obligations under finance leases – variable	4.29	–	8,332	3,545	943	707	13,527	13,016
Bank and other borrowings								
– fixed rate	5.21	1,559	108,600	–	–	–	110,159	104,585
– variable rate	4.80	–	82,428	–	–	–	82,428	78,653
		1,559	497,985	3,545	943	707	504,739	494,879
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

31. 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 2012 and 2011, the aggregate carrying amounts of these bank loans amounted to HK$1,559,000 and HK$4,128,000, 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:

	2012 HK$'000	2011 HK$'000
In the second year	1,586	2,717
In the third year	–	1,586
	1,586	4,303

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. 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).

	2012			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Derivative financial assets	**–**	**297**	**–**	**297**

	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	–	1,409	–	1,409

There were no transfers between Levels in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2012, 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$1,120,000.

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.

33. OPERATING LEASES

OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2012 HK$'000	2011 HK$'000
Premises	3,525	2,427

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:

	2012 HK$'000	2011 HK$'000
Within one year	2,406	1,799
In the second to fifth year inclusive	4,337	2,199
Over five years	–	1,264
	6,743	5,262

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

33. OPERATING LEASES *(Continued)*

OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

During the year ended 31 December 2012, property rental income earned HK$133,000 (2011: HK$198,000).

As at 31 December 2011, the Group has contracted with a tenant for future minimum lease payments of HK$116,000 under non-cancellable operating lease for one year.

34. CAPITAL COMMITMENT

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**2,256**	3,240

35. 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:

	2012 HK$'000	2011 HK$'000
Buildings	**173,565**	159,133
Plant and machinery	**8,965**	21,833
Pledged bank deposits	**45,123**	194,766
Prepaid lease payments	**21,305**	21,920
Trade receivable	**21,121**	–
	270,079	397,652

In addition, as at 31 December 2012, the carrying amounts of the Group's plant and machinery and motor vehicles are HK$91,612,000 and HK$3,813,000 (2011: HK108,321,000 and HK$3,731,000), respectively, in respect of assets held under finance leases which are secured by the lessor's charge over the leased assets.

36. 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 a 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 (HK$1,250 since 1 June 2012). No forfeited contribution is available to reduce the contribution payable in the future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36. RETIREMENT BENEFITS SCHEMES *(Continued)*

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.

37. 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:

	2012 HK$'000	2011 HK$'000
Short-term benefits	7,394	7,614
Post-employment benefits	29	24
Share-based payments	–	5,323
	7,423	12,961

(b) During the year ended 31 December 2011, the Group purchased raw materials of HK$34,049,000 from Dongfang. During the year ended 31 December 2012, the Group generated a licensing income of HK$4,548,000 (2011: HK$4,451,000) 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) and 23 (a).

38. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by the chief operating decision maker 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 operating decision maker was analysed based on three types of PCB and LED lighting which represent the operating segments of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

38. SEGMENTAL INFORMATION *(Continued)*

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.

SEGMENT TURNOVER AND RESULTS

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

	2012 HK$'000	2011 HK$'000
TURNOVER– external sales		
Single-sided PCB	183,591	242,888
Double-sided PCB	278,954	353,723
Multi-layered PCB	240,506	263,503
LED lighting	132,450	334,407
Total	835,501	1,194,521
RESULTS		
Segment (losses) profits		
– Single-sided PCB	(36,527)	734
– Double-sided PCB	(31,203)	4,827
– Multi-layered PCB	(15,843)	9,676
– LED lighting	(180,592)	110,386
	(264,165)	125,623
Other income	6,906	8,186
Central administrative costs	(8,793)	(9,586)
Fair value changes on derivative financial instruments	2,193	(384)
Finance costs	(14,791)	(11,418)
(Loss) profit before tax	(278,650)	112,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

38. SEGMENTAL INFORMATION *(Continued)*

SEGMENT TURNOVER AND RESULTS *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss/profit represents the loss/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 and finance costs. This is the measure reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment.

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment results:

	2012 HK$'000	2011 HK$'000
Depreciation and amortisation		
– Single-sided PCB	14,701	16,432
– Double-sided PCB	22,336	23,778
– Multi-layered PCB	19,258	17,980
– LED lighting	8,748	8,799
	65,043	66,989
– unallocated	3,647	2,927
	68,690	69,916
Net written off/impairment loss recognised (reversed) in respect of trade and other receivables		
– Single-sided PCB	950	(123)
– Double-sided PCB	1,443	(179)
– Multi-layered PCB	1,244	(133)
– LED lighting	165,206	–
	168,843	(435)
Impairment loss recognised in respect of property, plant and equipment		
– Single-sided PCB	18,116	–
– Double-sided PCB	27,532	–
– Multi-layered PCB	23,737	–
	69,385	–
Impairment loss recognised in respect of intangible assets		
– LED lighting	10,500	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

38. SEGMENTAL INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong ("HK") and the PRC.

Detailed below is information about the Group's revenue from external customers and information about its non-current assets (excluding trade receivables with extended credit terms and interest in an associate), analysed by their geographical location:

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Asia:				
HK	**185,681**	230,010	**4,274**	6,379
Taiwan	**118,926**	150,893	**–**	–
The PRC (excluding HK and Taiwan)	**411,361**	659,990	**407,528**	514,281
Japan	**29,269**	49,188	**–**	–
Other Asian countries	**10,443**	41,725	**–**	–
Europe:				
Hungary	**13,269**	9,788	**–**	–
Turkey	**17,953**	13,253	**–**	–
Other European countries	**35,994**	26,568	**–**	–
Others	**12,605**	13,106	**–**	–
	835,501	1,194,521	**411,802**	520,660

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2012 HK$'000	2011 HK$'000
Customer A (note)	**121,356**	134,828
Customer B (note)	**106,070**	128,558

Note: The revenue is mainly from Multi-layered PCB segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

39. 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 Directly		Indirectly		Principal activities
			2012	2011	2012	2011	
Tat Chun PCB International Company Limited 達進電路版國際有限公司 (Formerly known as 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 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
達進東方照明(深圳)有限公司	The PRC (note ii)	Registered capital HK$111,408,000	–	–	70%	70%	Manufacturing and lighting trading of LED
達進東方能源管理(啟東)有限公司	The PRC (note i)	Registered capital HK$39,000,000	–	–	100%	100%	Trading of LED lighting

Notes:

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

(ii) The company is a sino-foreign equity joint venture.

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.

40. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2012, the Group has obtained a bank loan of approximately HK$45,000,000 which was secured by land use rights and buildings situated in Guangdong.

Saved as disclosed above, no other significant events have taken place subsequent to 31 December 2012.

FINANCIAL SUMMARY

SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

The summarised financial information of the Company is as follows:

	2012 HK$'000	2011 HK$'000
ASSETS		
Investments in subsidiaries	128,104	391,471
Amounts due from subsidiaries	550,801	514,039
Other assets	483	8,560
	679,388	914,070
LIABILITIES		
Amounts due to subsidiaries	237,603	247,798
Other liabilities	3,325	264
	240,928	248,062
	438,460	666,008
CAPITAL AND RESERVES		
Share capital	44,248	44,188
Reserves (note)	394,212	621,820
	438,460	666,008

FINANCIAL SUMMARY

SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note:

Reserves of the Company:

	Share premium HK$'000	Capital redemption reserve HK$'000	Treasury share HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Capital contribution reserve HK$'000	Contributed surplus HK$'000 (note)	Accumulated profits/ (losses) HK$'000	Total equity HK$'000
At 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 and 1 January 2012	437,579	450	(373)	19,707	–	1,893	145,058	17,506	621,820
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(219,341)	(219,341)
Issue of shares upon exercise of share options	816	–	–	(234)	–	–	–	–	582
Dividends paid	–	–	–	–	–	–	–	(8,849)	(8,849)
Release upon forfeiture of share options	–	–	–	(6,847)	–	–	–	6,847	–
At 31 December 2012	438,395	450	(373)	12,626	–	1,893	145,058	(203,837)	394,212

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

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Turnover	838,870	739,314	997,112	1,194,521	**835,501**
Profit (loss) for the year	27,721	11,137	49,476	71,013	**(281,307)**

ASSETS AND LIABILITIES

	At 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	925,576	944,815	1,493,964	1,863,030	**1,336,911**
Total liabilities	(589,859)	(590,390)	(862,832)	(893,914)	**(639,784)**
Total equity	335,717	354,425	631,132	969,116	**697,127**
Equity attributable to owners of the Company	335,717	354,425	590,736	900,199	**675,314**
Non-controlling interests	–	–	40,396	68,917	**21,813**
	335,717	354,425	631,132	969,116	**697,127**