TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

2014 Annual Report

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

Contents

Corporate Information

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen *(Chairman)*
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Sze Man

AUDITORS

Ernst & Young
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wang Ya Hua

PRINCIPAL BANKERS

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

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

LEGAL ADVISERS

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

As to PRC law:
Fujian Rede Law Firm

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

INVESTOR RELATIONS

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

LISTING INFORMATION

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
A18/F., Asia Orient Tower
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

Chairman's Statement

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "Tongda Group") for the year ended 31 December 2014 (the "Year") on behalf of the board of directors of the Company (the "Board").

The Group benefited from the development of domestic handset industry towards mid-to-high-end market, and increased production capacity for metal and precision plastic casings during the Year. With further expansion of customer base in handset, electrical appliances and other business, the Group's total revenue increased by 32.1% to HK$4,791.3 million (2013: HK$3,627.1 million), while gross profit increased by 43.3% to HK$1,143.6 million (2013: HK$798.0 million). Profit attributable to shareholders amounted to HK$501.7 million (2013: HK$360.1 million), representing a 39.3% growth year-on-year. Given the effort on enhancing automation and utilisation of production capacity while focusing on high value-added products, gross profit margin surged to 23.9% (2013: 22.0%) with net profit margin lifted to 10.5% (2013: 9.9%). Such encouraging growth is attributable to the hard work of all the staff and the management team over the past year.

The Group has maintained a stable dividend payout history over the years, sharing our returns with shareholders. For the Year, the Board recommends the payment of a final dividend of HK2.0 cents per share (2013: HK1.6 cents). Together with the paid interim dividend of HK1.0 cent per share (2013: HK0.9 cent), the total dividend for the Year will amount to HK3.0 cents per share (2013: HK2.5 cents), representing a dividend payout ratio of 32.7%.

Handset brands in mainland China shifted their focus to mid-to-high-end market. During the Year, they successively launched products with high specification hardware and unique designs. The Group timely met the needs of customers by providing one-stop supply of components that include battery covers, middle frames, display frames and Laser Direct Structuring ("LDS") antenna with diversified solution packages. Riding on the trend of high-end metal casings in the second half of the Year, the Nano Molding Technology ("NMT") adopted by the Group has attracted enormous demand from the market because it not only simplifies the assembly process and increases the product passing rate with its exceptional mechanical performance, but also has an outstanding cost-performance ratio.

For electrical appliance business, the Group pursued excellence by focusing on the high-end market with top priority of improving profitability. With its one-piece shaping IML technology, the Group can produce casing for floor-standing air-conditioners up to 1.8 meter in height. Combining with the components of film switch (Indium tin oxide ("ITO film")), such casings have been widely used by the high-end products in the Mainland. During the Year, the Group secured other international brands as its new customers, such as DYSON, which will help us to further develop both the European and the United States (the "US") markets. For notebook computer business, in the face of a weak market, the Group still recorded steady growth, which was mainly attributable to its precise strategy of putting efforts on strengthening relationship between brands in the PRC, Japan and Taiwan and at the same time actively exploring both the European and US markets.

Looking ahead, the increasing popularity of the fourth generation wireless communication system ("4G") in the coming years will mark the official start of the new era featuring mobile interconnection. The Group will continue to work closely with the domestic brands and monitor the market development. Accordingly, it will actively research and develop diversified applications of decoration technology, with a view to timely boosting the production capacity of metal casings for handset by focusing on the investment in new materials and craftsmanship, eventually enhancing our comprehensive compatibility. As to the electrical appliance and notebook computer business, the Group will increase its competitive strengths by developing peripheral products and new products. We are eager to negotiate with high-end brands in both the European and US markets to expand the Group's customer base. Moreover, the Group has enhanced its production capacity during the Year and facilitated automation process to promote production efficiency. As such, the Group believes that it is well-equipped to cater for strong amount of orders in the coming years and further improve the value-added features, as well as implementing strict cost control, so as to achieve satisfactory margin.

The Group will build on its solid foundation to achieve sustainable development in the long run through strategy optimisation, resolute implementation and effective decision-making, while it will also look to expand into new business with higher margin, such as the interior decorative components for automobile. Meanwhile, we will also uphold our emphasis on product quality and provide technical training to our production personnel. Precision management will be enforced with a view to fully capitalising on the synergy between different business segments.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work in the past year. I would also like to express heartfelt gratitude to all of our customers and suppliers on behalf of the Group, and wish for their continuous supports in the future. We will keep working closely with our shareholders and employees to steer the Group to a more modernised and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

Chairman
Wang Ya Nan

Hong Kong, 18 March 2015

1. BUSINESS AND FINANCIAL REVIEW

The Group is a world-leading solution provider of high-precision components for consumer electronic products. During the year, the Group benefited from the domestic handset brands' strategic shift to mid-to-high-end products and the wave of product upgrade in the white goods market, resulting in satisfactory growth in each of its business segments. As at 31 December 2014, the Group's revenue increased 32.1% year-on-year to HK$4,791.3 million. Gross profit increased 43.3% to HK$1,143.6 million compared with HK$798.0 million for last year.

The turnover days of inventory was 125 days, increased by 3 days or 2.5% compared with 2013. The turnover days of trade and bills receivables was 143 days, decreased by 10 days or 6.5% compared with 2013. The turnover days of trade and bills payables was 111 days, decreased by 12 days or 9.8% compared with 2013.

During the year, the Group strived to develop mid-to-high-end products, such as metal handset casing. With improved automation in production procedure and utilisation rate of production capacity, the Group's overall gross profit margin increased from 22.0% of last year to 23.9%. Profit attributable to owners of the Company increased 39.3% from HK$360.1 million in 2013 to HK$501.7 million, while the overall net profit margin rose to 10.5% (2013: 9.9%).

2. OPERATIONAL INFORMATION BY DIVISION

a. Electrical Fittings Division

The division, consisting of three departments in handsets, electrical appliances and notebook computers, mainly provides one-stop product solutions for domestic and international clients. Revenue of this division for the Year grew 26.2% from HK$2,882.5 million last year to approximately HK$3,637.0 million, and accounted for 76% of total revenue of the Group.

Handsets

The Group enhanced the production capacity of the handset department in the Year. Boosted by surging orders for metal casings which commanded higher unit prices, revenue increased 29.9% from HK$1,859.8 million in 2013 to HK$2,415.0 million, and accounted for 51% of total revenue.

The Group has been progressing alongside with various fast growing domestic and international brands, including Huawei, Xiaomi, OPPO, ZTE, Lenovo, Coolpad and TCL. During the Year, a number of handsets distinguished themselves in the market with exceptional cost-performance ratio. As such, a number of brands successfully drove up their penetration in the international market and were ranked amongst the top 10 handset brands in the world, with significant increase in shipment. Phase I of the Group's new production plant in Xiamen commenced operation in October last year. It focused on production of handset casings and offered a timely boost to meet the orders in the traditional peak season during the fourth quarter, contributing to a significant year-on-year growth in revenue of the handset business in the second half of the year. At the end of the year, the Group added Asus, a Taiwan brand, to our customer base. Providing mass production of new smartphone casings to Asus offers a new source of growth for the Group.

Nowadays, domestic handset brands are focusing more on outstanding specifications and product differentiation, with increasing requirements for appearance, texture and functionality. In respect of its decorating technology, the Group has applied the Nano Molding Technology ("NMT"), which attaches metal and plastic at Nano level, resulting in thinner but stronger products. Production lead time is generally shorter than traditional uni-body metal casing while assembly is easier with higher passing rate. The Group also allocated more resources to Computer Numerical Controlling ("CNC") machines and concentrated on the production of high-end metal casings. Metal Injection Molding ("MIM") technology can produce complicated and precision metal components. These technologies of the Group may cater for the growing demand for precision metal casing.

Furthermore, the applied technology of In-Mold Lamination ("IML") and the latest technology of In-mold Transfer ("IMT") are the core technology of the Group, which can be widely used in precision plastic casings. The Group is also able to produce glass casings and other casings made of composite materials. The one-stop service capability of the Group offers customers with a variety of components such as battery covers, display frames and middle frames. The Group has commenced mass production with Laser Direct Structuring ("LDS") antenna technology. With diversified materials and advanced technologies, it can meet the needs of different customers.

Electrical Appliances

As a preferred domestic supplier of casings for high-end white goods, the Group focused on the production of high-end products last year. Revenue of the Group's electrical appliances business increased 26.6% from HK$464.7 million last year to HK$588.4 million, and accounted for 12% of the revenue. Our major customers include well-known domestic electrical appliance brands, such as Haier, Gree and Midea; our overseas customers include Panasonic, Zojirushi, Electrolux and we have also added some new customers, such as DYSON. The underlying products include panels for air-conditioners, refrigerators, washing machines and rice-cookers.

Last year, the Group applied one-piece shaping IML technology to produce large scale casings of 1.8 meter high for floor-standing air-conditioners. This high-profit item was welcomed by our customers. The Group has also integrated the customers' control panels with touch film switch (Indium tin oxide ("ITO film")), which should help to increase the unit price of relevant products. This type of casings with rich functions and texture help to cement the Group's leading position in the high-end electrical appliances market.

Notebook Computers

During the year, revenue from notebook computers increased 13.5% to HK$633.6 million and accounted for 13% of the revenue. Last year, the Group upheld the main objectives of reinforcing relationship between brands in China, Japan and Taiwan, as well as actively tapping into the European and the United States ("US") markets. The department's major customers were Lenovo and NEC. Orders from overseas brands such as Toshiba, Fujitsu and HP also remained stable. Major products include precision metal and plastic ultrabook and tablet casings with light, simple and grand design.

b. Ironware Parts Division

Revenue for the division increased by 39.7% from HK$492.4 million in last year to HK$687.7 million and accounted for 14% of the revenue. With an aim to providing one-stop component solutions and utilising production capacity efficiently, the Group offered electrical appliance customers a myriad of aluminum components, high-precision metal components and metallic set top boxes with various surface effects through the years. During the year, performance of the division was boosted by the growth in electrical appliances business, as well as an increase in demand for high-resolution set top boxes spurred by the FIFA World Cup.

c. Communication Facilities Division and Other Business

The Division posted a 85.0% increase in sales from HK$252.2 million last year to HK$466.6 million, and accounted for 10% of total revenue. Such increase was brought about by production of household durable items and sports gear for new customers, such as IKEA from Sweden, Wagner from the US and Decathlon Group from France. Moreover, the division pivoted on the production of digital satellite TV receivers and plastic set top boxes for long-term customers in the Middle East, Europe and the US.

d. Percentage of total sales revenue by product for the year ended 31 December 2014 and a comparison with 2013 are as follows:

	2014	2013
Electrical Fittings Division	**76%**	79%
i. Handsets	**51%**	51%
ii. Electrical Appliances	**12%**	13%
iii. Notebook Computers	**13%**	15%
Ironware Parts Division	**14%**	14%
Communication Facilities and Other Business	**10%**	7%

3. PROSPECTS

According to market forecasts, the shipment of handsets in the Mainland is likely to post steady growth in the coming year. The focus will be on mid-to-high-end products, which will benefit from the development in differentiated product segments, such as functional components of metal casings and antenna. The Group will closely monitor the market trend and spare no efforts in the research and development ("R&D") for diversified applications of casing decoration technologies. It will also increase production capacity for metal handset casing in a timely manner and will continue working on the R&D of new processes for production through which the Group may offer a greater variety of metal casings for customers, and upgrade its overall integrating capacity for the handset operation.

The construction of networks under the fourth generation wireless communication system ("4G") licenses in the Mainland had made further progress in the second half of the year. With more comprehensive handset hardware supporting system and surging number of users of 4G handsets, it is clearly indicating that the mobile communication in the Mainland had turned to a new page. The Group's Laser Direct Structuring ("LDS") antenna technology, a prevailing core technology for 4G handsets, will benefit from the popularity of 4G handsets. Its LDS antenna components features a vertically integrated supply chain, integrating all-in-one design from antenna to structural components and combining different production procedures. Such one-stop services are the keys to maintaining our strong competitive edges.

For electrical appliances, the high-end segment of intelligent and exquisite appliances featuring efficient, energy-saving and environmentally friendly elements were under the spotlight in both domestic and global markets. With a view to satisfying the demand of customers, the Group will strengthen its R&D of high-end panels and enhance product value by embedment of functional parts. Targeting the enormous demand for high-end panels in European and US markets, the Group will actively approach high-end brands to expand its client base.

As the global notebook computer market is stabilising, we will continue to focus on the Mainland market and at the same time tap into Japan and international markets to attract new customers actively. We will offer ultrabook with refined texture and peripheral products for tablets and mouse casings.

The management is confident about the business development in the coming year. The Group will respond swiftly to changes as always and make utmost effort in the R&D of new technologies and craftsmanship. The Group will actively procure potential international customers and strengthen its competitiveness to maximise its profits. The Group will, as it always does, endeavour to maintain a healthy financial position and stable dividend ratio, and bring greater returns to shareholders and employees with utmost effort.

4. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities.

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

As at 31 December 2014, it has cash and cash equivalents and pledged deposits balance of HK$477.6 million and without holding any structural investment contract.

The Group's cash and bank balances remained at about HK$477.6 million, of which approximately HK$117.5 million (2013: HK$62.8 million) has been pledged to banks as security for trade financing.

As at 31 December 2014, the Group had total assets of HK$6,367.1 million (2013: HK$4,656.9 million), net current assets of HK$1,934.0 million (2013: HK$1,234.1 million) and equity of HK$3,636.5 million (2013: HK$2,549.2 million).

Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

5. CAPITAL EXPENDITURE

The total capital expenditure incurred in 2014 was HK$625.8 million (2013: HK$210.1 million), which was mainly used in acquisition of production equipments and construction of production plants.

6. TREASURY POLICY

The Group's sales were principally denominated in Hong Kong dollars, RMB and US dollars while purchases were transacted mainly in Hong Kong dollars, RMB, US dollars and Japanese Yen. As the foreign currency risks generated from the sales and purchases can be set off against each other and the fluctuation of RMB in 2014 did not materially affect the costs and operations of the Group for the year, the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

7. CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK$117.5 million (2013: HK$62.8 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK$40.0 million (2013: HK$40.0 million) mortgaged by the Group as at 31 December 2014, the Group had no other pledge of assets to any financial institution.

8. STEP ACQUISITION FROM ASSOCIATES TO SUBSIDIARIES

Other than the information disclosed above, the Group acquired the remaining equity interest in Meijitsu Tongda (HK) Company Limited ("Meijitsu HK") and its subsidiaries, being former associates of the Company from the other shareholders of Meijitsu HK in January 2014. Upon the completion of the acquisition, Meijitsu HK and its subsidiaries became the wholly-owned subsidiaries of the Company. There were no contingent liabilities as at 31 December 2014 and the reporting date, and no future plans for material investments nor acquisitions of material capital assets.

9. HUMAN RESOURCES

As at 31 December 2014, the Group employed a total of approximately 16,000 employees (31 December 2013: 13,100 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 31 December 2014 amounted to HK$892.4 million (2013: HK$685.0 million).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

GEARING RATIO AND INDEBTEDNESS

As at 31 December 2014, the gearing ratio of the Group (consolidated net borrowings/total equity) was 13.8% (2013: 23.9%).

As at 31 December 2014, other than the non-current portion of bank loans of HK$350,835,000 (2013: HK$257,906,000), the Group had bank and other borrowings of HK$629,143,000 (2013: HK$591,761,000) which will be repayable within one year from the end of the reporting period.

The effective interest rates per annum for the Company's bank loans are Hong Kong Interbank Offered Rate ("HIBOR") plus 1.85% per annum ("p.a.") and 1.75% p.a. and fixed rate of 2.65% p.a.. Other than the Company's bank loans, the effective interest rates for the Group's bank and other borrowings are London Interbank Offered Rate ("LIBOR") plus 2.50% p.a., HIBOR plus 2.0% p.a. and 2.47% p.a. to 7.28% p.a..

In February 2014, the Company entered into three-year unsecured bank loan facilities of US$12,751,000 and HK$937,000, which bear interest at a mixed rate (floating rate at 1-week LIBOR plus 1.75% p.a., a fixed rate of 2.65% p.a. and HIBOR plus 1.75% p.a.) for the period from March 2014 to August 2017 and will be repayable by four half-yearly installments commencing from February 2016. The related funding will be used in normal course of business and to increase fixed assets.

In May 2014, the Company entered into a three-year secured bank loan facility of HK$175,000,000, which bears interest at HIBOR plus 1.85% p.a. for the period from October 2014 to October 2017 and will be repayable by seven quarterly installments commencing from April 2016. The related capital will be used in normal course of business and to increase fixed assets.

In November 2014, the Company entered into a three-year unsecured bank loan facility of HK$350,000,000, which bears interest at HIBOR plus 1.50% p.a. for the period from January 2015 to November 2017 and will be repayable by seven quarterly installments commencing from May 2016. The related capital will be used in normal course of business and to increase fixed assets. The above bank loan was not drawn down as at the end of the reporting period.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Ya Nan, aged 57, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He graduated with a Master of Business Administration degree in Xiamen University and serves as a member of the Standing Committee of the Chinese People's Political Consultative Conference. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

Mr. Wang Ya Hua, aged 59, is the Vice Chairman and the general manager of the Group. He is responsible for the overall management of the Group with special focus on product development, preparation and monitoring of annual production plans and operating budget. He is also required to give direction of the day-to-day operations to the operation unit located at Xiamen, Fujian Province. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

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

Mr. Wong Ah Yeung, aged 65, is the deputy general manager of the Group and the general manager of Tongda Ironware (Shenzhen) Company Limited ("Tongda Ironware"). He is responsible for overseeing the operation unit of the Group in Shenzhen, Guangdong Province and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the ironware and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan and the father of Mr. Wang Ming Che.

Mr. Choi Wai Sang, aged 59, is an executive director and is responsible for the development of overseas market and the technical support of the Group's product development. He joined the Group in December 1988. He graduated with a Bachelor and Master of Science degrees in electrical engineering from the University of Illinois, USA.

Mr. Wang Ming Che, aged 39, is an executive director and the Deputy General Manager of Tongda Ironware. He is responsible for overseeing the operation unit and the sales of the Group in Shenzhen. He joined the Group since 2002. Mr. Wang is the son of Mr. Wong Ah Yeung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *G.B.M., G.B.S., S.B.S, J.P.,* aged 76, joined the Company as an independent non-executive director in October 2007. Dr. Yu is the Chairman of the H.K.I. Group of Companies and a director of a number of manufacturing and investment companies. He is an independent non-executive director of Wong's International Holdings Limited and Beijing Enterprises Holdings Limited. He had served as member of Standing Committee of the Chinese People's Political Consultative Conference, member of the Preparatory Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Adviser. He is currently the Permanent Honorary President & Honorary Standing Committee Member of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Ting Leung Huel Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD*, aged 61, is an independent non-executive director of the Company and joined the Company in December 2000. Mr. Ting is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. Mr. Ting is a member of the 9th, 10th and 11th Chinese People's Political & Consultative Conference, Fujian. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited and an independent non-executive director of six listed companies, namely, China SCE Property Holdings Limited, Computer and Technologies Holdings Limited, Dongyue Group Limited, JLF Investment Company Limited, Texhong Textile Group Limited and Tong Ren Tang Technologies Company Limited.

Mr. Cheung Wah Fung, Christopher, *S.B.S, JP*, aged 63, is an independent non-executive director of the Company and joined the Company in September 2004. Mr. Cheung is currently the member of Legislative Council (Functional Constituency-Financial Services) of the Hong Kong Special Administrative Region and the chairman of Christfund Securities group of companies. He serves as a member of the National Committee of the Chinese People's Political Consultative Conference, honorary president of the Hong Kong Securities Professionals Association, elected director of the Hong Kong Chinese General Chamber of Commerce, council member of the Chinese Overseas Friendship Association, deputy secretary of the Friends of Hong Kong Association, member of the Standing Committee of the Federation of Commerce and Industry of Guangdong Province, Honorary president of Hong Kong Federation of Fujian Association.

SENIOR MANAGEMENT

Ms. Chan Sze Man, aged 34, is the chief financial officer and company secretary since 2011 and is responsible for the corporate finance, accounts and company secretarial functions of the Group. Ms. Chan graduated from the Hong Kong University of Science and Technology with a Bachelor's Degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in June 2010 and has over 10 years of working experience in the field of accounting, auditing and financial management.

Mr. Hui Wai Man, Anthony, *BSc*, aged 47, is the deputy general manager of a subsidiary of the Group. He is mainly responsible for the sales and marketing activities of the Group in Hong Kong and overseas. He is also responsible for the overall purchasing management of the Group. He has over 15 years experience in the field of electronic market. He joined the Group in April 2003.

Mr. Wong Ming Sik, aged 35, is the deputy general manager of a subsidiary of the Group, He joined the Group in 2005 and in charge of finance, operations, sales and production of the operation unit in Shenzhen. Mr. Wong graduated from University of Central Lancashire in the UK with MSc, Business Management and BA(Hons), Accounting and Financial Studies. He is the son of Mr. Wong Ah Yeung.

Mr. Pan Jian Jun, aged 40, is the business manager of a subsidiary of the Group. Mr. Pan joined the Group in March 2003, he has over a decade of experience in electronics and ironware industry, served various positions in Taiwan and American invested entities.

Mr. Zhang Hai Jiang, aged 39, is the production manager of a subsidiary of the Group. Mr. Zhang joined the Group in 2002 with more than 10 years experience in production management. He served successively as production supervisor, production manager and precision parts manager.

Ms. Liu Feng, aged 38, is the account manager of a subsidiary of the Group and responsible for financing and accounting affairs of the subsidiary. She graduated from Northeast Agricultural University and majored in Accounting. Ms. Liu joined the Group in March 1998 and has accumulated 18 years of experiences in accounting.

Mr. Hu Jun, aged 46, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2011 and has more than 17 years of experience in operations and engineering in Ironware industry. Mr. Hu graduated with a Master of Business and Administration degree in City University of Macau, and had his college education in Hunan Institute of Engineering.

Mr. Guo Qi Cai, aged 65, is the vice president of a subsidiary of the Group. He joined the Group in 1995. He had accumulated over 40 years of working experience in the high technology industry and served at state owned and Sino-foreign enterprises.

Mr. Wang Ming Yi, aged 33, is the deputy general manager of a subsidiary of the Group and responsible for the sales and promotion of the electrical appliance business. He graduated from Macquarie University in Australia and majored in commerce and accounting management. He has gained work experience in banking before joining the Group. Mr. Wang joined the Group in January 2007. He is the son of Mr. Wong Ah Yu and brother of Wang Ming Li.

Mr. Wang Ming Li, aged 33, is the general manager of a subsidiary of the Group and he is responsible for the sales and promotion of the notebook computer business. He graduated from Macquarie University in Australia and majored in accounting. He has gained accounting and audit experiences before joining the Group. Mr. Wang joined the Group in October 2008. He is the son of Mr. Wong Ah Yu and brother of Wong Ming Yi.

Mr. Wang Hung Man, aged 26, is the deputy general manager of a subsidiary of the Group and responsible for the sales and promotion of the handsets and other businesses. He graduated from the University of California, Davis and majored in economics. Mr. Wang joined the Group in January 2012 and he is the son of Mr. Wong Ah Hua.

Mr. Ye Jin Huang, aged 50, joined the Group in 2008 and is the general manger of a subsidiary of the Group. He has over 25 years experience in the plastic product industry. Beginning to engage in high-tech industry in 1986, he is currently the vice president of Xiamen Association of the Molded Plastic Industry (廈門注塑工業協會).

Mr. You Jun Feng, aged 46, is the vice general manager of a subsidiary of the Group. With over 20 years of technical and managerial experience in the production of molded plastic components, Mr. You joined the Group in 2008 and is now responsible for the management of operations including marketing, procurement and project management in Xiamen.

Mr. Xiao Rui Hai, aged 43, is the vice general manager of a subsidiary of the Group and he gained over 16 years of experience in electronic technology industry. He joined the Group in 2005 and is responsible for the business operation management in Xiamen.

Mr. Ji Li, aged 41, is the assistant general manager of a subsidiary of the Group. He joined the Group in May 2013. He had accumulated more than a decade of working experience in the precision component industry and served at Taiwanese enterprises.

Mr. Zhang Jing Guo, aged 37, is the general manager of a subsidiary of the Group. He joined the Group in May 2012. He had 13 years of working experience in manufacture and trading industry. He served as a regional manager (North Asia) for a French multi-national conglomerate, who was in charge of the purchasing office of Asia-Pacific region.

Mr. Lu Chao Hui, aged 38, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2006. Mr. Lu has more than 18 years of experience in the field of plastic with proficient business operational experience.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

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

The Company has compiled with the code provisions of the Code of Best Practice (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout 2014 with certain deviations in respect of the distinctive roles of chairman and chief executive officer and the appointment of non-executive Directors with specific terms. The following summarizes the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation.

As at 31 December 2014 and at the date of this report, the Board comprises six executive Directors (including the chairman of the Board) and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive directors:

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

Independent non-executive directors:

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

The Board is also responsible for the establishment of the internal control of the Company. The Board discusses with the management regularly to ensure that internal control is operating effectively.

The Board is responsible for maintaining proper account records so as to enable the Directors to monitor the Company's overall financial position. The Board updates shareholders on the operations and financial position of the Group through half yearly and annual results announcements as well as the publication of timely announcements of other matters as prescribed by the relevant rules and regulations. The Board is bound to manage the Company in a responsible and effective manner, and therefore every Director should ensure that he carries out his duty in good faith and in compliance with the standards of the applicable laws and regulations, and acts in the best interests of the Company and its shareholders at all times.

The three independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

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

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

The Board meets regularly on a quarterly basis. All Directors are provided with details of agenda items for decisions making with reasonable notice. Directors have access to the advice and services of the company secretary who is responsible for ensuring that the Board procedures are complied with and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expenses of the Company. Directors who are considered to have conflict of interest or material interest in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

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

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

The Board held 4 meetings during the year ended 31 December 2014. The Chief Financial Officer and company secretary attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

During the year ended 31 December 2014, Directors had participated in different continuous professional development (the "CPD") to develop and refresh their knowledge and skills and each Directors provided their records of training to the Company respectively. The Company is of the view that all Directors meet the A.6.5 of the CG Code and details as follow:

	Notes
Mr. Wang Ya Nan	2, 3 and 4
Mr. Wang Ya Hua	1 and 4
Mr. Wong Ah Yeung	1 and 4
Mr. Wong Ah Yu	1 and 4
Mr. Choi Wai Sang	3 and 4
Mr. Wang Ming Che	1 and 4
Dr. Yu Sun Say	1, 3 and 4
Mr. Cheung Wah Fung, Christopher	1, 3 and 4
Mr. Ting Leung Huel Stephen	1, 3 and 4

Notes:

1. Annual updated conferences for different regulations (including but not limited to accounting, tax and Listing Rules).

2. Attending overseas tertiary institution by physical attendances.

3. Attending CPD Seminars.

4. Reading related journals and/or learning materials.

All Directors, including independent non-executive Directors assume the responsibilities to the shareholders of the Company for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

Each of the independent non-executive Director has made an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

According to A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wang Ya Nan currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Also, vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The balance of power is further ensured by the following reasons:

- Audit Committee (the "AC") is comprised exclusively of all independent non-executive Directors; and

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, namely Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *SBS, JP*, and Mr. Ting Leung Huel Stephen respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the retirement by rotation and re-election of Directors in the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting. According to A.4.1 of the CG Code, it requires that all non-executive directors should be appointed for a specific term, subject to re-election. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

REMUNERATION COMMITTEE

The remuneration committee (the "RC") was set up on 8 March 2005 with written terms of reference to oversee the remuneration policy and structure for all Directors and senior management. The RC comprises the Chairman and Chief Executive Officer of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen, Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher. Mr. Ting takes the chair of the RC. The terms of reference of RC are in compliance with the Listing Rules. The role of the RC is to recommend to the Board a framework for remunerating the Directors and senior management and to determine specific remuneration packages for them. It is provided with sufficient resources by the Company to discharge its duties.

The remuneration package for executive Directors comprises a basic salary and voluntary contributions to MPF by the Company in accordance with CG Code B.1.2(c)(ii). All revision to the remuneration packages of the Directors are subject to the review and approval of the Board. Details of Directors' remuneration are set out in note 8 to the financial statements in this annual report.

The Company operates share option schemes (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Schemes are disclosed in note 29 to the financial statements.

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

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

AUDIT COMMITTEE

The AC comprises all independent non-executive Directors, Mr. Ting Leung Huel Stephen, Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher. Mr. Ting takes the chair of the AC. The terms of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitors and safeguards the independence of external auditors and relevant auditing matters. Also, the AC is responsible to review and supervise the internal control system of the Group and transactions with connected persons (if any).

The Group's unaudited interim results for the six months ended 30 June 2014 and audited annual results for the year ended 31 December 2014 have been reviewed by the AC which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

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

NOMINATION COMMITTEE

The nomination committee (the "NC") was set up on 14 March 2012 with written terms of reference to review the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity or the skills, knowledge, professional experience and length of service) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The NC comprises the Chairman and Chief Executive Officer of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Mr. Ting Leung Huel Stephen. Mr. Wang takes the chair of the NC. The terms of reference of NC are in compliance with the Listing Rules.

The role and function of the NC include to determine the policy for the nomination of directors, identify individuals suitably qualified to join the Board by the selection of individuals nominated for directorships and to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and the diversity needed in the future.

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

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

AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 December 2014 are as follows:

Services	Fees HK$'000
Annual audit	2,839
Non-audit services	1,026
	3,865

ACCOUNTABILITY AND AUDIT

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

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

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and half-yearly reports, other inside information announcements and other financial disclosures required under Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 48 to 49 of this annual report.

INTERNAL CONTROL

The Directors assume the responsibility for maintaining and reviewing the effectiveness of the Group's internal controls, and through the Company's Audit Committee, kept regularly appraised of significant risks that may impact on the Group's performance. Appropriate policies and control procedures have been designed, implemented and reviewed to ensure that assets are safeguarded against improper use or disposal; established system, relevant rules and regulations are adhered to and complied with; reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements; and key risks that may impact on the Group's performance are appropriately identified and managed. Such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material errors, losses and fraud.

In addition to the internal control function carried out internally by the Group, an external independent audit firm, Baker Tilly Hong Kong Business Services Ltd. has been appointed to review and appraise the internal control system of the Group. The annual internal control review plan of the Group covers major activities and material controls (including operational, financial and compliance) of the Group's business and service units. A report on the result of assessment and recommendations from Baker Tilly Hong Kong Business Services Ltd. was provided to the Audit Committee in March 2015.

Based on the review carried out by Baker Tilly Hong Kong Business Services Ltd., the Audit Committee and the Board concluded that there are no material irregularities nor areas of concern that would have significant adverse impact on the Company's financial position or results of operations, and that the internal control systems are adequate and effective and the Company's accounting staff and resource for financial reporting function are adequate.

COMPANY SECRETARY

As at 31 December 2014, the company secretary of the Company is Ms. Chan Sze Man and a written confirmation had been received by the Company from Ms. Chan to confirm she took no less than 15 hours of relevant professional training during the year ended 2014. The Company is on the view that Ms. Chan complied with the Rule 3.29 of the Listing Rules.

EXTERNAL AUDITORS

Currently, the Group's external auditors are Ernst & Young. Ernst & Young has been appointed as the external auditors of the Company by the shareholders of the Company at the Annual General Meeting 2014. The AC is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The AC has given their opinion on the fee charged by the external auditors to the Company and has approved the appointment of Ernst & Young as auditors, which the Board fully concurred with such approval of the AC. The responsibilities of the external auditors on the financial statements are set out in the "Independent Auditors' Report" on pages 48 to 49 of this annual report.

SHAREHOLDERS' RIGHTS

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

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

PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The Board will review regularly the Group's operation and corporate governance of the Company in order to ensure compliance of the articles of association of the Company, the laws of the Cayman Islands and regulations and to protect the interest of its shareholders. There is no change in the Company's memorandum and articles of association during the year ended 31 December 2014.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 50 to 139.

An interim dividend of HK1.0 cent per ordinary share was paid on 10 September 2014.

The directors recommend the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on or about 10 June 2015. This together with the interim dividend of HK1.0 cent per ordinary share gives a total of HK3.0 cents per ordinary share for the year (2013: HK2.5 cents per ordinary share). The proposed final dividend will be paid on or about 19 June 2015 following approval at the 2014 Annual General Meeting. Details are set out in note 11 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 140. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, its holding company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$1,375,765,000, of which approximately HK$109,383,000 has been proposed after the reporting period as a final dividend. This includes the Company's share premium account in the amount of HK$1,295,199,000 as at 31 December 2014, which may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$267,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 53.27% of the total sales for the year and sales to the largest customer included therein amounted to 25.19%. Purchases from the Group's five largest suppliers accounted for 22.88% of the total purchases for the year and purchases from the largest supplier included therein amounted to 10.21%.

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

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

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

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests and long positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through controlled corporation	Notes	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	269,570,000	2,296,490,000	1, 2	2,566,060,000	46.92
Mr. Wang Ya Hua	55,720,000	2,000,490,000	1	2,056,210,000	37.60
Mr. Wong Ah Yeung	67,800,000	2,000,490,000	1	2,068,290,000	37.82
Mr. Wong Ah Yu	60,960,000	2,000,490,000	1	2,061,450,000	37.69
Mr. Wang Ming Che	16,000,000	–		16,000,000	0.29
Mr. Choi Wai Sang	24,750,000	78,750,000	3	103,500,000	1.89
Dr. Yu Sun Say	2,300,000	–		2,300,000	0.04
Mr. Cheung Wah Fung, Christopher	5,950,000	–		5,950,000	0.11
Mr. Ting Leung Huel Stephen	5,950,000	–		5,950,000	0.11

Long positions in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	35,500,000
Mr. Wang Ya Hua	35,500,000
Mr. Wong Ah Yeung	35,500,000
Mr. Wong Ah Yu	35,500,000
Mr. Wang Ming Che	3,000,000
Mr. Choi Wai Sang	8,000,000
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	2,700,000
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	3,000,000
Mr. Ting Leung Huel Stephen	3,000,000
	161,700,000

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2014, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

The Company operates share option schemes (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Schemes are disclosed in note 29 to the financial statements.

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

					Number of share options			
Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price of share options HK$ per share	At 1 January 2014	Granted during the period	Exercised during the period	At 31 December 2014
Directors								
Mr. Wang Ya Nan	3 July 2007	–*	4 July 2007 to 3 July 2017	0.586	8,500,000	–	–	8,500,000
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	15,000,000	–	–	15,000,000
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	9,600,000	–	9,600,000
Mr. Wang Ya Hua	3 July 2007	–*	4 July 2007 to 3 July 2017	0.586	8,500,000	–	–	8,500,000
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	15,000,000	–	–	15,000,000
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	9,600,000	–	9,600,000

SHARE OPTION SCHEMES *(continued)*

Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price of share options HK$ per share	Number of share options: At 1 January 2014	Granted during the period	Exercised during the period	At 31 December 2014
Mr. Wong Ah Yu	3 July 2007	–*	4 July 2007 to 3 July 2017	0.586	8,500,000	–	–	8,500,000
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	15,000,000	–	–	15,000,000
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	9,600,000	–	9,600,000
Mr. Wong Ah Yeung	3 July 2007	–*	4 July 2007 to 3 July 2017	0.586	8,500,000	–	–	8,500,000
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	15,000,000	–	–	15,000,000
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	1,200,000	–	1,200,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	9,600,000	–	9,600,000
Mr. Choi Wai Sang	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	5,000,000	–	–	5,000,000
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	2,400,000	–	2,400,000

SHARE OPTION SCHEMES *(continued)*

Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price of share options HK$ per share	Number of share options: At 1 January 2014	Granted during the period	Exercised during the period	At 31 December 2014
Mr. Wang Ming Che	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	2,400,000	–	2,400,000
Mr. Ting Leung Huel Stephen	3 July 2007	–*	4 July 2007 to 3 July 2017	0.586	2,000,000	–	(2,000,000)	–
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	2,000,000	–	(2,000,000)	–
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	2,400,000	–	2,400,000
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	3 July 2007	–*	4 July 2007 to 3 July 2017	0.586	2,000,000	–	(2,000,000)	–
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	2,000,000	–	(2,000,000)	–
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	2,400,000	–	2,400,000

SHARE OPTION SCHEMES *(continued)*

Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price of share options HK$ per share	Number of share options At 1 January 2014	Granted during the period	Exercised during the period	At 31 December 2014
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	2,000,000	–	(2,000,000)	–
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	300,000	(300,000)	–
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	300,000	–	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	2,400,000	–	2,400,000
Other employees								
In aggregate	9 March 2007	–*	10 March 2007 to 9 March 2017	0.485	10,000,000	–	–	10,000,000
	16 February 2008	–*	16 February 2008 to 15 February 2018	0.315	10,000,000	–	–	10,000,000
	12 May 2014	–*	12 May 2014 to 11 May 2019	0.87	–	3,000,000	–	3,000,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	–	3,000,000	–	3,000,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	–	24,000,000	–	24,000,000
					129,000,000	93,000,000	(10,300,000)	211,700,000

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

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

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

SUBSTANTIAL SHAREHOLDERS

At 31 December 2014, the following parties were interested in 5% or more of the Company's issued share capital as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	2,000,490,000	36.58
E-Growth Resources Limited	2	Directly beneficially owned	296,000,000	5.41

Note:

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

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

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of the Listing Rules.

Lease of an investment property

A subsidiary of the Company has been leasing the Group's investment property in Shanghai to a related company controlled by a director of the Company. Pursuant to the Company's announcement dated 18 April 2013, the annual cap for the lease agreement were HK$4,600,000 (equivalent to approximately RMB2,760,000), HK$4,600,000 (equivalent to approximately RMB2,760,000) and HK$1,917,000 (equivalent to approximately RMB1,150,000) for each of the three years ending 31 December 2016, respectively. Further details are set out in note 35(a)(vi) to the financial statements.

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions* under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules before the bulk printing date of the annual report. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

On 20 February 2014, the Company as borrower, entered into a term loan facility agreement up to a principal amount of HK$100,000,000. Under such agreement, specific performance obligations are imposed as follow:

(i) the Wong Brothers shall collectively remain the single largest shareholder and maintain at least unencumbered 40% of the issued share capital of the Company;

(ii) Mr. Wang Ya Nan shall remain Chairman of the Company and the Wong Brothers shall remain actively involved in the board, management and business of the Group.

On 7 November 2014, the Company as borrower, entered into a term loan facility agreement of up to a principal amount of HK$350,000,000. Under such agreement, specific performance obligations are imposed as follows:

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

(ii) Landmark Worldwide Holdings Limited is not or ceases to be the single largest shareholder of the Company;

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONTRACT OF SIGNIFICANCE

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

COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 2014, none of the Directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiries of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up 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 Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 29 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report and maintained a sufficient public float throughout the year ended 31 December 2014.

AUDITORS

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

ON BEHALF OF THE BOARD

Wang Ya Nan
TONGDA GROUP HOLDINGS LIMITED
Chairman

Hong Kong
18 March 2015

ABOUT THIS REPORT

The contents contained in this standalone of Environment, Social and Governance ("ESG") report include the information obtained through a number of channels from shareholders, stakeholders and various parties over the year. The report covers workplace quality, environment protection, operating practices and community involvement aspect and Corporate Social Responsibility ("CSR") Model. We have given full consideration to issues that are concerned about by major stakeholders, and adhered to the principles of materiality, completeness, comparability and stakeholder involvement, whereby the substances of this ESG report are determined. This report spans over a period from 1 January 2014 to 31 December 2014, and covers information of the Group – Hong Kong headquarters and the production bases in China, such as Shishi (石獅), Xiamen (廈門), Changshu (常熟), Shenzhen Baoan (深圳寶安), Shenzhen Shajin (深圳沙井), Nanan (南安) and the research and development centres in Taiwan, Kaohsiung (台灣高雄) and Shanghai (上海). This report provides detailed explanation with regard to the Group's CSR model on different aspects, including stakeholder communication, employee welfare, health and safety, environment protection, operating practices and community involvement. Tongda Group's CSR model is set out as follows.

Tongda Group's CSR Model

1. WORKPLACE QUALITY

1.1 Working conditions

The policy of working condition is people-oriented principle. In relation to personnel management affairs on staff hiring, promotion, performance evaluation and compensation, the Group establishes an employer-employee relationship based on legitimacy and equality, which enables us to avoid any discrimination resulting from different gender, age, place of birth, race, language, nationality and religion of employees. The Group recruits employees through two channels including recruitment via public means and recruitment at schools. The recruitment of our employees embodies the principles of social responsibilities such as the equality of employment, the respect for human rights, the diversity of employees, the prohibition of the use of child labour and the prohibition of forced labour.

In respect of salaries and benefits, the Group provides a comprehensive remuneration package of compensation and benefits for its employees. The remuneration package is mainly determined according to the employee's development, individual performance and organisational performance. The Group provides its new employees with clear codes of practice, rules and regulations, as well as information relating to salary and benefit system.

In addition to contractual salary, we have also set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for all of our employees in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Schemes Ordinance and is a defined contribution retirement plan administered by independent trustees. The MPF Scheme requires employers and employees to make the MPF scheme contributions at 5% of the employees' relevant income, subject to a statutory limit of HK$1,500 per month.

The Group's employees in the PRC will be entitled to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance) as well as commercial and accident insurance under the statutory Employment Ordinance of the PRC. Throughout the Group, in addition to statutory holidays stipulated by the country such as the basic paid annual leave and maternity leave for employees under the Employment Ordinance of the local government, female employees may also be entitled to prenatal leave. Meanwhile, for overtime work by employees in non-office hours (e.g. post working hours on general working days, or statutory holidays of the country), employees may receive the appropriate overtime payment according to the stipulations of the labour law.

The Key Performance Indicators ("KPIs") show the key performance data to provide readers with an overview of the Group performance. This data is presented below in relevant tables and sections, respectively.

1. WORKPLACE QUALITY *(continued)*

1.1 Working conditions *(continued)*

As of 31 December 2014, the Group has in total approximately 16,000 employees. Set out below is the KPI established according to department and age group of employees and most of the employees are employed for our business operation in the PRC. The approximate proportions of technical management staff and production base workers:

	Approximate proportion of technical management staff	Approximate proportion of production base workers	Total
Aged 18-30	16%	55%	71%
Aged 31-45	7%	19%	26%
Aged 46-60	1%	2%	3%
Sub-total	24%	76%	100%

Recognising the importance of the communication with its employees, the Group encourages its employees to share their ideas with the Group, and raise questions or make suggestions to the Group. With the availability of a wide array of communication channels, the Group offers its employees access to the latest information of the Group through a number of means such as the Group's website, internal forums, company newspaper and instant messaging. Employees can also maintain timely and smooth communication with the management, colleagues and partners of the companies within the Group through the members of the union or the representatives of the employees. We establish barrier-free communication systems and processes, and provide our employees with hotlines. Through staff care centres, we offer our employees with psychological counselling that promotes their psychological health. With these efforts, we have helped improve the sense of belonging to the Group among employees.

Staff restaurant are available within the Group's production plants. The Group also set aside reserved funds for activities. In 2014, the Group hosted a series of activities for its employees, including a diverse range of activities such as outing, dancing, singing, chess playing, sport competition, ball game, and banquet but not limited to these. These events helped our employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

1. WORKPLACE QUALITY *(continued)*

1.2 Labour standards

All work should be voluntarily performed and shall not involve forced labour, debt repayment or contractually binded labour or involuntary prison labour. All employees may resign upon reasonable notice. The Group prohibits child labour in any workplace. “Child labour” refers to any employee under the age of 15 (or the minimum legal age for child labour). The Group makes use of apprentice programmes in accordance with laws. Working hours shall not exceed the limit stipulated by local laws and employees are entitled to one day-off per week. Salary and benefits also comply with applicable wage laws, including those relating to minimum wage, overtime hour and mandatory benefits, and the payment is made in a timely manner.

The Group prohibits discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in recruitment and employment practices such as promotions, rewards, access to training and demotion. All employees perform works voluntarily and are not subject to discrimination.

1.3 Health and safety

The policy of health and safety is providing the safe and good environment workplace for our employees. Each of the subsidiaries of the Group places particular focus on industry and production safety. Taking into account the requirements of the local governments and customers, the establishment of industry and production safety systems are developed progressively. The relevant steps are set out as follows:

Fulfilling the requirements as a safety enterprise	Further development in CSR	Systems formulation	Being granted with the OHSAS18001 certificate	Application for standard approval
Passing the inspection and examination on safety enterprise qualification conducted by local safety regulation authority.	Improving CSR based on feedbacks and requests from clients upon their CSR audit.	Engaging consultants in formulation of vocational safety and health control system and to obtain certification.	Obtaining a certificate on vocational safety and health system after passing the COC audit and examination certification process.	Acknowledgement of the importance of work safety by the management and assurance on ongoing develop-ment of work safety through certification on safety standardization.

1. WORKPLACE QUALITY *(continued)*

1.3 Health and safety *(continued)*

The Group manages the hygiene and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. It also holds safe production and fire safety training on a regular basis, in order to raise the safety awareness of its employees. The Group provides employee in the PRC with labour protection supplies such as gloves, masks and work uniforms, but not limited to these protection materials so as to ensure the safety and health of our employees. Should our employees suffer from any illness or debilitating condition or are considered by the Group to be in need of health protection based on their health inspection results, the Group will limit their job duties, redesignate their post temporarily, applying treatment and other health care measures. No severe industrial accidents were recorded by the Group during 2014. The KPI of each production base, measured in days lost due to work injury, is set out below.

	The Group – Production base					
Item	**Shishi**	**Xiamen**	**Changshu**	**Shenzhen Baoan**	**Shenzhen Shajin**	**Nanan**
No. of days lost	0	0	0	0	0	0

In relation to the protection for pregnant and breast feeding employees, the Group's personnel department will make appropriate adjustments to their work arrangements, such that female employees will not be required to extend their working hours or take up job duties that require greater physical strengths during pregnancy. The Group will avoid female employees to take up night work and to be engaged in job duties that may involve toxic and hazardous materials during pregnancy. In addition, after the end of maternity leave, female employees can be entitled to the benefits and job duties prior to their maternity leave. For female employees breastfeeding their babies under 1 year old, the Group will neither extend their working hours, nor arrange them to take up night work or to be engaged in job duties that may involve toxic and hazardous materials.

1.4 Development and training

Human resources are one of the important assets of the Group. Therefore, the policy of development and training actively expands the horizon for the personal development of its employees and provides various types of training for its employees, including a wide range of staff development training and senior management and personnel training. Through education and training, the Group can enable its employees to enhance their personal qualities, strengthen their working skills and reinforce the team performance. Moreover, employees can grow with the Group by bolstering their own values on the basis of their personal interest and expertise.

1. WORKPLACE QUALITY *(continued)*

1.4 Development and training *(continued)*

All of our employees are subject to regular performance and career development appraisal, in order to ensure the efficiency and quality of our employees and to foster the stable development of the Group. Given the fact the specialised techniques applied by the Group involve substantial amount of advanced technologies, to ensure that its employees can keep themselves abreast of the most updated professional knowledge and the safe production, the Group will arrange comprehensive training courses for its employees. The contents of the training courses cover the operation of a wide variety of instrument, the application of chemicals and other relevant skill trainings (where applicable), such as the training on basic knowledge of OHSAS18001, the training on operating processes, and the training on basic knowledge of RoHS. Employees taking up key positions such as technician, craftsmen, inspectors and related production personnel should be qualified by relevant training and examination and obtain the relevant qualifications (if so required by the country). The Group encourages employees to participate in various external qualification examinations or research seminars according to the needs of their job duties.

Promotions are made in accordance with the needs from the Group's business development and the employees' competence. Vacancies of the Group's internal management positions will be filled up internally by promoting the most qualified employees within the Group according to its policies and practices in practicable situations. In accordance with the requirements of the positions, the Group will select candidates for the vacancies internally from the employees within the Group via public means. Where feasible, the vacancies and job duties will be filled up by the internal employees within the Group, thus offering our employees with the opportunities for promotion and enhancing the efficiency of the Group.

2. ENVIRONMENTAL PROTECTION

2.1 Emissions

The Group regularly monitors, upholds and maintains the current operational practices and reports our approach to environmental protection in the annual environmental protection management report.

All kinds of waste (water, energy, raw material) are reduced or eliminated at the source. The Group endeavours to optimise production, equipment maintenance process, material substitution, conservation, recycling and reuse to minimise waste. On hazardous substances, the Group strictly complies with local regulations to identify and manage such substances to ensure safe treatment, transportation, storage, use, recycle or reuse and disposal for it. On air emissions, exhaust gas is subject to pollutant identification, monitoring and control as required prior to emission in the production procedures. The Group complies with Hazardous Substances Free (HSF), RoHS (Restriction of Hazardous Substances), WEEE (Waste Electrical and Electronic Equipment), Conflict-free metal policy, IECQ QC080000 (International Electro Technical Commission-Hazardous Substance Process Management) and ISO14001 Environmental Management.

2. ENVIRONMENTAL PROTECTION *(continued)*

2.2 Use of resources

The Group sets up a dedicated committee specialising in the development of energy saving technologies. We implemented low carbon emission strategies by establishing consumption statistical analysis system, putting in place new energy management system with measuring instruments, exercising dynamic monitoring throughout the whole process of energy flow, and lifting energy efficiency. Through the use of energy efficient performance appraisal management, we step up energy saving checking efforts and reduce energy waste. At the same time, we also consider incorporating environmental-friendly policy and utilisation of natural resources into our operation.

The Group has established a set of management and implementation regulations for the reduction of electricity consumption. We encourage each of the departments to reduce electricity consumption and strictly regulate the use of air conditioners and the operation of compressors. Notices containing monthly statistics of electricity consumption by each department are issued to them so that they may be aware of their electricity consumption status. In order to eliminate the abuses of electricity, we reinforce the management for electricity conservation by regularly inspecting and supervising the electricity consumption by different departments. On the other hand, the Group actively support the energy saving transformation projects, through, amongst others, upgrading the existing equipment (such as adopting advanced energy saving technologies and equipment, including the purchase of completely electric- driven injection molding machines and the switch to energy efficient lighting), improving various systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and introducing brand new technologies (such as air conditioning water systems based on nano dirt removal new technologies). In 2014, through the continuous implementation of technical enhancement, the Group's electricity consumption in domestic production amounted to approximately 150.84 million KWh, and the industrial waste gas discharge amounted to 2,374.5 million standard cubic meters.

On water consumption management, through the conduction of water balance tests and the installation of water meters at each of the water consumption points (whose summary of comparative analyses will be made on a monthly basis), the Group endeavors to avoid waste of water. In 2014, the Group's water consumption amounted to approximately 1.56 million tons.

In the horizons of waste management and recycling, the Group recorded approximately 1,090 tons of recyclable industrial waste, 313 tons of domestic waste, 551 tons of kitchen waste and 874 tons of carbon emission in 2014. The Group reuses reusable resources and properly handles hazardous materials with best efforts. We require our employees to keep contaminated items in separation and treat wastes in classification. In 2014, the Group recycled and reused over 1,046 tons of waste from its production process, including scrap steel, copper and packaging waste. In 2014, paint residues and waste with oil content produced by the Group amounted to approximately 797 tons in aggregate. Such hazardous wastes and paint residues will be packed into bags after they are artificially filtered out and will be subsequently stored in specialised storing places after they are drained and dried. Oily wastes will also be collected and packed into bags, and stored in specialised storing places. In compliance with the "Standards on Storage and Pollution Control of Hazardous Wastes", the Group entrusts qualified units to handle hazardous wastes for us in the form of transfer processing. We follow transfer processing system as well as reporting and registration system in accordance with the regulations.

3. OPERATING PRACTICES

3.1 Supply chain management

Based on Supply Chain Social and Environmental Responsibilities ("SER") Management, the principal raw materials currently required by the Group's production operation include plastic, ink, sheeting, metallic raw materials and packaging materials. There are few hundred of suppliers on our list, including domestic and overseas suppliers. In addition to factors such as pricing, quality, reliability in supply, the Group will also take into account the suppliers performance in fulfilling their social responsibilities and commitment to environmental protection in our selection of suppliers. We require our suppliers to comply with the laws and regulations in the countries and regions where their operations are located, and operate in good faith by adhering to their business ethics. The Group prohibits discrimination arising from regional, ethnic, cultural and political factors in the course of certification, evaluation and optimization of suppliers.

In addition, to reinforce suppliers' respect for employees and continuously improve and enhance suppliers' awareness of environmental protection as well as health and safety, in 2012, the Group drew up the "Management Approach on Social Responsibility" for suppliers, and suppliers are required to enter into the "Social Responsibilities Commitment". At the same time, a dedicated team has been set up to conduct on-site appraisal of high-risk suppliers, and assist suppliers in improving substandard performance. The Group also joins hands with suppliers to combat commercial bribery and other illegal activities. We transacted based on fair, justice and open principles by entering into "engagement letters of transaction integrity" with suppliers. As prohibited by the Group, "conflict minerals" may not be included into suppliers' procurement system. We enter into the "Letter of Undertaking of Prohibited Use of Conflict Minerals" with suppliers, so as to ensure that none of the raw materials used in the Group's production are derived from four kinds of conflict minerals including tantalum (Ta), tin (Sn), tungsten (W) and gold (Au) from Democratic Republic of Congo and its surrounding countries and regions.

The Group promotes Green Partner management concepts within the supply chain, by entering into the "Guarantee of Environmental Management of Substances" with suppliers. Meanwhile, we help suppliers establish effective Green Partner management systems in the whole process from raw materials procurement to internal production and delivery. We also help suppliers improve their capability of autonomously detecting harmful substances, so as to motivate suppliers to enhance their management capacity of green products. Moreover, the Group also requires suppliers to implement energy conservation and emission reduction management (such as green house gas management), regular notification of plans for energy conservation and emission reduction and measures on emission cut. Moreover, we carry out on-site inspection of the implementation of the emission reduction measures by suppliers, in order to ensure that suppliers bear their responsibility for the society by duly implementing their emission reduction tasks.

3. OPERATING PRACTICES *(continued)*

3.2 Product responsibility

With unwavering commitment to premium product quality, we have established a set of comprehensive quality control system. The companies within the Group have successively passed the certification of ISO9001 quality control system, ISO14001 environmental management system and OHSAS18001 occupational health and safety management system. The Group has set up a competent comprehensive quality control department, which implements product quality standards in strict compliance with customers' requirements. The department adheres to strict rules in trial production of products and random checks of production volume and monitors product quality in joint hands with customers. We also introduce 6S management system, which ensure that our production is carried out in a well-disciplined and efficient manner.

3.3 Anti-corruption

Both the Group and its business partners are committed to upholding the highest ethics standards. Parties involved in business interaction shall prohibit each and every form of corruption, extortion, bribery, fraud, money laundering and embezzlement. Moreover, the Group pledges "zero tolerance" approach to any fraudulent business activity.

The Group advocates the standards of fair transaction, advertising and competition and puts in place a confidentiality mechanism to protect the identity of suppliers and whistleblowers.

4. COMMUNITY INVOLVEMENT

4.1 Community investment

The Group is committed to giving back to our society and has been heavily involved in community development and related activities, such as ancillary facilities development in nearby districts of our production bases in the PRC, as well as making advice to environmental protection initiatives and the construction of education facilities. The Group will continue to take part in community development in the future.

5. COMMUNICATION WITH STAKEHOLDERS

In order to better implement our corporate social responsibilities, we maintain communication with stakeholders such as shareholders, employees, suppliers, customers, communities and non-governmental organizations through a number of channels, through which, we can listen to the voices of various interested parties, understand their expectations on the Group and learn the merits from them. Stakeholders' selection, communication frequencies, their issues of concern as well as the approach of the Company are detailed in the following table:

Stakeholders	Selection criteria	Communication channels and frequencies	Issues of concern	Efforts and approach of the Group
Shareholders	–	The Group publishes annual and interim results in a timely manner. While shareholders may communicate with the Group in the annual general meeting and through regular contact, they may obtain information about the Company on the spokesman platform, investors' conferences, investment forums and roadshows, press release and the Group's website arranged by the Group on time	Shareholders' benefits, a priority for the Group's decision, and an emphasis on open dialogue with shareholders which ensure that shareholders receive important public listing information, understand the business performance strategies and prospects of the listed Group	Both the Group and Directors will strictly comply with relevant regulations of the Listing Rules in Hong Kong regarding the protection of shareholders' interests.
Employees	Equally	Through a number of pipelines such as employee hotlines, seminars, mailboxes and satisfaction surveys, the Group establishes communication with employees. Also, the Group establishes poverty employee relief fund, employee mutual fund and employee relatives condolence fund.	Working environment, staff's well-being and job satisfaction	The Group has established a barrier-free communication system and process. The Group provides our employees with psychological counseling services hotline and setting up employee caring centers. All these initiatives have helped improve employees' sense of belonging to the Group.
Suppliers	Priorities determined at a ratio of 80/20	The Group hosts annual supplier meeting and carry out appraisals	Supplier code of conduct, and the degree of compliance with laws and regulations	Annual supplier meeting and unscheduled SER appraisal will be held, in order to make suppliers well aware of our requirements for supply chain.

5. COMMUNICATION WITH STAKEHOLDERS *(continued)*

Stakeholders	Selection criteria	Communication channels and frequencies	Issues of concern	Efforts and approach of the Group
Customers	Service excellence for our customers	SER quarterly and yearly events	Regulation of downstream suppliers and their SER in terms of green product standards, greenhouse gas discharge stipulations, carbon emission stipulations, as well as resources and energy conservation based on Electronic Industry Citizenship Coalition (referred to as EICC)	The Group maintains close connections with customers, and accepts enquires from customers. The Group reports SER status and downstream supplier SER management status to customers. The Group constantly reinforces customer services by providing fast, efficient, high-quality, economical and innovative products and services. The Group puts active efforts on energy conservation and emission reduction, and offers customers access to low-carbon products of reduced carbon emissions.
Communities	Extension of reach by leveraging the presence of the Company in each of its bases	Depending on annual, quarterly and monthly plans and activities	Environmental protection and community education	Each of our factory zones will take part in environmental protection and green home activities in joint forces, in an effort to raise the awareness of the protection of the environment among people in the community. In respect of education for the young people, the Group spreads the spirit of love among young people by helping them go to school through donations on an irregular basis.
Non-governmental organizations (NGO)	Exchanges with the selected professional NGO on a fair basis with regard to the issue of concern	Unscheduled call conferences, as well as yearly SER activities and appraisal	Green products, environmental protection and employee care	The Group is involved in SER-related activities organized by NGO. The Group joins forces with NGO to promote special environmental issues.

Independent Auditors’ Report

EY 安永

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

We have audited the consolidated financial statements of Tongda Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 50 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS’ RESPONSIBILITY

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

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

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

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

EY 安永

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
18 March 2015

Consolidated Income Statement

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**4,791,346**	3,627,101
Cost of sales		**(3,647,711)**	(2,829,088)
Gross profit		**1,143,635**	798,013
Other income and gains, net	5	**26,507**	46,583
Selling and distribution expenses		**(111,992)**	(78,517)
General and administrative expenses		**(330,262)**	(277,770)
Other operating expenses, net		**(26,756)**	(21,227)
Finance costs	6	**(56,883)**	(51,869)
Share of losses of associates		**(1,852)**	(94)
PROFIT BEFORE TAX	7	**642,397**	415,119
Income tax expense	9	**(94,187)**	(46,141)
PROFIT FOR THE YEAR		**548,210**	368,978
Attributable to:			
Owners of the Company	10	**501,701**	360,102
Non-controlling interests		**46,509**	8,876
		548,210	368,978
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
– Basic		**HK9.44 cents**	HK7.47 cents
– Diluted		**HK9.30 cents**	HK7.36 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**548,210**	368,978
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**868**	850
Income tax effect	27	**(143)**	(140)
		725	710
Other comprehensive income/(expense) to be reclassified/reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations			
– subsidiaries		**(8,635)**	67,051
– associates		**(16)**	1,162
Release of exchange reserve upon step acquisition from associates to subsidiaries	32	**(4,052)**	–
Release of exchange reserve upon disposal of an associate	32	**133**	–
		(12,570)	68,213
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		**(11,845)**	68,923
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**536,365**	437,901
Attributable to:			
Owners of the Company	10	**490,090**	425,420
Non-controlling interests		**46,275**	12,481
		536,365	437,901

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,757,234**	1,327,626
Investment property	14	**54,545**	53,992
Prepaid land lease payments	15	**61,657**	34,051
Goodwill	16	**–**	6,135
Investments in associates	18	**3,059**	40,647
Prepayments	19	**61,534**	63,421
Long term deposits	20	**147,119**	78,945
Loan to a non-controlling shareholder of a subsidiary	25	**12,610**	–
Deferred tax assets	27	**3,703**	3,703
Total non-current assets		**2,101,461**	1,608,520
CURRENT ASSETS			
Inventories	21	**1,400,901**	1,088,267
Trade and bills receivables	22	**2,166,186**	1,585,497
Prepayments, deposits and other receivables		**204,441**	132,288
Loan to a non-controlling shareholder of a subsidiary	25	**6,305**	–
Due from a related company	25	**9,848**	1,749
Tax recoverable		**344**	110
Pledged deposits	23	**117,463**	62,793
Cash and cash equivalents	23	**360,161**	177,643
Total current assets		**4,265,649**	3,048,347
CURRENT LIABILITIES			
Trade and bills payables	24	**1,329,422**	894,417
Accrued liabilities and other payables		**195,609**	140,458
Interest-bearing bank and other borrowings	26	**629,143**	591,761
Due to a non-controlling shareholder of a subsidiary	25	**54**	54
Tax payable		**177,406**	187,547
Total current liabilities		**2,331,634**	1,814,237
NET CURRENT ASSETS		**1,934,015**	1,234,110
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,035,476**	2,842,630

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**350,835**	257,906
Deferred tax liabilities	27	**48,172**	35,554
Total non-current liabilities		**399,007**	293,460
Net assets		**3,636,469**	2,549,170
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	**54,692**	48,589
Reserves	30(a)	**3,422,502**	2,406,288
		3,477,194	2,454,877
Non-controlling interests		**159,275**	94,293
Total equity		**3,636,469**	2,549,170

Wang Ya Nan
Director

Wang Ya Hua
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2014

	Notes	Attributable to owners of the Company											
		Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000 (Note 30(a))	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 30(a))	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		**48,589**	**693,156**	**9,173**	**17,008**	**26,262**	**98,147**	**287**	**229,092**	**1,333,163**	**2,454,877**	**94,293**	**2,549,170**
Profit for the year		–	–	–	–	–	–	–	–	501,701	501,701	46,509	548,210
Other comprehensive income for the year:													
Gain on property revaluation, net of tax		–	–	–	–	725	–	–	–	–	725	–	725
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(8,417)	–	(8,417)	(234)	(8,651)
Release of exchange reserve upon step acquisition from associates to subsidiaries	32	–	–	–	–	–	–	–	(4,052)	–	(4,052)	–	(4,052)
Release of exchange reserve upon disposal of an associate	32	–	–	–	–	–	–	–	133	–	133	–	133
Total comprehensive income for the year		–	–	–	–	725	–	–	(12,336)	501,701	490,090	46,275	536,365
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	18,707	18,707
Transfer to statutory reserve		–	–	–	–	–	56,832	–	–	(56,832)	–	–	–
Issue of shares	28(ii)	6,000	666,000	–	–	–	–	–	–	–	672,000	–	672,000
Share issue expenses		–	(14,494)	–	–	–	–	–	–	–	(14,494)	–	(14,494)
Shares issued upon exercise of share options	28(iii)	103	5,189	(797)	–	–	–	–	–	–	4,495	–	4,495
Equity-settled share option arrangement	29	–	–	12,320	–	–	–	–	–	–	12,320	–	12,320
Final 2013 dividend declared	11	–	–	–	–	–	–	–	–	(87,442)	(87,442)	–	(87,442)
Interim 2014 dividend	11	–	(54,652)	–	–	–	–	–	–	–	(54,652)	–	(54,652)
At 31 December 2014		**54,692**	**1,295,199***	**20,696***	**17,008***	**26,987***	**154,979***	**287***	**216,756***	**1,690,590***	**3,477,194**	**159,275**	**3,636,469**

	Notes	Attributable to owners of the Company											
		Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000 (Note 30(a))	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 30(a))	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013		47,633	659,964	16,567	16,092	25,552	70,759	287	162,767	1,102,485	2,102,106	90,771	2,192,877
Profit for the year		–	–	–	–	–	–	–	–	360,102	360,102	8,876	368,978
Other comprehensive income for the year:													
Gain on property revaluation, net of tax		–	–	–	–	710	–	–	–	–	710	–	710
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	64,608	–	64,608	3,605	68,213
Total comprehensive income for the year		–	–	–	–	710	–	–	64,608	360,102	425,420	12,481	437,901
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	2,547	2,547
Dividend paid to a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	(6,500)	(6,500)
Acquisition of a non-controlling interest	17	–	–	–	916	–	–	–	1,717	–	2,633	(5,006)	(2,373)
Transfer to statutory reserve		–	–	–	–	–	27,388	–	–	(27,388)	–	–	–
Shares issued upon exercise of share options	28(i)	956	33,192	(7,394)	–	–	–	–	–	–	26,754	–	26,754
Final 2012 dividend declared	11	–	–	–	–	–	–	–	–	(58,306)	(58,306)	–	(58,306)
Interim 2013 dividend	11	–	–	–	–	–	–	–	–	(43,730)	(43,730)	–	(43,730)
At 31 December 2013		48,589	693,156*	9,173*	17,008*	26,262*	98,147*	287*	229,092*	1,333,163*	2,454,877	94,293	2,549,170

* These reserve accounts comprise the consolidated reserves of HK$3,422,502,000 (2013: HK$2,406,288,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**642,397**	415,119
Adjustments for:			
Finance costs		**56,883**	51,869
Share of losses of associates		**1,852**	94
Depreciation	7	**176,119**	152,925
Amortisation of prepaid land lease payments	7	**1,612**	815
Amortisation of prepayments	7	**1,647**	1,653
Bank interest income	5	**(5,083)**	(3,005)
Equity-settled share option expenses	29	**12,320**	–
Loss on disposal of items of property, plant and equipment	7	**8,257**	899
Changes in fair value of an investment property	7	**(758)**	(253)
Impairment of trade receivables	7	**7,635**	3,527
Write-back of impairment of trade receivables	7	**(470)**	(1,931)
Write-off of trade receivables	7	**–**	2,582
Provision against/(write-back of provision against) obsolete inventories	7	**20,664**	(362)
Impairment of goodwill	7	**9,177**	16,616
Net gain on step acquisition	5	**(7,651)**	–
		924,601	640,548
Increase in inventories		**(321,278)**	(285,924)
Increase in trade and bills receivables		**(579,126)**	(133,874)
Decrease/(increase) in prepayments, deposits and other receivables		**(66,341)**	19,296
Decrease/(increase) in an amount due from a related company		**(4,725)**	779
Decrease in amounts due from associates		**–**	1,388
Increase/(decrease) in amounts due to associates		**1**	(86)
Increase/(decrease) in trade and bills payables		**429,111**	(119,961)
Increase in accrued liabilities and other payables		**51,725**	25,273
Cash generated from operations		**433,968**	147,439
Interest paid		**(56,883)**	(51,869)
Hong Kong profits tax paid		**(5,168)**	(56)
Overseas taxes paid		**(100,475)**	(44,561)
Net cash flows from operating activities		**271,442**	50,953

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**5,083**	3,005
Acquisition of a non-controlling interest	17	**–**	(9,704)
Acquisition of subsidiaries	32	**23,225**	–
Purchases of items of property, plant and equipment		**(546,808)**	(177,689)
Proceeds from disposal of items of property, plant and equipment		**12,559**	269
Increase in long term deposits		**(177,065)**	(78,945)
Decrease/(increase) in pledged bank deposits		**(54,670)**	29,646
Net cash flows used in investing activities		**(737,676)**	(233,418)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,251,113**	1,060,477
Repayment of bank loans		**(1,120,802)**	(863,890)
Proceeds from exercise of share options		**4,495**	26,754
Proceeds from issue of shares		**672,000**	–
Share issue expense		**(14,494)**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**18,707**	2,547
Loan to a non-controlling shareholder of a subsidiary		**(18,915)**	–
Dividend paid to a non-controlling shareholder of a subsidiary		**–**	(6,500)
Dividends paid		**(142,094)**	(102,036)
Net cash flows from financing activities		**650,010**	117,352
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**183,776**	(65,113)
Cash and cash equivalents at beginning of year		**177,643**	221,460
Effect of foreign exchange rate changes, net		**(1,258)**	21,296
CASH AND CASH EQUIVALENTS AT END OF YEAR		**360,161**	177,643
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	23		
Cash and bank balances		**360,161**	177,643
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**360,161**	177,643

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**117,862**	117,862
Loan to a non-controlling shareholder of a subsidiary	25	**12,610**	–
Total non-current assets		**130,472**	117,862
CURRENT ASSETS			
Due from subsidiaries	17	**1,833,880**	1,269,179
Due from an associate	18	**–**	280
Prepayments, deposits and other receivables		**8,552**	23
Loan to a non-controlling shareholder of a subsidiary	25	**6,305**	–
Cash and cash equivalents	23	**5,424**	738
Total current assets		**1,854,161**	1,270,220
CURRENT LIABILITIES			
Accrued liabilities and other payables		**1,705**	362
Interest-bearing bank borrowings	26	**180,653**	179,170
Total current liabilities		**182,358**	179,532
NET CURRENT ASSETS		**1,671,803**	1,090,688
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,802,275**	1,208,550
NON-CURRENT LIABILITY			
Interest-bearing bank borrowings	26	**350,835**	257,906
Net assets		**1,451,440**	950,644
EQUITY			
Issued capital	28	**54,692**	48,589
Reserves	30(b)	**1,396,748**	902,055
Total equity		**1,451,440**	950,644

Wang Ya Nan
Director

Wang Ya Hua
Director

1. CORPORATE INFORMATION

Tongda Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for a leasehold building in Hong Kong classified as property, plant and equipment and the investment property which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. 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 Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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

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

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its leasehold building in Hong Kong and investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment property

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

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

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

Inventories

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

Operating leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement
The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and cash equivalents, pledged deposits, loan to a non-controlling shareholder of a subsidiary, trade and bills receivables, deposits and other receivables, and an amount due from a related company.

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank and other borrowings, and an amount due to a non-controlling shareholder of a subsidiary.

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

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Research and development costs

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

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

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

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

Employee benefits

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 29 to the financial statements.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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

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

Retirement benefit schemes

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

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Provision against inventories
The management of the Group reviews the aged analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The carrying amount of inventories at 31 December 2014 was HK$1,400,901,000 (2013: HK$1,088,267,000). Further details are given in note 21.

Impairment of trade and bills receivables and other receivables
Impairment of trade and bills receivables and other receivables is made by assessing the recoverability of trade and bills receivables and other receivables based on credit history, historical payment pattern, ageing of receivable balances and prevailing market conditions. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed. The carrying amounts of trade and bills receivables and prepayments, deposits and other receivables at 31 December 2014 were HK$2,166,186,000 (2013: HK$1,585,497,000) and HK$204,441,000 (2013: HK$132,288,000), respectively. Further details of the trade and bills receivables are given in note 22.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

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

As described in notes 13 and 14 to the financial statements, the leasehold building located in Hong Kong and the investment property located in Mainland China were revalued at the end of the reporting period by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amounts of a leasehold building in Hong Kong and an investment property at 31 December 2014 were HK$40,000,000 (2013: HK$40,000,000) and HK$54,545,000 (2013: HK$53,992,000), respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$6,135,000 and was fully impaired during the year ended 31 December 2014. Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the communication facilities and others segment comprises the supply of plastic set top box and the manufacture of sport products, the Group's management services business and the corporate income and expense items.

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

Segment assets exclude investments in associates, goodwill, a loan to a non-controlling shareholder of a subsidiary, deferred tax assets, tax recoverable, pledged deposits, and cash and cash equivalents as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Group

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Segment revenue:										
Sales to external customers	**3,636,967**	2,882,537	**687,730**	492,385	**466,649**	252,179	**–**	–	**4,791,346**	3,627,101
Intersegment sales	**14,535**	20,514	**11,701**	20,924	**4,205**	–	**(30,441)**	(41,438)	**–**	–
Total	**3,651,502**	2,903,051	**699,431**	513,309	**470,854**	252,179	**(30,441)**	(41,438)	**4,791,346**	3,627,101
Segment results before depreciation and amortisation	**765,241**	531,111	**62,188**	60,045	**65,179**	26,484	**–**	–	**892,608**	617,640
Depreciation	**(152,516)**	(135,515)	**(16,660)**	(12,968)	**(6,943)**	(4,442)	**–**	–	**(176,119)**	(152,925)
Amortisation	**(1,530)**	(733)	**(1,647)**	(1,653)	**(82)**	(82)	**–**	–	**(3,259)**	(2,468)
Segment results	**611,195**	394,863	**43,881**	45,424	**58,154**	21,960	**–**	–	**713,230**	462,247
Unallocated income									**26,507**	46,583
Impairment of goodwill									**(9,177)**	(16,616)
Corporate and other unallocated expenses									**(29,428)**	(25,132)
Finance costs									**(56,883)**	(51,869)
Share of losses of associates									**(1,852)**	(94)
Profit before tax									**642,397**	415,119
Income tax expense									**(94,187)**	(46,141)
Profit for the year									**548,210**	368,978
Other segment information:										
Impairment losses/write-down recognised in the income statement*	**(23,482)**	(3,105)	**(1,637)**	(2,000)	**(3,180)**	(1,110)	**–**	–	**(28,299)**	(6,215)
Impairment losses reversed in the income statement**	**–**	50	**–**	–	**470**	2,349	**–**	–	**470**	2,399
Capital expenditure***	**541,271**	165,908	**59,066**	42,667	**25,416**	1,566	**–**	–	**625,753**	210,141

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

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

*** Capital expenditure consists of additions to property, plant and equipment.

During the year, the Group performed a review on its business and rationalised the allocation for certain revenue, expenses, assets and liabilities to the respective reporting segments. Accordingly, certain comparative accounts have been reclassified to conform to the current year's presentation.

4. OPERATING SEGMENT INFORMATION *(continued)*

Group *(continued)*

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**4,942,593**	3,702,037	**596,229**	504,290	**324,643**	159,509	**–**	–	**5,863,465**	4,365,836
Unallocated assets									**503,645**	291,031
Total assets									**6,367,110**	4,656,867
Segment liabilities	**1,155,363**	791,081	**239,164**	172,540	**130,558**	71,308	**–**	–	**1,525,085**	1,034,929
Unallocated liabilities									**1,205,556**	1,072,768
Total liabilities									**2,730,641**	2,107,697

Geographical information

(a) Revenue from customers

Group

	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**4,321,073**	3,275,095	**333,836**	176,067	**5,061**	48,717	**131,376**	127,222	**4,791,346**	3,627,101
(b) Non-current assets	**2,041,237**	1,516,897	**–**	–	**–**	–	**40,852**	41,138	**2,082,089**	1,558,035

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

The non-current assets information above is based on the locations of the assets and excludes investments in associates, goodwill, a loan to a non-controlling shareholder of a subsidiary and deferred tax assets.

Information about major customers

During the year ended 31 December 2014, revenue of approximately HK$1,206,968,000 (2013: HK$698,836,000) and HK$481,376,000 (2013: Nil), representing 25.19% (2013: 19.27%) and 10.05% (2013: Nil) of the Group's revenue, respectively, was derived from sales by the electrical fittings segment to two customers (2013: one), including sales to a group of entities which are known to be under common control of the respective customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

	2014 HK$'000	2013 HK$'000
Revenue		
Sale of:		
Electrical fittings	**3,636,967**	2,882,537
Ironware parts	**687,730**	492,385
Communication facilities and others	**466,649**	252,179
	4,791,346	3,627,101
Other income and gains, net		
Bank interest income	**5,083**	3,005
Gross rental income with nil outgoings	**3,485**	5,433
Sale of scrap materials	**7,227**	5,312
Government grants*	**8,230**	18,581
Fair value gain on an investment property (note 14)	**758**	253
Foreign exchange differences, net	**(8,703)**	8,136
Net gain on step acquisition (note 32)	**7,651**	–
Others	**2,776**	5,863
	26,507	46,583

* There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses on bank and other loans wholly repayable within five years	**39,408**	31,022
Less: Interest capitalised#	**(2,181)**	–
	37,227	31,022
Interest expenses on discounted bills	**19,656**	20,847
	56,883	51,869

During the year ended 31 December 2014, interest of HK$2,181,000 arose from certain funds borrowed generally used for the purpose of constructing certain leasehold buildings situated in Mainland China (note 13) was capitalised and included in the cost of leasehold buildings in Mainland China.

7. PROFIT BEFORE TAX

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

	2014 HK$'000	2013 HK$'000
Cost of inventories sold	**3,647,711**	2,829,088
Depreciation	**176,119**	152,925
Amortisation of prepaid land lease payments	**1,612**	815
Amortisation of prepayments	**1,647**	1,653
Research and development costs**	**97,468**	91,840
Impairment of goodwill* (note 16)	**9,177**	16,616
Minimum lease payments under operating leases of leasehold land and buildings	**36,551**	33,010
Employee benefit expense (excluding directors' remuneration – note 8):		
Salaries and wages	**892,363**	684,976
Equity-settled share option expense	**3,975**	–
Pension scheme contributions	**31,627**	27,420
Less: amounts included in research and development costs	**(22,205)**	(19,505)
	905,760	692,891
Auditors' remuneration	**2,839**	2,730
Impairment of trade receivables*	**7,635**	3,527
Write-back of impairment of trade receivables*	**(470)**	(1,931)
Write-off of trade receivables*	**–**	2,582
Provision against/(write-back of provision against) obsolete inventories	**20,664**	(362)
Changes in fair value of an investment property	**(758)**	(253)
Loss on disposal of items of property, plant and equipment*	**8,257**	899

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

** Included in the research and development costs are items of plant and equipment amounted to HK$12,214,000 (2013: HK$13,893,000) which are capitalised under property, plant and equipment in the consolidated statement of financial position and are depreciated over their estimated useful lives.

Cost of inventories sold includes HK$996,586,000 (2013: HK$757,061,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against/(write-back of provision against) obsolete inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**4,130**	4,088
Other emoluments:		
Salaries, allowances and benefits in kind	**1,940**	1,940
Equity-settled share option expense	**8,345**	–
Pension scheme contributions	**199**	189
	10,484	2,129
	14,614	6,217

During the year, directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of these options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

Directors' remuneration *(continued)*

(a) Independent non-executive directors

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2014			
Dr. Yu Sun Say, *GBM*, *GBS, SBS, JP*	**200**	**397**	**597**
Mr. Cheung Wah Fung, Christopher, *SBS*, *JP*	**200**	**397**	**597**
Mr. Ting Leung Huel, Stephen	**250**	**397**	**647**
	650	**1,191**	**1,841**

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2013			
Dr. Yu Sun Say, *GBS, SBS, JP*	188	–	188
Mr. Cheung Wah Fung, Christopher, *JP*	188	–	188
Mr. Ting Leung Huel, Stephen	232	–	232
	608	–	608

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

Directors' remuneration *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2014					
Mr. Wang Ya Nan	**870**	**360**	**59**	**1,590**	**2,879**
Mr. Wang Ya Hua	**630**	**360**	**35**	**1,590**	**2,615**
Mr. Wong Ah Yeung	**630**	**360**	**35**	**1,590**	**2,615**
Mr. Wong Ah Yu	**630**	**360**	**35**	**1,590**	**2,615**
Mr. Choi Wai Sang	**360**	**260**	**35**	**397**	**1,052**
Mr. Wang Ming Che	**360**	**240**	**–**	**397**	**997**
	3,480	**1,940**	**199**	**7,154**	**12,773**

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2013					
Mr. Wang Ya Nan	870	360	57	–	1,287
Mr. Wang Ya Hua	630	360	33	–	1,023
Mr. Wong Ah Yeung	630	360	33	–	1,023
Mr. Wong Ah Yu	630	360	33	–	1,023
Mr. Choi Wai Sang	360	260	33	–	653
Mr. Wang Ming Che	360	240	–	–	600
	3,480	1,940	189	–	5,609

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

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

Five highest paid employees

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2013: one) non-director highest paid employee are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,372**	1,186
Pension scheme contributions	**17**	15
Equity-settled share option expense	**397**	–
	1,786	1,201

The above remuneration of the non-director highest paid employee fell within the band of HK$1,500,001 to HK$2,000,000 (2013: HK$1,000,000 to HK$1,500,000).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2014	2013
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**3,704**	2,564
Overprovision in prior years	**(1,413)**	(204)
	2,291	2,360
Current – Elsewhere		
Charge for the year	**103,788**	72,039
Overprovision in prior years	**(24,407)**	(14,310)
	79,381	57,729
Deferred (note 27)	**12,515**	(13,948)
Total tax charge for the year	**94,187**	46,141

9. INCOME TAX *(continued)*

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

	Group	
	2014	2013
	HK$'000	HK$'000
Profit before tax	**642,397**	415,119
Tax at the applicable tax rates	**155,242**	98,307
Lower applicable tax rates enjoyed by the Group	**(63,252)**	(31,205)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**12,324**	(14,342)
Adjustments in respect of current tax of prior years	**(25,820)**	(14,007)
Loss/(profit) attributable to associates	**306**	(132)
Income not subject to tax	**(10,347)**	(15,871)
Expenses not deductible for tax	**19,294**	18,871
Tax losses utilised from previous years	**(51)**	(946)
Tax losses not recognised	**6,491**	5,466
Tax charge at the Group's effective rate	**94,187**	46,141

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the corporate income tax rate for all enterprises in Mainland China is 25%.

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

The share of tax attributable to associates amounting to HK$67,000 (2013: HK$387,000) is included in "Share of losses of associates" on the face of the consolidated income statement.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$31,431,000 (2013: profit of HK$166,153,000) which has been dealt with in the financial statements of the Company (note 30(b)). The balance included management fee from a subsidiary of HK$2,400,000 (2013: HK$2,400,000) while the balance for the year ended 31 December 2013 also included dividend income from a subsidiary of HK$184,600,000.

11. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2013 – HK1.6 cents per ordinary share (2013: final dividend of HK1.2 cents per ordinary share, in respect of the financial year ended 31 December 2012)	**87,442**	58,306
Interim – HK1.0 cent (2013: HK0.9 cent) per ordinary share	**54,652**	43,730
	142,094	102,036
Proposed final dividend:		
Final – HK2.0 cents (2013: HK1.6 cents) per ordinary share	**109,383**	77,742

The proposed final dividend of HK2.0 cents per ordinary share (2013: HK1.6 cents per ordinary share) for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 5,316,267,000 (2013: 4,822,368,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

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

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

	2014 HK$'000	2013 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company	**501,701**	360,102
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,316,267**	4,822,368
Effect of dilutive potential ordinary shares arising from share options	**78,224**	70,507
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,394,491**	4,892,875

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014								
Cost or valuation:								
At 1 January 2014	40,000	354,912	52,950	1,531,802	55,746	40,807	48,867	2,125,084
Additions	–	10,173	14,609	345,362	16,788	1,686	237,135	625,753
Addition upon step acquisition from associates to subsidiaries (note 32)	–	–	33	3,920	704	397	–	5,054
Disposals	–	–	–	(39,384)	(2,569)	–	–	(41,953)
Transfer	–	134,084	25,918	–	–	–	(160,002)	–
Exchange realignment	–	(1,345)	(224)	(6,064)	(218)	(151)	(183)	(8,185)
At 31 December 2014	40,000	497,824	93,286	1,835,636	70,451	42,739	125,817	2,705,753
Accumulated depreciation:								
At 1 January 2014	–	104,246	23,709	617,562	26,644	25,297	–	797,458
Provided for the year	868	15,469	4,459	143,465	8,226	3,632	–	176,119
Disposals	–	–	–	(19,675)	(1,462)	–	–	(21,137)
Reversal upon revaluation	(868)	–	–	–	–	–	–	(868)
Exchange realignment	–	(396)	(85)	(2,382)	(97)	(93)	–	(3,053)
At 31 December 2014	–	119,319	28,083	738,970	33,311	28,836	–	948,519
Net book value:								
At 31 December 2014	40,000	378,505	65,203	1,096,666	37,140	13,903	125,817	1,757,234

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

At cost	–	497,824	93,286	1,835,636	70,451	42,739	125,817	2,665,753
At 31 December 2014 valuation	40,000	–	–	–	–	–	–	40,000
At 31 December 2014	40,000	497,824	93,286	1,835,636	70,451	42,739	125,817	2,705,753

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

Group *(continued)*

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013								
Cost or valuation:								
At 1 January 2013	40,000	310,121	30,510	1,346,182	44,977	37,258	45,732	1,854,780
Additions	–	2,914	5,742	134,624	9,084	2,911	54,866	210,141
Disposals	–	–	–	(1,547)	(316)	(595)	–	(2,458)
Transfer	–	31,271	15,698	5,817	516	–	(53,302)	–
Exchange realignment	–	10,606	1,000	46,726	1,485	1,233	1,571	62,621
At 31 December 2013	40,000	354,912	52,950	1,531,802	55,746	40,807	48,867	2,125,084
Accumulated depreciation:								
At 1 January 2013	–	89,234	17,156	476,630	20,496	21,536	–	625,052
Provided for the year	850	11,958	6,007	124,724	5,785	3,601	–	152,925
Disposals	–	–	–	(458)	(297)	(535)	–	(1,290)
Reversal upon revaluation	(850)	–	–	–	–	–	–	(850)
Exchange realignment	–	3,054	546	16,666	660	695	–	21,621
At 31 December 2013	–	104,246	23,709	617,562	26,644	25,297	–	797,458
Net book value:								
At 31 December 2013	40,000	250,666	29,241	914,240	29,102	15,510	48,867	1,327,626

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

At cost	–	354,912	52,950	1,531,802	55,746	40,807	48,867	2,085,084
At 31 December 2013 valuation	40,000	–	–	–	–	–	–	40,000
At 31 December 2013	40,000	354,912	52,950	1,531,802	55,746	40,807	48,867	2,125,084

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

The Group's leasehold building situated in Hong Kong was revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK$40,000,000 (2013: HK$40,000,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong equates to its highest and best use.

A revaluation surplus of HK$868,000 (2013: HK$850,000), resulting from the above valuation, has been credited to other comprehensive income. Further details of the fair value measurement of the Group's building situated in Hong Kong are disclosed in note 14 below.

The Group's leasehold building situated in Hong Kong at valuation of HK$40,000,000 (2013: HK$40,000,000) is held under long term leases. The Group's leasehold buildings situated in Mainland China are held under medium term leases.

Had the Group's leasehold building situated in Hong Kong been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately HK$10,877,000 (2013: HK$11,135,000).

As at 31 December 2014, the Group's leasehold building in Hong Kong with a net carrying amount of HK$40,000,000 (2013: HK$40,000,000) was pledged to secure bank loans granted to the Group (note 26).

As at 31 December 2014, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Xiamen city and Shishi city, Fujian, the PRC with net book values of HK$140,600,000 (2013: HK$6,917,000) and HK$73,942,000 (2013: HK$74,224,000), respectively. The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

14. INVESTMENT PROPERTY

	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**53,992**	51,961
Changes in fair value	**758**	253
Exchange realignment	**(205)**	1,778
Carrying amount at 31 December	**54,545**	53,992

The Group's investment property in Shanghai was revalued on 31 December 2014 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK$54,545,000 (2013: HK$53,992,000). In the opinion of the directors, the current use of the investment property in Shanghai equates to its highest and best use.

14. INVESTMENT PROPERTY *(continued)*

The investment property in Shanghai is leased to a related company controlled by a director of the Company under an operating lease, further details of which are included in notes 33(a) and 35(a)(vi) to the financial statements.

As at 31 December 2014, the Group has not yet obtained the title ownership certificates for certain of its buildings situated in Shanghai. The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

The land in Shanghai where the investment property is located is held under a medium term lease.

Valuation processes for the leasehold building in Hong Kong and the investment property

The Group's finance department includes a team, which directly reports to the senior management, that reviews the valuations performed by the external valuers for financial reporting purposes. Each year, the senior management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties, including a leasehold building situated in Hong Kong for own use and an investment property in Shanghai measured at fair value. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's team has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold building situated in Hong Kong for own use (note 13) and an investment property in Shanghai:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Leasehold building in Hong Kong for own use (note (a))	–	–	40,000	40,000
Investment property in Shanghai (note (b))	–	–	54,545	54,545
	–	–	94,545	94,545

14. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Leasehold building in Hong Kong for own use (note (a))	–	–	40,000	40,000
Investment property in Shanghai (note (b))	–	–	53,992	53,992
	–	–	93,992	93,992

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Leasehold building HK$'000	**Investment property HK$'000**
Net carrying amount at 1 January 2013	40,000	51,961
Depreciation	(850)	–
Gain from a fair value adjustment recognised in:		
other income and gains, net in the income statement (note 5)	–	253
other comprehensive income in the statement of comprehensive income	850	–
Exchange realignment	–	1,778
Net carrying amount at 31 December 2013 and 1 January 2014	**40,000**	**53,992**
Depreciation	**(868)**	**–**
Gain from a fair value adjustment recognised in:		
other income and gains, net in the income statement (note 5)	**–**	**758**
other comprehensive income in the statement of comprehensive income	**868**	**–**
Exchange realignment	**–**	**(205)**
Net carrying amount at 31 December 2014	**40,000**	**54,545**

14. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of a leasehold building in Hong Kong and an investment property:

	Valuation technique	Significant unobservable inputs	Range 2014	Range 2013
Leasehold building in Hong Kong for own use	Direct comparison approach	Market transaction price (per square feet)	HK$14,000 to HK$22,723	HK$13,909 to HK$21,711
		Discount on quality of the building	1.5% to 3.5%	0.3% to 3.8%
Investment property	Direct comparison approach	Asking price per square metre	HK$4,910 to HK$7,155	HK$5,070 to HK$6,591
		Discount factor	10%	10%

Notes:

(a) The valuation of the leasehold building in Hong Kong for own use was determined using the direct comparison approach. The most significant inputs to this valuation approach are the latest transaction prices of comparable properties nearby and the discount on quality of the building.

The fair value measurement is positively correlated to the market transaction price and negatively correlated to the discount on quality of the building.

(b) The valuation of the investment property in Shanghai was determined using the direct comparison approach. Since no recent transaction history of the comparable properties nearby was publicly available, the asking price per square metre of comparable properties nearby and currently on sale with a discount factor of 10% (2013: 10%) was used in the determination of the fair value of the investment property. The most significant inputs to this valuation approach are the asking price per square metre and the discount factor.

A higher asking price per square metre will result in a higher fair value measurement while a higher discount factor would result in the opposite.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**34,866**	34,511
Addition (note 20)	**30,059**	–
Amortisation recognised during the year	**(1,612)**	(815)
Exchange realignment	**(244)**	1,170
Carrying amount at 31 December	**63,069**	34,866
Current portion included in prepayments, deposits and other receivables	**(1,412)**	(815)
Non-current portion	**61,657**	34,051

The leasehold lands are held under medium term leases and are situated in Mainland China.

16. GOODWILL

	Group	
	2014	2013
	HK$'000	HK$'000
Cost		
Balance at beginning of year	**31,809**	31,809
Step acquisition from associates to subsidiaries (note 32)	**3,042**	–
Balance at the end of year	**34,851**	31,809
Accumulated impairment losses		
Balance at beginning of year	**25,674**	9,058
Impairment recognised in the year (note 7)	**9,177**	16,616
Balance at the end of year	**34,851**	25,674
Carrying amount		
Balance at 31 December	**–**	6,135

16. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units (the "CGUs") of the subsidiaries acquired in prior years and the current year for impairment testing.

CGU acquired in prior years

CGU acquired in prior years is operating in manufacturing and sales of silk-screen printing products and leasing a building in Shanghai (note 14). The recoverable amount has been determined based on a value in use calculation using cash flow projections covering a 5-year (2013: 5-year) period approved by senior management. The discount rate applied to the cash flow projections is 13% (2013: 13%) and cash flows beyond the 5-year period are extrapolated using a growth rate of 5% (2013: 5%).

Assumptions for the above cash flow projections are the budgeted operating profits made with reference to the operating profits achieved in the year immediately before the projection period, increases for expected market development, and the pre-tax discount rate of 13% (2013: 13%), which is before tax and reflects specific risks relating to the CGU.

During the year ended 31 December 2014, the directors considered that, due to the unsatisfactory and deteriorating operating performance of the CGU acquired in prior years, the goodwill of HK$6,135,000 (2013: HK$16,616,000) was impaired based on the recoverable amount of the CGU.

CGU acquired through the step acquisition from associates to subsidiaries and disposal of an associate during the year (note 32)

CGU acquired during the year is operating in manufacturing and sales of silk-screen printing products.

In respect of the goodwill allocated to the CGU acquired in current year (note 32), the directors considered that, due to the deteriorating operating performance of the CGU, the goodwill of HK$3,042,000 was fully impaired based on the recoverable amount of the CGU.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Non-current portion		
Unlisted investments, at cost	**79,379**	79,379
Loans to subsidiaries	**38,483**	38,483
	117,862	117,862
Current portion		
Due from subsidiaries	**1,844,612**	1,279,876
	1,962,474	1,397,738
Impairment#	**(10,732)**	(10,697)
	1,951,742	1,387,041

An impairment of HK$10,732,000 (2013: HK$10,697,000) was recognised for certain amounts due from subsidiaries with a gross carrying amount of HK$10,732,000 (2013: HK$10,697,000) (before deducting the impairment loss) because these subsidiaries recorded net liabilities and no cash flows are expected to be generated by these subsidiaries in the foreseeable future.

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

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

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Directly held					
Tong Da Holdings (BVI) Limited[3]	British Virgin Islands ("BVI")	Ordinary US$10,000	**100**	100	Investment holding
Indirectly held					
Tong Da General Holdings (H.K.) Limited ("TDGHL")	Hong Kong	Ordinary HK$880,000	**100**	100	Investment holding, raw materials sourcing and trading of electrical appliance and ironware products
Ever Target Limited	Hong Kong	Ordinary HK$4	**100**	100	Investment holding
Tongda Group International Limited	Hong Kong	Ordinary HK$2	**100**	100	Property holding and investment holding
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian)[1, 3]	PRC/Mainland China	Registered HK$240,000,000 (2013: HK$120,000,000)	**100**	100	Manufacture and sale of accessories for electrical appliance products
福建省石獅市通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian)[1, 3]	PRC/ Mainland China	Registered Renminbi ("RMB") RMB32,000,000	**100**	100	Manufacture and sale of resistors and other electronic products
廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited)[1, 3]	PRC/Mainland China	Registered US$8,903,723	**100**	100	Property holding
通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited)[1, 3]	PRC/Mainland China	Registered HK$50,000,000	**100**	100	Manufacture and sale of ironware products
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Tongda Overseas Macao Commercial Offshore Limited[3]	Macau	Ordinary MOP100,000	**100**	100	Trading of electrical appliance products
Tongda (Xiamen) Company Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
Tongda General (H.K.) Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding and machinery sourcing
Tongda Smart Technology Company Limited	Hong Kong	Ordinary HK$300,000	**100**	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Indirectly held *(continued)*					
通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited)[1, 3]	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products
通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited)[1, 3]	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Manufacture and sale of ironware products
石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi)[1, 3]	PRC/Mainland China	Registered HK$18,000,000	**100**	100	Manufacture of accessories of electrical appliance products
石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi)[1, 3]	PRC/Mainland China	Registered HK$28,000,000	**100**	100	Manufacture of accessories for electrical appliance products
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
Evertarget (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**51**	51	Trading of lifestyle consumer products
通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited)[2, 3] ("Xiamen Technology")	PRC/Mainland China	Registered RMB113,776,300 (2013: RMB53,776,300)	**75**	75	Manufacture and sale of precise injection and printing parts
深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited)[2, 3]	PRC/Mainland China	Registered HK$45,000,000	**75**	75	Manufacture and sale of plastic injection and printing parts
Tongda (Shanghai) Company Limited [3]	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
通達(上海)電器裝飾件有限公司[1, 3]	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Property holding
通達光電有限公司 (Tongda Optical Company Limited)[4]	Hong Kong	Ordinary HK$800,000	**100**	100	Investment holding
通達(廈門)光電科技有限公司 (Tong Da (Xiamen) Optical Technology Company Limited)[1, 3, 4]	PRC/Mainland China	Registered HK$50,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2014	2013	Principal activities
Indirectly held *(continued)*					
通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited)[1, 3]	PRC/Mainland China	Registered HK$80,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products
通達(廈門)通訊有限公司 (Tongda (Xiamen) Communications Company Limited)[2, 3]	PRC/Mainland China	Registered RMB20,000,000	**60**	60	Manufacture of electronics and communication facilities
南安展達電路有限公司[1, 3]	PRC/Mainland China	Registered RMB10,000,000	**60**	60	Manufacture and sale of circuit board and plastic and ironware products
台灣通達通訊有限公司[3]	Taiwan	Registered TWD24,000,000	**60**	60	Manufacture of electronics and communication facilities
Meijitsu Tongda (HK) Company Limited ("Meijitsu HK")[5]	Hong Kong	Ordinary HK$10,000	**100 (note 18)**	–	Investment holding
通達名科技(深圳)有限公司 ("Meijitsu Science")[1,3,5]	PRC/Mainland China	Registered HK$26,000,000 (2013: HK$11,000,000)	**100 (note 18)**	–	Manufacture and sale of silk-screen printing products
Tongda Fuso (HK) Company Limited ("Fuso (HK)")[3,5]	Hong Kong	Ordinary HK$7,625,630	**100 (note 18)**	–	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited ("Fuso (Shanghai)")[1,3,5]	PRC/Mainland China	Registered US$1,300,000	**100 (note 18)**	–	Manufacture and sale of silk-screen printing products

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes:

1. Registered as wholly-foreign-owned enterprises under PRC law

2. Registered as foreign-invested enterprises under PRC law

3. The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

4. Pursuant to a sale and purchase agreement entered into between the Group and the non-controlling shareholder of Tongda Optical Company Limited ("Tongda Optical") on 29 May 2013, the remaining 45% equity interest of Tongda Optical and its subsidiaries was acquired by the Group for a cash consideration of JPY135 million (approximately HK$9,704,000). At the same time, the non-controlling shareholder agreed to transfer and assign the loan of HK$7,331,000 to the Group at nil consideration. Taking into account the above net consideration and the then share of net assets of Tongda Optical of HK$5,006,000 and share of exchange reserve of HK$1,717,000 by the non-controlling shareholder at the date of acquisition, a net difference of HK$916,000 was resulted and credited to capital reserve upon the completion of the acquisition. Thereafter, Tongda Optical and its subsidiary, Tong Da (Xiamen) Optical Technology Company Limited, became wholly-owned subsidiaries of the Group.

5. Pursuant to a sale and purchase agreement entered into between the Group and the then other shareholder of Meijitsu HK (the "Other shareholder") on 23 January 2014, the remaining 50% equity interest of Meijitsu HK was acquired by the Group (the "Step Acquisition"). Thereafter, Meijitsu HK, together with its subsidiaries, namely Meijitsu Science, Fuso (HK) and Fuso (Shanghai), became wholly-owned subsidiaries of the Group upon completion of the Step Acquisition. Further details of the Step Acquisition were set out in note 32 to the financial statements.

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the Group's subsidiary that has a material non-controlling interest are set out below:

	2014	2013
Percentage of equity interest held by a non-controlling interest of Xiamen Technology	25%	25%

Xiamen Technology	**2014 HK$'000**	2013 HK$'000
Profit for the year allocated to a non-controlling interest	**43,661**	11,993
Other comprehensive income/(expense) for the year allocated to a non-controlling interest	**(111)**	2,717
Dividends paid to a non-controlling interest	**–**	(6,500)
Capital contribution from a non-controlling interest	**18,708**	–
Dividend payable to a non-controlling interest at the reporting dates	**7,188**	4,724
Accumulated balance of a non-controlling interest at the reporting dates	**151,153**	88,895

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Xiamen Technology	**2014 HK$'000**	2013 HK$'000
Revenue	**1,720,860**	1,008,824
Total expenses	**1,546,215**	960,854
Profit for the year	**174,645**	47,970
Other comprehensive income/(expense)	**(445)**	10,868
Total comprehensive income for the year	**174,200**	58,838
Current assets	**1,053,322**	537,616
Non-current assets	**396,146**	174,688
Current liabilities	**823,104**	375,622
Non-current liabilities	**50,505**	–
Net cash flows from operating activities	**91,794**	33,272
Net cash flows used in investing activities	**(226,507)**	(31,735)
Net cash flows from/(used in) financing activities	**168,890**	(6,735)
Net increase/(decrease) in cash and cash equivalents	**34,177**	(5,198)

18. INVESTMENTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Share of net assets	**4,520**	15,356
Goodwill on acquisition	**14,308**	14,308
	18,828	29,664
Due from associates	**9**	28,754
Due to associates	**(3,766)**	(5,759)
	15,071	52,659
Provision for impairment	**(12,012)**	(12,012)
	3,059	40,647

Particulars of the unlisted associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group 2014	2013	Principal activities
Meijitsu HK (note a)	Hong Kong	Ordinary HK$10,000	–	50	Investment holding
Meijitsu Tongda (Vietnam) Company Limited ("Meijitsu Vietnam")* (note a)	Vietnam	Registered Vietnamese Dong ("VND") 9,600,000,000	–	50	Manufacture and sale of label/seal for automation office products
Meijitsu Science* (note a)	PRC/Mainland China	Registered HK$26,000,000 (2013: HK$11,000,000)	–	50	Manufacture and sale of silk-screen printing products
Fuso (HK)* (notes a and b)	Hong Kong	Ordinary HK$7,625,630	–	70	Investment holding

18. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the unlisted associates are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group 2014	2013	Principal activities
Fuso (Shanghai)* (notes a and b)	PRC/Mainland China	Registered US$1,300,000	**–**	70	Manufacture of silk-screen printing products
東莞市康祥電子有限公司 ("Kangxiang")*	PRC/Mainland China	Registered RMB13,500,000	**34.9**	34.9	Manufacture and sale of electronic components
Justone Holdings Limited ("Justone")*	BVI	Ordinary US$33,333	**28**	28	Investment holding
Justone Technologies Limited*	Hong Kong	Ordinary HK$10,000	**28**	28	Investment holding
Justone (北京) 通訊技術有限公司*	PRC/Mainland China	Registered RMB5,000,000	**28**	28	Provision of software platform to run integrated fixed line phone

* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

a. Upon completion of the Step Acquisition, Meijitsu HK, Meijitsu Science, Fuso (HK) and Fuso (Shanghai) became wholly owned subsidiaries of the Group. In addition, the Group disposed of its entire interest in an associate, namely Meijitsu Vietnam, as part of the considerations of the Step Acquisition. Further details of the Step Acquisition were set out in note 32 to the financial statements

b. The directors considered that Fuso (HK) and Fuso (Shanghai) are the associates of the Company as at 31 December 2013 because the Group did not have the right to appoint the majority of the directors of Fuso (HK) and Fuso (Shanghai) and did not have unilateral or joint control over Fuso (HK) and Fuso (Shanghai).

18. INVESTMENTS IN ASSOCIATES *(continued)*

During the year ended 31 December 2013, the dividend income of HK$19,700,000 declared by an associate was settled through the amounts due from associates.

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

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

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2014	2013
	HK$'000	HK$'000
Share of the associates' losses for the year	**(1,852)**	(94)
Share of the associates' other comprehensive income/(expense)	**(16)**	1,162
Share of the associates' total comprehensive income/(expense)	**(1,868)**	1,068
Aggregate carrying amount of the Group's investments in the associates	**3,059**	40,647

19. PREPAYMENTS

Group

	Prepaid rental HK$'000	Prepaid premises cost HK$'000	Total HK$'000
31 December 2014			
Cost:			
At 1 January 2014	**2,395**	**74,774**	**77,169**
Exchange realignment	**(9)**	**(282)**	**(291)**
At 31 December 2014	**2,386**	**74,492**	**76,878**
Amortisation:			
At 1 January 2014	**564**	**13,184**	**13,748**
Amortised during the year	**52**	**1,595**	**1,647**
Exchange realignment	**(2)**	**(49)**	**(51)**
At 31 December 2014	**614**	**14,730**	**15,344**
Net book value:			
At 31 December 2014	**1,772**	**59,762**	**61,534**
31 December 2013			
Cost:			
At 1 January 2013	2,316	72,300	74,616
Exchange realignment	79	2,474	2,553
At 31 December 2013	2,395	74,774	77,169
Amortisation:			
At 1 January 2013	495	11,200	11,695
Amortised during the year	52	1,601	1,653
Exchange realignment	17	383	400
At 31 December 2013	564	13,184	13,748
Net book value:			
At 31 December 2013	1,831	61,590	63,421

19. PREPAYMENTS *(continued)*

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

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

20. LONG TERM DEPOSITS

	Group	
	2014	2013
	HK$'000	HK$'000
Deposits for acquisition of property, plant and equipment	**147,119**	48,886
Deposit for acquisition of a land use right in Mainland China* (note 15)	**–**	30,059
	147,119	78,945

* Pursuant to the land use right transfer agreement dated 9 September 2013 entered into between the Group and the land resources and real estate management bureau in Xiamen, the PRC, the Group acquired the land use right of a parcel of land in Xiamen, the PRC (the "Xiamen Land") with a total land area of 47,971 square metres for a consideration of RMB23,060,000 (equivalent to HK$29,184,000) (the "Land Consideration") for a term of 50 years. The Xiamen Land is used by the Group to construct the new manufacturing base of the Group in Xiamen and the land use right certificate was received during the year ended 31 December 2014. Hence, the Land Consideration, together with deed tax of RMB691,000 (equivalent to HK$875,000) was transferred from "Long term deposits" to "Prepaid land lease payments" during the year ended 31 December 2014.

21. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**482,131**	402,075
Work in progress	**360,711**	258,555
Finished goods	**558,059**	427,637
	1,400,901	1,088,267

As at 31 December 2014, moulds of HK$175,012,000 (2013: HK$145,375,000) are included in the finished goods.

22. TRADE AND BILLS RECEIVABLES

	Group 2014 HK$'000	Group 2013 HK$'000
Trade receivables	**1,998,829**	1,397,826
Impairment allowances	**(40,013)**	(32,884)
	1,958,816	1,364,942
Bills receivable	**207,370**	220,555
	2,166,186	1,585,497

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing. At the end of the reporting period, 19.6% (2013: 12.6%) and 54.7% (2013: 45.4%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

An aged analysis of the Group's trade and bills receivables as at 31 December 2014, based on the invoice date, is as follows:

	Group 2014 HK$'000	Group 2013 HK$'000
Within 3 months	**1,907,767**	1,358,407
4 to 6 months, inclusive	**216,833**	210,488
7 to 9 months, inclusive	**35,902**	10,085
10 to 12 months, inclusive	**8,762**	4,854
More than 1 year	**36,935**	34,547
	2,206,199	1,618,381
Impairment allowances	**(40,013)**	(32,884)
	2,166,186	1,585,497

22. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**32,884**	31,776
Impairment of trade receivables (note 7)	**7,635**	3,527
Write-back of impairment of trade receivables (note 7)	**(470)**	(1,931)
Write-off of impairment of trade receivables	**–**	(740)
Exchange realignment	**(36)**	252
At 31 December	**40,013**	32,884

The above impairment allowances for trade receivables are allowances for impaired trade receivables with a gross carrying amount of HK$142,084,000 (2013: HK$110,847,000). The impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**1,929,541**	1,365,945
Within 3 months	**121,782**	128,396
4 to 6 months, inclusive	**11,468**	8,885
7 to 9 months, inclusive	**1,324**	1,725
10 to 12 months, inclusive	**–**	2,368
More than 1 year	**–**	215
	2,064,115	1,507,534

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

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

23. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**360,161**	177,643	**5,424**	738
Pledged deposits	**117,463**	62,793	**–**	–
	477,624	240,436	**5,424**	738
Less: Pledged deposits*	**(117,463)**	(62,793)	**–**	–
	360,161	177,643	**5,424**	738

* Pledged deposits include HK$113,397,000 (2013: HK$62,793,000) for the bank facilities granted to the Group (note 26) and HK$4,066,000 (2013: Nil) for guarantee of construction costs payments for certain leasehold buildings in Mainland China.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$279,814,000 (2013: HK$124,595,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and pledged deposits earn interest at floating rates based on daily bank deposit rates.

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

24. TRADE AND BILLS PAYABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade payables	**959,576**	715,337
Bills payable	**369,846**	179,080
	1,329,422	894,417

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 31 December 2014, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 3 months	**993,691**	642,229
4 to 6 months, inclusive	**308,268**	224,202
7 to 9 months, inclusive	**10,417**	12,540
10 to 12 months, inclusive	**776**	1,586
More than 1 year	**16,270**	13,860
	1,329,422	894,417

25. BALANCES WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND A RELATED COMPANY

The amount due from a related company controlled by a director, Mr. Wong Ah Yeung, is unsecured, interest-free and has no fixed terms of repayment. The maximum amount outstanding during the year is HK$9,848,000 (2013: HK$2,868,000).

The amount due to a non-controlling shareholder of a subsidiary of HK$54,000 is unsecured, interest-free and has no fixed terms of repayment.

The loan to a non-controlling shareholder of a subsidiary of HK$18,915,000 (2013: Nil) bears interest at 3.5% per annum, secured by the non-controlling shareholder's shares in that subsidiary, and is repayable by three equal annual instalments starting from the drawn-down date in March 2014 with HK$6,305,000 repayable within 12 months from the end of the reporting period.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2014			2013		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans, unsecured	5.04 – 5.88%	2015	11,323	5.04% – 8%	2014	36,391
Current portion of long term bank loans, secured	HIBOR + 1.85%	2015	180,653	HIBOR + 1.85%	2014	90,401
Current portion of long term bank loans, unsecured	–	2015	–	HIBOR + 1.5%	2014	88,769
Bank loans, unsecured	2.47%-7.28%/ HIBOR + 2.0%/ LIBOR + 2.5%	2015	437,167	4.47% – 8.0%/ HIBOR + 2.0%/ HIBOR + 2.24%/ HIBOR + 2.5%	2014	376,200
			629,143			591,761
Non-current						
Bank loans, secured	HIBOR + 1.85%	2016 to 2017	251,329	HIBOR + 1.85%	2015 to 2016	257,906
Bank loans, unsecured	2.65%/ HIBOR + 1.75%	2016 to 2017	99,506	–	–	–
			350,835			257,906
Total			979,978			849,667

Company	2014			2013		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Current portion of long term bank loans, secured	HIBOR + 1.85%	2015	180,653	HIBOR + 1.85%	2014	90,401
Bank loans, unsecured	–	2015	–	HIBOR + 1.5%	2014	88,769
			180,653			179,170
Non-current						
Bank loans, secured	HIBOR + 1.85%	2016 to 2017	251,329	HIBOR + 1.85%	2015 to 2016	257,906
Bank loans, unsecured	2.65%/ HIBOR + 1.75%	2016 to 2017	99,506	–	–	–
			350,835			257,906
Total			531,488			437,076

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank and other borrowings repayable:				
Within one year	**629,143**	591,761	**180,653**	179,170
In the second year	**174,848**	181,475	**174,848**	181,475
In the third year	**175,987**	76,431	**175,987**	76,431
	979,978	849,667	**531,488**	437,076
Analysed into:				
HK$	**541,488**	507,076	**432,279**	437,076
EUR	**5,047**	–	**–**	–
RMB	**373,481**	324,654	**–**	–
US$	**59,962**	17,937	**99,209**	–
	979,978	849,667	**531,488**	437,076

Notes:

At the end of the reporting period, the Group's banking facilities were secured by:

(a) the pledge of bank deposits of approximately HK$113,397,000 (2013: HK$62,793,000) (note 23);

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

(c) mortgages over the Group's leasehold building in Hong Kong with a carrying amount of approximately HK$40,000,000 (2013: HK$40,000,000).

27. DEFERRED TAX

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

Deferred tax liabilities

Group

	Withholding taxes HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2013	33,821	15,195	49,016
Debited/(credited) to the income statement during the year (note 9)	(14,011)	63	(13,948)
Deferred tax debited to equity during the year	–	140	140
Exchange realignment	–	346	346
At 31 December 2013 and 1 January 2014	19,810	15,744	35,554
Debited to the income statement during the year (note 9)	12,324	191	12,515
Deferred tax debited to equity during the year	–	143	143
Exchange realignment	–	(40)	(40)
At 31 December 2014	32,134	16,038	48,172

Deferred tax assets

Group

	Accelerated tax depreciation HK$'000
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	3,703

27. DEFERRED TAX *(continued)*

Group *(continued)*

The Group and the Company have estimated tax losses arising in Hong Kong of approximately HK$9,080,000 (2013: HK$8,936,000) and HK$8,323,000 (2013: HK$8,323,000) respectively that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

However, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and associates of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and associates will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,252,365,000 at 31 December 2014 (2013: HK$973,999,000).

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

28. SHARE CAPITAL

	2014 HK$'000	2013 HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
5,469,150,000 (2013: 4,858,850,000) ordinary shares of HK$0.01 each	**54,692**	48,589

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

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
As at 1 January 2013		4,763,300,000	47,633	659,964	707,597
Shares issued upon exercise of share options	(i)	95,550,000	956	33,192	34,148
As at 31 December 2013 and 1 January 2014		4,858,850,000	48,589	693,156	741,745
Issue of shares	(ii)	600,000,000	6,000	666,000	672,000
Shares issued upon exercise of share options	(iii)	10,300,000	103	5,189	5,292
		610,300,000	6,103	671,189	677,292
Share issue expenses		–	–	(14,494)	(14,494)
As at 31 December 2014		5,469,150,000	54,692	1,349,851	1,404,543

28. SHARE CAPITAL *(continued)*

Notes:

(i) During the year ended 31 December 2013, the subscription rights attaching to 95,550,000 share options were exercised at HK$0.28 per share resulting in the issue of 95,550,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$26,754,000. An amount of HK$7,394,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) On 24 March 2014, the Company, Landmark Worldwide Holdings Limited ("Landmark"), a major shareholder of the Company and two independent third party placing agents (the "Joint Placing Agents") entered into a placing agreement pursuant to which the Joint Placing Agent agreed to place, on a full underwritten basis, 600,000,000 existing shares of the Company at the placing price of HK$1.12 per share (the "Placing") to not less than six independent placees. On the same date and at the same time, the Company and Landmark entered into a subscription agreement with the Company for the subscription of 600,000,000 new shares at HK$1.12 per share (the "Subscription").

The Placing and the Subscription were completed on 27 March 2014 and 31 March 2014, respectively.

(iii) During the year ended 31 December 2014, an aggregate of 10,300,000 share options had been exercised at a weighted average subscription price of HK$0.4364 per share resulting in the issue of 10,300,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$4,495,000. An amount of HK$797,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

All new ordinary shares issued in the current and prior years rank pari passu with the existing shares in all respects.

Share option schemes

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2002, a share option scheme of the Company (the "Old Scheme") was adopted by the Company. The Old Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Old Scheme expired during the year ended 31 December 2012 and no further share options can be granted under the Old Scheme.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 25 June 2013, a share option scheme of the Company (the "New Scheme") was adopted by the Company. The Company operates the New Scheme for the purpose of providing incentives or rewards to selected eligible participants who contribute to the success of the Group's operations. Selected eligible participants of the New Scheme include directors, employees of the Company or any of its subsidiaries and any officers or consultants who will provide or have provided services to the Group.

29. SHARE OPTION SCHEMES *(continued)*

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company may not exceed 30% of the relevant class of shares in issue from time to time. No options may be granted under the New Scheme or any other share option scheme of the Company if it will result in this limit being exceeded. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each selected eligible participant in any 12-month period and up to the date of grant shall not exceed 1% of the shares of the Company in issue.

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

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

The subscription price for the shares of the Company under the New Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares of the Company as shown in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

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

29. SHARE OPTION SCHEMES *(continued)*

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

	2014		2013	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.4079**	**129,000**	0.3535	224,550
Granted during the year	**0.87**	**93,000**	–	–
Exercised during the year	**0.4364**	**(10,300)**	0.28	(95,550)
At 31 December	**0.6096**	**211,700**	0.4079	129,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.068 (2013: HK$0.580) per share.

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

2014

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
10,000	**0.4850**	**10 March 2007 to 9 March 2017**
34,000	**0.5860**	**4 July 2007 to 3 July 2017**
75,000	**0.3150**	**16 February 2008 to 15 February 2018**
9,000	**0.8700**	**12 May 2014 to 11 May 2019**
9,300	**0.8700**	**12 May 2015 to 11 May 2019**
74,400	**0.8700**	**12 May 2016 to 11 May 2019**
211,700		

2013

Number of options '000	Exercise price* HK$ per share	Exercise period
10,000	0.4850	10 March 2007 to 9 March 2017
38,000	0.5860	4 July 2007 to 3 July 2017
81,000	0.3150	16 February 2008 to 15 February 2018
129,000		

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

29. SHARE OPTION SCHEMES *(continued)*

The fair value of the share options under the New Scheme granted during the year was HK$30,115,000 (approximately HK$0.32 each), of which the Group recognised a share option expense of HK$12,320,000 (2013: Nil) during the year ended 31 December 2014.

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

	2014
Dividend yield (%)	**2.87**
Expected volatility (%)	**57.02**
Risk-free interest rate (%)	**1.30**
Expected exercise multiple	**1.68**
Expected life of options (year)	**0–5**

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

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

The 10,000,000 share options under the Old Scheme and 300,000 share options under the New Scheme exercised during the year resulted in the issue of 10,300,000 ordinary shares of the Company and new share capital of HK$103,000 and share premium of HK$5,189,000 (before share issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period and date of approval of these financial statements, the Company had 119,000,000 (2013: 129,000,000) share options and 92,700,000 (2013: Nil) share options outstanding under the Old Scheme and the New Scheme, respectively, which represented approximately 2.2% and 1.7% of the Company's shares in issue as at these dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 211,700,000 additional ordinary shares of the Company and additional share capital of HK$2,117,000 and share premium of HK$126,931,000 (before issue expenses).

30. RESERVES

(a) Group

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

(i) *Capital reserve*

The capital reserve of the Group represents principally (1) the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group's reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares, over the purchase consideration paid therefor; (2) the difference between the consideration paid and the net assets acquired for the further acquisition of Xiamen Optic Conduct Cable Company Limited during the year ended 31 December 2010; (3) the difference between the consideration received and the net liabilities disposed of for the partial disposal of Tongda Optical during the year ended 31 December 2010; and (4) the difference between the net consideration paid and the net assets acquired from the acquisition of Tongda Optical during the year ended 31 December 2013.

(ii) *Statutory reserve*

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to the statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set-off against accumulated losses, if any, arising under certain specified circumstances. As the reserve has already reached 50% of Tongda Macao's capital fund, no transfer was made in the current year (2013: Nil).

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

30. RESERVES *(continued)*

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	659,964	16,567	79,179	287	56,143	812,140
Profit for the year	–	–	–	–	166,153	166,153
Shares issued upon exercise of share options (notes 28(i) and 29)	33,192	(7,394)	–	–	–	25,798
Final 2012 dividend (note 11)	–	–	–	–	(58,306)	(58,306)
Interim 2013 dividend (note 11)	–	–	–	–	(43,730)	(43,730)
At 31 December 2013 and 1 January 2014	693,156	9,173	79,179	287	120,260	902,055
Loss for the year	–	–	–	–	(31,431)	(31,431)
Issue of shares (note 28(ii))	666,000	–	–	–	–	666,000
Share issue expenses	(14,494)	–	–	–	–	(14,494)
Shares issued upon exercise of share options (notes 28(iii) and 29)	5,189	(797)	–	–	–	4,392
Equity-settled share option arrangements (note 29)	–	12,320	–	–	–	12,320
Final 2013 dividend (note 11)	–	–	–	–	(87,442)	(87,442)
Interim 2014 dividend (note 11)	(54,652)	–	–	–	–	(54,652)
At 31 December 2014	1,295,199	20,696	79,179	287	1,387	1,396,748

Notes:

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

(ii) As at 31 December 2014, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$1,375,765,000 (2013: HK$892,595,000) subject to the restriction stated in note (i) above.

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

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

31. CONTINGENT LIABILITIES

At 31 December 2014, the Company had provided corporate guarantees for banking facilities granted to certain subsidiaries, which were utilised to the extent of approximately HK$245,056,000 (2013: HK$124,670,000) at the end of the reporting period.

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

32. STEP ACQUISITION FROM ASSOCIATES TO SUBSIDIARIES AND DISPOSAL OF AN ASSOCIATE

Pursuant to a sale and purchase agreement entered into between the Group, and the Other Shareholder on 23 January 2014 (the "Acquisition Date"), the remaining 50% equity interest of Meijitsu HK, a then associate of the Group, was acquired by the Group from the Other Shareholder, Meijitsu HK is a private company set up in Hong Kong and acts as an investment holding company.

The Group considers that the Step Acquisition provides a good opportunity to diversify the Group's business risk.

Immediately before the completion of the Step Acquisition, Meijitsu HK then had four subsidiaries, namely (1) Meijitsu Science, a wholly-owned subsidiary of Meijitsu HK established in the PRC, (2) Meijitsu Vietnam, a wholly-owned subsidiary of Meijitsu HK established in Vietnam, (3) Fuso (HK), a 60%-owned subsidiary of Meijitsu HK incorporated in Hong Kong and (4) Fuso (Shanghai), a wholly-owned subsidiary of Fuso (HK) established in the PRC. Meijitsu HK, Meijitsu Science, Fuso (HK) and Fuso (Shanghai) collectively are known as "Meijitsu HK sub-group".

Since the other 40% shareholder of Fuso (HK) is a wholly-owned subsidiary of the Group, Fuso (HK) and Fuso (Shanghai) (collectively known as "Fuso Group") were effectively hold as to 70% by the Company immediately before the completion of the Step Acquisition.

On the Acquisition Date, the Group also entered into two deeds of assignment for transferring and assigning the loans between the Group and Nagoya. The first loan assignment was entered into amongst Meijitsu HK, the Other Shareholder and the Group pursuant to which the loan of HK$13,433,000 originally due from Meijitsu HK to the Other Shareholder was transferred and assigned to the Group at a cash consideration of HK$747,000 (the "First loan").

On the same date, and upon completion of the First Loan assignment, the Group waived Meijitsu HK's obligation to settle the First Loan.

32. STEP ACQUISITION FROM ASSOCIATES TO SUBSIDIARIES AND DISPOSAL OF AN ASSOCIATE *(continued)*

The second loan assignment was entered into amongst Meijitsu HK, the Other Shareholder and Meijitsu Vietnam pursuant to which the loan of HK$14,653,000 originally due from Meijitsu Vietnam to Meijitsu HK, was transferred and assigned to the Other Shareholder at a cash consideration of HK$1 (the “Second Loan”).

The fair value of the Group’s then effective equity holding immediately before the Step Acquisition of 50%, 50% and 70% in Meijitsu HK, Meijitsu Science and Fuso Group (collectively the “Existing Shareholdings”) respectively, together with the Group’s then 50% interest in Meijitsu Vietnam disposed of at HK$1, formed the total consideration of the Step Acquisition and was included in the calculation of goodwill on the Step Acquisition.

As at the Acquisition Date, the fair values of the Existing Shareholdings and the then interest in Meijitsu Vietnam held by the Group were estimated by VAL Consulting Limited (“VAL”), an independent firm of professional qualified valuers, at HK$7,220,000 and HK$4,450,000, respectively. Compared with their respective carrying amounts before valuation of HK$4,656,000 and HK$3,282,000, the aggregate fair value gain was HK$3,732,000 and was recognised in “Net gain on step acquisition” under “Other income and gains, net” on the face of the consolidated income statement. In addition, the exchange reserves of a gain of HK$4,052,000 and a loss of HK$133,000 related to the Existing Shareholdings and Meijitsu Vietnam, respectively, were released from the consolidated statement of changes in equity to the consolidated income statement and included in “Net gain on step acquisition” under “Other income and gains, net” on the face of the consolidated income statement upon the Step Acquisition.

Upon the completion of the above transactions, Meijitsu HK and Meijitsu Science, the former 50% associates of the Company; and Fuso Group the former 70% associates of the Company, became wholly-owned subsidiaries of the Company while TDGHL does not retain any equity interest in Meijitsu Vietnam.

The Step Acquisition and the disposal of Meijitsu Vietnam were completed on 23 January 2014.

32. STEP ACQUISITION FROM ASSOCIATES TO SUBSIDIARIES AND DISPOSAL OF AN ASSOCIATE *(continued)*

The fair values of the identifiable assets and liabilities of Meijitsu HK sub-group as at the Acquisition Date were as follows:

	Notes	**Fair value recognised on the Step Acquisition** HK$'000
Property, plant and equipment	13	5,054
Inventories		12,020
Trade and bills receivables		8,692
Prepayments, deposits and other receivables		5,215
An amount due from a related company		3,374
Cash and cash equivalents		23,972
Trade payables		(5,894)
Accrued liabilities and other payables		(3,426)
Amounts due to group companies, net		(26,783)
Tax payables		(13,596)
Total identifiable net assets at fair value		8,628
Goodwill	16	3,042
Total consideration		11,670
Satisfied by:		
Fair value of the Group's then interest in Meijitsu Vietnam		4,450
Fair value of the Existing Shareholdings		7,220
Total consideration		11,670

The transaction costs of HK$194,000 incurred for the Step Acquisition were expensed and included in "Other operating expenses, net" in the consolidated income statement.

32. STEP ACQUISITION FROM ASSOCIATES TO SUBSIDIARIES AND DISPOSAL OF AN ASSOCIATE *(continued)*

An analysis of the cash flows in respect of the Step Acquisition is as follows:

	HK$'000
Cash considerations	(747)
Cash and bank balances acquired	23,972
Net inflow of cash and cash equivalents included in cash flows from investing activities	23,225

Since the Step Acquisition, Meijitsu HK and its subsidiaries contributed HK$39,694,000 to the Group's revenue and loss of HK$2,865,000 included in the consolidated income statement for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year ended 31 December 2014 would have been HK$43,279,000 and HK$3,294,000, respectively.

The Group's interim financial statements for the period ended 30 June 2014 were based on a provisional assessment of the financial impact of the Step Acquisition with a provisional goodwill of HK$2,345,000 recognised in the interim condensed consolidated statement of financial position in accordance with HKFRS 3 (Revised) *Business Combinations*. After considering all the facts and circumstances, management completed the measurement of the goodwill, and revised the provisional goodwill recognised at the Acquisition Date from HK$2,345,000 to HK$3,042,000.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one to three years (2013: one to three years). The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**3,485**	4,221
In the second to fifth years, inclusive	**1,452**	4,956
	4,937	9,177

(b) As lessee

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

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**29,059**	16,441
In the second to fifth years, inclusive	**37,477**	46,616
After five years	**13,348**	16,114
	79,884	79,171

34. COMMITMENTS

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

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	**152,084**	33,614
– Construction of plant and leasehold buildings in Mainland China	**14,991**	96,796
	167,075	130,410

The Company had no significant commitments at the end of the reporting period (2013: Nil).

35. RELATED PARTY TRANSACTIONS

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

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Associates:			
Sales of products	(i)	**–**	1,892
Purchases of raw materials and finished goods	(ii)	**–**	1,062
Technology consultancy fee	(iii)	**–**	600
Rental income	(iv)	**–**	2,125
A related company controlled by a director of the Company:			
Subcontracting fee	(v)	**3,590**	–
Rental income	(vi)	**3,485**	3,308

35. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(i) The sales to associates were made according to the terms similar to those offered to the Group's non-related customers for the year ended 31 December 2013.

(ii) The purchases from associates were made according to the terms similar to those offered by the Group's non-related suppliers for the year ended 31 December 2013.

(iii) The technology consultancy fee was charged at HK$50,000 per month to an associate for the provision of technology support services provided by the Group for the year ended 31 December 2013.

(iv) The rental income from an associate was generated from the subleasing of factory premises and staff quarters of the Group located in Shenzhen, the PRC, which was charged at cost for the year ended 31 December 2013.

(v) The subcontracting fee to a related company controlled by a director of the Company was made on a basis mutually agreed by both paries.

(vi) The rental income from a related company controlled by a director of the Company was charged at a monthly rate of RMB230,000 for the year ended 31 December 2014 (2013: RMB200,000 for the period from 1 January 2013 to 31 May 2013 and RMB230,000 for the period from 1 June 2013 to 31 December 2013).

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

(b) Outstanding balances with related parties

Details of the Group's balances with its associates, non-controlling shareholders of subsidiaries and the related companies as at the end of the reporting period are disclosed in notes 18 and 25 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**8,126**	6,714
Post-employment benefits	**141**	153
Equity-settled share option expense	**795**	–
Total compensation paid to key management personnel	**9,062**	6,867

The above compensation does not include the details of the directors' remuneration which are disclosed in note 8 to the financial statements.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) During the year ended 31 December 2014, a deposit for the acquisition of property, plant and equipment of HK$78,832,000 (2013: HK$32,452,000) was utilised as additions to property, plant and equipment (note 20).

(ii) During the year ended 31 December 2014, a long term deposit of HK$30,059,000 was transferred from “Long term deposits” to “Prepaid land lease payments” (note 20).

(iii) During the year ended 31 December 2013, the dividend income of HK$19,700,000 declared by an associate was settled through the amounts due from associates as at 31 December 2013 (note 18).

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets – loans and receivables

	2014 HK$’000	2013 HK$’000
Due from associates (note 18)	**9**	28,754
Trade and bills receivables	**2,166,186**	1,585,497
Financial assets included in prepayments, deposits and other receivables	**20,034**	17,480
Loan to a non-controlling shareholder of a subsidiary	**18,915**	–
Due from a related company	**9,848**	1,749
Pledged deposits	**117,463**	62,793
Cash and cash equivalents	**360,161**	177,643
	2,692,616	1,873,916

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group *(continued)*

Financial liabilities – Financial liabilities at amortised cost

	2014 HK$'000	2013 HK$'000
Trade and bills payables	**1,392,422**	894,417
Financial liabilities included in accrued liabilities and other payables	**132,451**	77,188
Interest-bearing bank and other borrowings	**979,978**	849,667
Due to a non-controlling shareholder of a subsidiary	**54**	54
Due to associates (note 18)	**3,766**	5,759
	2,508,671	1,827,085

Company

Financial assets – loans and receivables

	2014 HK$'000	2013 HK$'000
Due from subsidiaries	**1,833,880**	1,269,179
Due from an associate (note 18)	**–**	280
Financial assets included in prepayments, deposits and other receivables	**501**	23
Loan to a non-controlling shareholder of a subsidiary	**18,915**	–
Cash and cash equivalents	**5,424**	738
	1,858,720	1,270,220

Financial liabilities – Financial liabilities at amortised cost

	2014 HK$'000	2013 HK$'000
Financial liabilities included in accrued liabilities and other payables	**1,706**	362
Interest-bearing bank borrowings	**531,488**	437,076
	533,194	437,438

38. TRANSFERRED FINANCIAL ASSETS

(i) Transferred financial assets that are not derecognised in their entirety

The following table provides a summary of financial assets that have been transferred in such a way that part of the transferred financial assets does not qualify for derecognition, together with the associated liabilities:

Bills receivable (notes (a) and (b))

	2014 HK$'000	2013 HK$'000
Carrying amount of assets that continued to be recognised	**28,646**	52,170
Carrying amount of associated liabilities	**28,646**	52,170

Notes:

(a) Discounting of bills receivable

At 31 December 2014, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of HK$11,323,000 (2013: HK$36,391,000) to certain local banks and certain financial institutions in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loans recognised due to the Discounted Bills was HK$11,323,000 (2013: HK$36,391,000) as at 31 December 2014.

(b) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 31 December 2014, the Group endorsed certain bills receivable accepted by certain local banks and certain financial institutions in the PRC (the "Endorsed Bills") with a carrying amount of HK$17,323,000 (2013: HK$15,780,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was HK$17,323,000 (2013: HK$15,780,000) as at 31 December 2014.

38. TRANSFERRED FINANCIAL ASSETS *(continued)*

(ii) Transferred financial assets that are derecognised in their entirety

(a) Discounting of bills receivable

At 31 December 2014, the Group discounted certain bills receivable (the "Derecognised Discounted Bills") with a carrying amount of HK$309,765,000 (2013: HK$258,055,000) to certain reputable banks and a financial institution in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have a maturity period from three to six months.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting of bills has been made evenly throughout the year.

(b) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 31 December 2014, the Group endorsed certain bills receivable accepted by certain reputable banks in the PRC (the "Derecognised Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$179,000,000 (2013: HK$154,800,000). The Derecognised Endorsed Bills have a maturity from one to six months at the end of the reporting period. The Group has the Continuing Involvement in relation to the endorsed bills (the "Endorsement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Endorsed Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 26 to the financial statements.

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

	Increase/ (decrease) in percentage points	Group Increase/ (decrease) in profit after tax and equity HK$'000	Company Increase/ (decrease) in profit after tax and equity HK$'000
2014			
Hong Kong dollars	**0.5%**	**(4,046)**	**(2,219)**
Hong Kong dollars	**(0.5%)**	**4,046**	**2,219**
2013			
Hong Kong dollars	0.5%	(3,462)	(1,825)
Hong Kong dollars	(0.5%)	3,462	1,825

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

Commodity price risk

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

Foreign currency risk

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

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

The majority of the Group's operating assets are located in Mainland China and denominated in RMB. As the Group's net profit is reported in Hong Kong dollars, there will be a translation loss as a result of the RMB depreciation.

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

Foreign currency risk *(continued)*

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's net profit HK$'000
2014		
If the Hong Kong dollar weakens against RMB	**5**	**27,087**
If the Hong Kong dollar strengthens against RMB	**(5)**	**(27,087)**
2013		
If the Hong Kong dollar weakens against RMB	5	32,646
If the Hong Kong dollar strengthens against RMB	(5)	(32,646)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, trade and bills receivables, amounts due from associates, a loan to a non-controlling shareholder of a subsidiary and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

Liquidity risk

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

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

Group

			2014		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to associates (note 18)	3,766	–	–	–	3,766
Trade and bills payables	–	1,329,422	–	–	1,329,422
Financial liabilities included in accrued liabilities and other payables	132,451	–	–	–	132,451
Interest-bearing bank and other borrowings	–	252,338	385,778	364,006	1,002,122
Due to a non-controlling shareholder of a subsidiary	54	–	–	–	54
	136,271	1,581,760	385,778	364,006	2,467,815

			2013		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to associates (note 18)	5,759	–	–	–	5,759
Trade and bills payables	–	894,417	–	–	894,417
Financial liabilities included in accrued liabilities and other payables	77,188	–	–	–	77,188
Interest-bearing bank and other borrowings	–	206,975	392,177	267,082	866,234
Due to a non-controlling shareholder of a subsidiary	54	–	–	–	54
	83,001	1,101,392	392,177	267,082	1,843,652

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

Liquidity risk *(continued)*

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

Company

	2014 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Financial liabilities included in accrued liabilities and other payables	739	–	–	–	739
Interest-bearing bank borrowings	–	45,495	137,911	364,006	547,412
Guarantees given to banks in connection with facilities granted to subsidiaries	–	10,018	–	–	10,018
	739	55,513	137,911	364,006	558,169

	2013 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Financial liabilities included in accrued liabilities and other payables	362	–	–	–	362
Interest-bearing bank borrowings	–	29,756	151,499	267,082	448,337
Guarantees given to banks in connection with facilities granted to subsidiaries	–	70,070	19,197	–	89,267
	362	99,826	170,696	267,082	537,966

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

Capital management

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

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

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

	Group	
	2014	2013
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**979,978**	849,667
Less: Cash and cash equivalents	**(360,161)**	(177,643)
Less: Pledged deposits	**(117,463)**	(62,793)
Net debt	**502,354**	609,231
Total equity	**3,636,469**	2,549,170
Gearing ratio	**14%**	24%

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2015.

Five-Year Financial Summary

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

RESULTS

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,791,346**	3,627,101	3,408,091	3,147,119	2,348,264
Gross profit	**1,143,635**	798,013	730,647	605,343	407,574
Profit for the year attributable to:					
Owners of the Company	**501,701**	360,102	300,005	250,308	200,931
Non-controlling interests	**46,509**	8,876	33,509	9,207	9,314

EARNINGS PER SHARE

	2014	2013	2012	2011	2010
Basic	**HK9.44 cents**	HK7.47 cents	HK6.37 cents	HK5.36 cents	HK4.50 cents
Diluted	**HK9.30 cents**	HK7.36 cents	HK6.36 cents	HK5.30 cents	HK4.43 cents

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**2,101,461**	1,608,520	1,478,120	1,327,175	1,177,739
Current assets	**4,265,649**	3,048,347	2,725,848	2,411,457	1,838,782
Total assets	**6,367,110**	4,656,867	4,203,968	3,738,632	3,016,521
Non-current liabilities	**(399,007)**	(293,460)	(145,116)	(278,418)	(197,147)
Current liabilities	**(2,331,634)**	(1,814,237)	(1,865,975)	(1,545,074)	(1,156,841)
Total liabilities	**(2,730,641)**	(2,107,697)	(2,011,091)	(1,823,492)	(1,353,988)
Net assets	**3,636,469**	2,549,170	2,192,877	1,915,140	1,662,533
Total assets less current liabilities	**4,035,476**	2,842,630	2,337,993	2,193,558	1,859,680
Equity attributable to owners of the Company	**(3,477,194)**	(2,454,877)	(2,102,106)	(1,858,247)	(1,615,996)
Non-controlling interests	**(159,275)**	(94,293)	(90,771)	(56,893)	(46,537)