通達集團
TONGDA GROUP

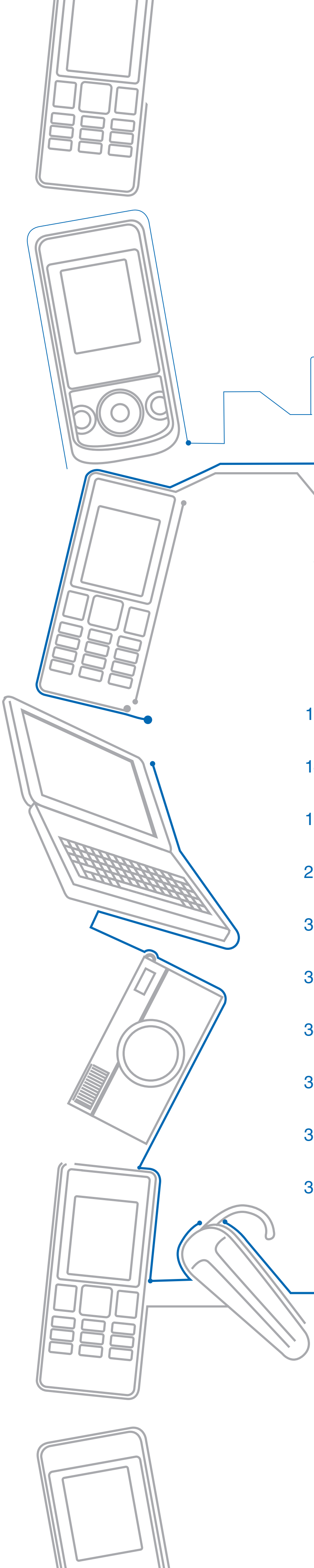
Tongda Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 698

2007 ANNUAL REPORT

Contents



Corporate Information

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

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Ting Leung Huel, Stephen
MH, FCCA, FCPA (PRACTISING), ACA, FTIHK, FHKIoD
Mr. Cheung Wah Fung, Christopher, *JP*
Dr. Yu Sun Say, *SBS, GBS, JP*

COMPANY SECRETARY

Mr. Ko Chun Hay, Kelvin *MSc, FCPA, ACMA*

AUDITOR

Ernst & Young
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wang Ya Hua

PRINCIPAL BANKERS

In Hong Kong:
Hang Seng Bank Limited
HSBC
The Bank of Tokyo-Mitsubishi UFJ Limited
DBS Bank (Hong Kong) Limited

In the PRC:
Bank of China, Shishi City sub-branch
Xian Yap Bank

LEGAL ADVISER

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

As to PRC law:
Fujian Xieli & Partners Law Firm

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Room 1901–02,
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

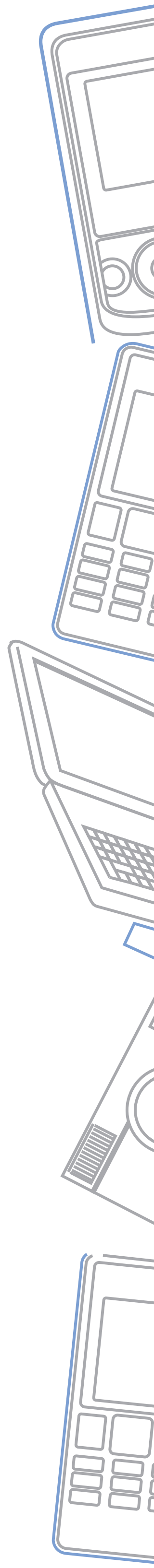
PRINCIPAL SHARE REGISTRAR

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

On behalf of the board of directors (the "Board" or "Directors") of Tongda Group (the "Group"), I am pleased to announce the annual results of the year ended 31 December 2007.

During the year, the Group recorded a turnover of HK$1,139,540,000, representing a rise of 1.8% compared to 2006. Net profit attributable to ordinary equity holder increased 8.5% to HK$174,818,000. The substaining growth in net profit of the Company implies the bright outlook of the Group and proved our strategies successful. The Group had further consolidated its position as a one-stop solution provider of exterior furnishings for consumer electronics.

The Board of the Group proposed a final dividend of HK0.8 cent (2006: HK0.8 cent) per ordinary share.



MAJOR ACHIEVEMENTS IN 2007:

1) **Advancement in In-mould decoration ("IMD") technology**

   During the year, the Group had successfully applied In-mould Lamination ("IML") technology, an advanced derivative of its leading In-mould Decoration ("IMD") technology, to various consumer electronic products, handsets and notebook computers in particular. IML is superior to IMD by virtue of its durability, visual attractiveness and higher technology. State-of-the-art technology continued to act as the strongest impetus behind the Group's steady growth, and this technological advancement will take the Group further to the fore from its peers.

2) **Breakthrough in technology application to notebook casing manufacturing**

   Application of IML technology is extended to notebook casing during the year. Derived demand for notebook computer outfit was driven up as the product is quickly being popularized in the consumer market. The Group is having a long lead in applying state-of-the-art technology in notebook casing, and believes that the advantage will sustain as notebook computer continues to be a popular electronic commodity in the decades to come, and its exterior furnishing continues to be vital in attracting consumers.

3) **Enhancement of capability as a one-stop solution provider of handset exterior outfit**

   During the year, mobile handset keypads have become one of the key products of the Group's electrical fittings division, aside from the existing handset exterior outfit product portfolio which includes handset lens, casing, hinges and sliding lids. This development completed the portfolio and hence enhanced its ability to provide one-stop solution to handset manufacturers, helping the Group to further consolidate the relationship with its clients. Due to its higher profitability, the Group had also expanded the production size of precision ironware which are small, delicate parts used in mobile handsets. Manufacturing of handset keypad and precision ironware enhanced the Group's capability to provide one-stop solution to its customers, and will become the new growth momentum of the Group.

Chairman's Statement

During the year, the Group continued to enlarge the proportion of its international clients, with an aim to improve its overall profitability and expand overseas markets.

Future prospects of the Group remain promising as the handset market is still persistently expanding as the economy keeps booming. China's consumer electronics market is expected to show CAGR of 12% from 2007-2011. The handset output unit is also expected to grow to 255 million units in 2011 from 138 million units in 2006. The Group believes that the handset market will flourish in the decades to come and the Group is well-positioned to seize and utilize the arising business opportunities.

Relying on its state-of-the-art technology and expertise in consumer electronics exterior manufacture, the Group will continue diversifying its product portfolio to consolidate its position as a one-stop solution provider of electronics exterior outfit; at the same time, it will further optimize its product mix, expanding the portion of high-margin products, like precision ironware, to enhance profitability. The Group will also focus on expanding the share of renowned international clients in its business. I believe that advanced technology which distinguishes the Group from its industry peers will serve to realize these goals.

With an aim to enhance its production capacity, the Group entered into an agreement to increase its equity interest in its joint venture company in Tongda (Xiamen) Technology Limited, from 50% to 70%, in March 2008. Tongda (Xiamen) Technology Limited is principally engaged in the manufacture and sale of handset components and accessories. The Group believes that the move will enable the Group to enhance its production capabilities of handset exterior furnishing and hence improve profitability.

Finally, I would like to extend my greatest appreciation to our management team and staff for their dedication and contribution. I would also like to take this opportunity to express appreciation to our shareholders and customers for their continuous support and confidence in the Group.

BUSINESS REVIEW

1. Financial

For the year ended 31 December 2007, the Group's turnover was HK$1,139,540,000, representing a rise of 1.8% as compared to HK$1,118,917,000 last year. During the year, the Group strategically discontinued the low-margin fibre optic business. Excluding the turnover contributed by fiber optic business, turnover of the Group observed a gentle growth of 6.7% over last year.

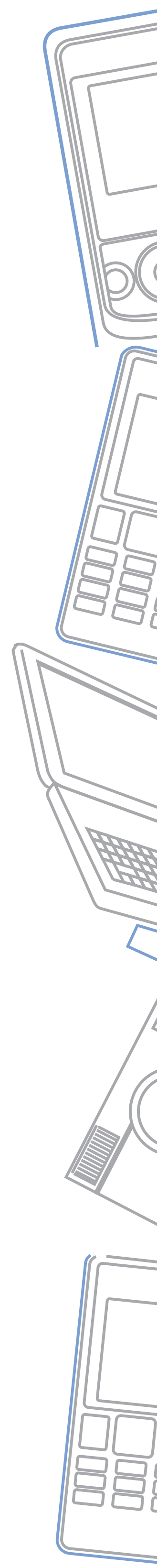
During the year, the Group recorded a gross profit of HK$243,398,000, representing a decrease of 9.5% as compared to HK$269,092,000 last year, with a gross margin of 21.4% (2006: 24.0%). The Group's profit attributable to shareholders for the year recorded HK$174,818,000, representing a growth of 8.5% as compared to HK$161,194,000 in 2006. The growth in net profit was attributable to the Group's continuous efforts in launching new products and implementing effective cost control measures. During the year, there is a discontinued fiber optic business. The loss arising from the discontinued business amounts to HK$12,414,000. Excluding the above, net profits before the discontinued business will be HK$187,232,000, representing a growth of 16.2% as compared to last year.

During the year, the Group made steady progress in terms of developing advanced and innovative technologies, as well as further enhanced product diversification. The Group strategically phased out its traditional, low-margin communication facilities business while focusing more on the higher-margin and more value-added electrical fittings business.

2. Operational information by division

a. *Electrical Fittings Division – Overview*

For the year ended 31 December 2007, turnover generated from the electrical fittings division increased by 28.7% to HK$591,950,000 (2006: HK$459,876,000), representing a contribution of 51.95% to the total turnover. With immense market recognition for its high-quality and diversified products, together with its advanced technological capabilities, the Group managed to secure its first bulk orders from renowned international handset customers during the year. However, the management is not satisfied with the volume of orders coming from the international customers. The lower than expected number of orders is largely due to the over estimation of handset manufacturers to the market response of new handset products. Although it is a difficult path to enter into the international customer's supply chain, it is encouraging to report that subsequent to the year end, the Group starts to supply handset accessories to another renowned international customer. The management is still optimistic to the future large contribution in terms of volume and profit growth from the international customers.



In-Mould Decoration ("IMD") remained as the core technology driving growth in this division, It has occupied for over 91% (2006: 90%) of the division's turnover. Its derivative, In-Mould Lamination ("IML"), represents an enhancement of the Group's state-of-the-art technology. Continuous efforts in research and development together with a wealth of manufacturing experience have propelled the Group further ahead of its industry peers. Apart from mobile handsets and various household electrical appliances, the Group achieved a breakthrough and began applying IMD technology to notebook computer casings.

Electrical Fittings Division – Mobile Handset Segment

Demand for mobile handsets utilising the Group's IMD technology remained high during the year. Due to the persistent economic growth and increasing disposable income in China, the product cycle for mobile handsets have shortened considerably and are now classified as Fast Moving Consumer Goods ("FMCG") rather than Durable Consumer Goods ("DCG"). Consumers expect a mobile handset not only to function well but also incorporate new and stylish exterior designs. The Group's IMD technology exactly matches such consumers' needs. To capture this new consumption trend, the Group further enhanced its IMD technology by including color coating, plasma surface treatment, leather incrustation, multi-color automatic printing, and alloys with various textures. These techniques can be combined to generate some very unique surface-decoration effects, which have received very positive responses from both mobile handset manufacturers and end-users.

Due to its high product quality and competitive time-to-delivery services, the Group continues to be a major accessories supplier for leading domestic mobile handset manufacturers in China, such as Lenovo, Huawei, ZTE Corporation, Bird and Amoi. Apart from supplying domestic manufacturers, in addition, the Group successfully gained orders from large international manufacturers during the year.

The Group's new product, handset keypads, was successfully launched to its customers and an obvious improvement in sales volume was recorded during the year. In line with the Group's strategy to diversify its product range, the Group will continue to strengthen the development of different mobile handset accessories such as handset casing, bluetooth and vacuum vaporized plated cell phone decorations, with the aim to provide a one-stop solution for mobile handset manufacturers. While there is currently no obvious surge in orders for handset accessories, the Group believes this will be the trend in the market, and is actively striving for future growth by introducing a more diversified product portfolio. Given the strong market demand and higher margins within this segment, the Group will continue to develop and reinforce its IMD business for mobile handsets.

Electrical Fittings Division – Household Electrical Appliance and other Products Segment

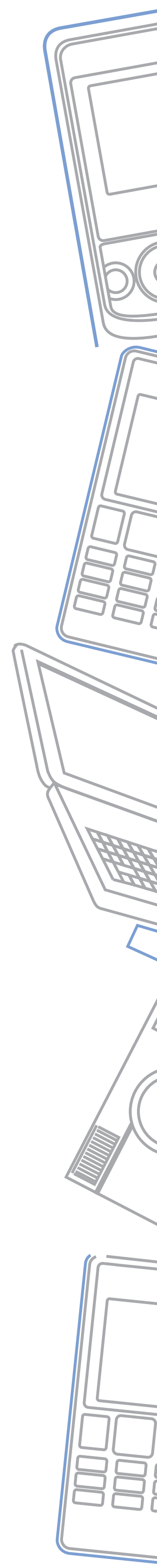
For the year ended 31 December 2007, IMD application in household electrical appliances products accounts for approximately 21.5% of the division's turnover. With the rising living standard in China which drives the pursuit of artistic exterior of household electrical appliances, the management believes that the market for household electrical appliances will continue to grow and contribute a significant portion within the electrical fittings division. During the year, IMD notebook computer casings had achieved thrilling growth and further expansion of sales is expected in the coming few years. As such, the Group had invested in a new factory in its existing manufacturing site in Shishi, Fujian Province, for the production of IMD notebook, which will be put into used from mid 2008. Going forward, the Group is confident that it will get more bulk orders from notebook manufacturers.

The Group will continue to diversify its products, applying its state-of-the-art IMD technology not only to refrigerators, air conditioners, washing machines but also to microwave ovens, induction cookers, MP3 and MP4 players, producing a more appealing surface-decoration effect for a wider range of household electrical appliances. In order to maximize its revenue and enhance overall profitability, the Group is currently attempting to apply IMD technology to motor vehicles' interior design and it will be announced when the products are successful.

b. *Ironware Parts Division*

For the year ended 31 December 2007, turnover from the Group's ironware parts division increased from HK$386,844,000 to HK$389,511,000, representing a rise of 0.7% as compared to 2006. Although there is no obvious change in turnover in this Division, the product mix has substantially changed. During the year, there is 24.2% decrease in orders of aluminum TV casing as compared to year 2006. The portion of the Division's turnover occupied by aluminum products have decreased from 52.2% to 39.3%.

In common with other industries in China, the division has been seriously hit by the increased labour cost and raw material cost, regardless of the transfer of certain portion additional cost to customers. Moving to the higher margin products is the predetermined strategy. During the year, the Group continues to shift its focus from larger ironware parts to smaller, more delicate precision ironware parts, due to its relatively higher profit margin. High precision ironware parts can be applied in handsets and other consumer electronics such as MP3/MP4 players and digital camera cases and has successfully launched into the market recording about HK$18 million sales in its first year's operation, contributing about 4.6% to the Division's turnover.



In order to maintain a relatively higher margin, the current two major products of the Division, iron casing and aluminum alloy products, are both targeted for the international market now. Based on its advanced technology and high product quality, the Group successfully secured orders from renowned international brands such as Cisco, Pace, Samsung and Sony.

c. *Communication Facilities Division*

For the year ended 31 December 2007, turnover from the Group's communication facilities division decreased to HK$85,377,000, representing a decline of 54.6% as compared to HK$188,214,000 in 2006.

The two major businesses of this Division were digital satellite television modems and fiber optic cable. During the year, fiber optic cable business was strategically eliminated owing to its long receivable period and relatively low margin.

There was a drop of 37.5% in the sales of digital satellite television business due to the reduced marketing efforts, as margin for this product is relatively low as compared to our Group's other products. The Group will continue to research on other related product of the satellite television modem business and to look for expansion in its related products.

d. *Product turnover breakdown for the 12 months ended December 31*

	2007	2006
Electrical Fittings Division	52%	41%
Ironware Parts Division	34%	35%
Communication Facilities Division	8%	17%
Other Trading Division	6%	7%

For the year ended 31 December 2007, the Group continued its strategy of product mix optimization in order to improve its profitability. The above table illustrates the changes in the Group's product turnover breakdown in the past two years: the major income of the Group came from the most profitable electrical fittings division, whose turnover contribution increased from 41% in 2006 to 52% during the year. The turnover attributable to the ironware parts division dropped slightly from 35% in 2006 to 34%. The turnover attributable to the communication facilities division with relatively lower margin has been cut from 17% in 2006 to 8% during the year. In future, the Group will continue its market-oriented strategy to allocate more resources to manufacturing innovative products with the highest potentials, so as to maximize profits.

3. Prospect

As the sustaining boom in the consumer electronic product market coupled with the Group's growing maturity as a one-stop solution provider for handset manufacturers offers a strong competitive edge, the management is fully confident in the business outlook for the Group.

To further consolidate its position as a leading manufacturer of exterior outfit for consumer electronic products in China and in particular mobile handsets and notebook computers, the Group will continue focusing on the electrical fittings division. In reward for its efforts in research and development, the Group had developed IML technology which distinguishes itself from its peers. The Group will continue putting relentless efforts on R&D to further consolidate this advantage.

Despite the high standard requirement, the Group still managed to increase the share of international clients in its business. The management has enormous confidence in the quality of the Group's products, and will further penetrate into the international mobile handset manufacture market through its diversified product mix and advantage as a vertically-integrated one-stop solution provider. Striving to enter into the supply chain of international mobile handset manufacturers remains the Group's long-term strategy and the management believes that the success of entering into the supply chain of international market will bring in bulk orders and high profitability to the Group.

Apart from the above, the Group has expanded to other handset accessories such as handset casing and keypad. The success of handset casing business has delivered about 3.7 times of last year profit contribution reaching to about HK$18.5 million recorded profit for the year. Owing to its profitability, by the end of the year and subsequent to year end, the Group has further invested in this business by injection of additional capital to Tongda (Xiamen) Technology Limited and Shenzhen Tongda Electronics Limited for further expansion, and consequently, the companies became a 70% partly controlled subsidiary of the Group. With the promising macro-environment and surging demand for mobile handset products, the Group is confident that the enhancement in production capacity is beneficial for long-term development. The management expects that further growth in this business will appear in coming years.

Other than handset business, the Group has also extended its business to other consumer electronic products such as notebook computer casing. The few months' operation of the business brings tremendous confidence to the management in further investment in this business. Further growth in turnover of notebook business is expected in the following few years.

Product diversification will continue to top the Group's priority list in the future. The Group is confident that the strategic optimisation of product mix will enhance the Group's overall profitability, and further product diversification will enhance the Group's position as a one-stop solution provider for handset manufacturers.

As to the ironware parts division, emphasis will progressively be put on higher value-added precision ironware which possesses a rapid growing demand and a relatively higher margin. Going forward, the Group will seek opportunities to expand its cooperation with international customers from ironware parts to electrical fittings, creating a synergy effect between divisions, thereby paving its way to be a more comprehensive one-stop service provider.

To seize the opportunity of increasing orders from customers, and huge demand in handset accessories by the handset manufacturers, the Group will proceed to expand its production capacity by continuing to invest in plant and machineries. A new factory with additional machineries will be ready to be used in mid of 2008 to capture the increasing demand of electrical appliance and handset accessories products. Additional land for further development will be acquired near our existing factory site in order to cater for our future growth.

Through international market expansion, product diversification, business structure optimization and production scale expansion, the Group's competitive advantages are enhanced to a large extent. The management has strong confidence in providing high-quality products and services to its customers while creating a splendid future for the Group and maximizing shareholders' returns.

EXECUTIVE DIRECTORS

Mr. Wang Ya Nan, aged 50, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

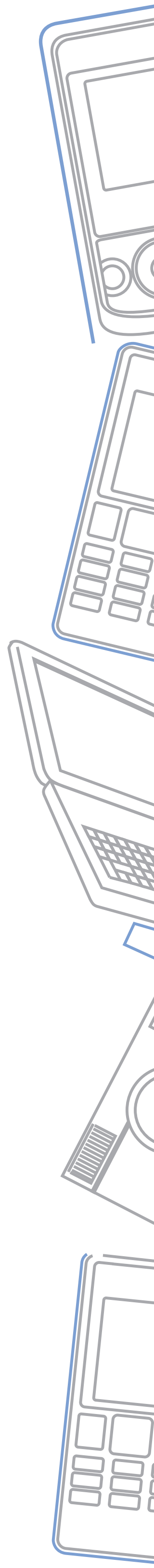
Mr. Wang Ya Hua, aged 52, is the Vice Chairman and the General Manager of the Group. He is responsible for the overall management of the Group with special focus on product development, preparation and monitoring of annual production plans and operating budget. He is also required to give direction of the day-to-day operations unit of the Group in Xiamen. 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 55, is the Deputy General Manager of the Group and the General Manager of Tongda Electrics. He is responsible for overseeing the operation unit in 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 58, is the Deputy General Manager of the Group and the General Manager of Tongda Shenzhen. He is responsible for overseeing the operation unit in Shenzhen 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 metal and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan.

Mr. Choi Wai Sang, aged 52, 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, Urbana, USA.

Mr. Wang Ming Che, aged 32, has been appointed as executive Director with effect from 18 March 2008. He is the Deputy General Manager of Tongda Shenzhen. He joined the Group and was employed as a salesman in Tongda Electronics and as an assistant in Tongda Shenzhen since 2002.



INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *S.B.S, G.B.S. J.P.*, aged 68, joined the Company as an Independent Non-executive Director in October 2007. He is the Managing Director 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 Sino Union Petroleum & Chemical International Limited. He served as member of the Preparatory Committee for the Hong Kong Special Administrative Region and as a Hong Kong Affairs Adviser. He is currently a member of the Standing Committee of the Chinese People's Political Consultative Conference, a member of the Standing Committee of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Ting Leung Huel, Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, FTIHK, FHKIoD*, aged 54, is an independent non-executive director of the Company. Mr. Ting is an accountant in public practice as managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. Mr. Ting is a member of the 9th & 10th Chinese People's Political & Consultative Conference, Fujian. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited and an independent non-executive director of six listed companies, namely, JLF Investment Company Limited, Minmetals Resources Limited, Tong Ren Tang Technologies Company Limited, Computer and Technologies Holdings Limited, Texhong Textile Group Limited and Dongyue Group Limited.

Mr. Cheung Wah Fung Christopher, *JP*, aged 56, is an Independent Non-executive Director of the Company. Mr. Cheung is currently the Chairman of Christfund Securities group of companies. He serves as a Member of the National Committee of the Chinese People's Political Consultative Council, chairman of the Hong Kong Securities Professionals Association, elected-director of the Hong Kong Chinese General Chamber of Commerce, director of the Chinese Overseas Friendship Association, Honorary Director 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 Associations.

SENIOR MANAGEMENT

Mr. Ko Chun Hay, Kelvin, *MSc, FCPA, ACMA*, aged 44, is the Chief Financial Officer and Company Secretary of the Group and is responsible for the corporate finance, accounts and company secretarial functions of the Group. Mr. Ko graduated with a Master of Science Degree of finance from the City University of Hong Kong. He is a fellow member of the Hong Kong Society of Accountants and an associate member of the Chartered Institute of Management Accountants. He joined the Group in August 2000 and has over 20 years of working experience in the field of commercial, audit and taxation.

Mr. Hui Wai Man, Anthony, *BSc*, aged 40, is the Deputy General Manager of a subsidiary company of the Group. He is mainly responsible for the Group's Sales and Marketing activities in Hong Kong & Overseas. He is also responsible for the overall purchasing management of the Group. He has over 15 years experience in the field of electronic market. He joined the Group in April 2003.

Mr. Lin Yuen, aged 42, is the Chief Engineer of Tongda Electrics. He is responsible for the research and development and the advancement of production know-how. He holds a bachelor's degree in engineering from the University of Jiao Tong, Shanghai. He joined the Group in May 1999 and has over 17 years of experience in manufacturing and product development.

Mr. Shu Yuen Shu, aged 69, is the Senior Management Consultant of the Group. He assists the Group's general manager to formulate corporate strategies and staff training, and to implement the Group's quality control program. He holds a bachelor's degree in physics from the University of Xiamen. He joined the Group in June 1998 and has over 30 years of quality management experience in the electronics industry.

Mr. Yuen Sik Kin, aged 47, is the Accounting Manager of the Group and is responsible for the accounts and financial management of the Group. He obtained his qualification as an accountant from the Finance Department of the People's Republic of China. He joined the Group in 1994 and has over 20 years of working experience in the accounts and finance field.

Throughout the year ended 31 December 2007, the Company has compiled with the Code of Best Practice 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. In addition, the Group is committed to maintain a high standard of corporate governance in order to provide transparency and protection of shareholders' interest.

With reference to the code provision set out in the Code of Corporate Governance Practices (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules, with due consideration of the interest of shareholders and the economic benefit of the Company, the Company has adopted the relevant Corporate Governance Code as follows:

BOARD OF DIRECTORS

The Board of Directors (the "Board") comprises six executive directors and three independent non-executive directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

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

The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wang Ya Nan currently holds both positions. The Board believes that 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 present structure is considered to be appropriate under the current size of operation.

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

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

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

Attendance at Board Meeting	Number of Meetings Attended (4 Meetings in total)
Executive Directors:	
Mr. Wang Ya Nan	4
Mr. Wang Ya Hua	4
Mr. Wong Ah Yu	4
Mr. Wong Ah Yeung	4
Mr. Choi Wai Sang	4
Independent Non-Executive Directors:	
Mr. Ting Leung Huel Stephen	4
Mr. Wong Kong Hon (passed away on 6 Jul 2007)	3
Mr. Cheung Wah Fung Christopher	3
Dr. Yu Sun Say (appointed on 5 Oct 2007)	1

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

In compliance with the code provisions of the Corporate Governance Code, the Company has set up a Remuneration Committee and an Audit Committee under the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Corporate Governance Code to set up a Nomination Committee.

REMUNERATION COMMITTEE

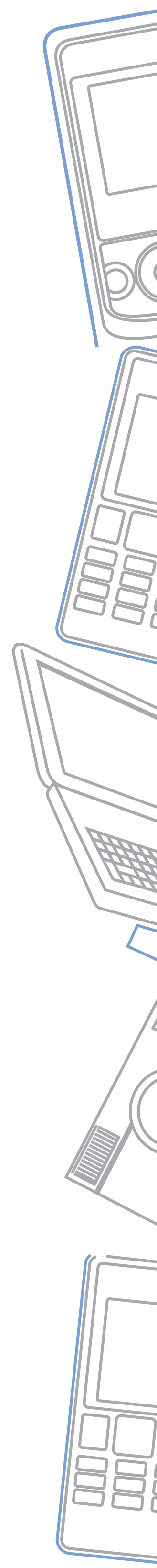
The Remuneration Committee (the "RC") comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, and three independent non-executive directors, Mr. Ting Leung Huel Stephen ("Mr Ting"), Mr. Wong Kong Hon (passed away on 6 July 2007), Mr. Cheung Wah Fung Christopher and Dr. Yu Sun Say (appointed on 5 Oct 2007). Mr. Ting takes the chair of the RC. The main responsibility of the RC is to review and determine the remuneration of each director.

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

Attendance at RC meeting	Number of Meetings Attended (2 Meetings in total)
RC members:	
Mr. Wang Ya Nan	2
Mr. Ting Leung Huel, Stephen	2
Mr. Wong Kong Hon (passed away on 6 July 2007)	1
Mr. Cheung Wah Fung Christopher	2
Dr. Yu Sun Say (appointed on 5 Oct 2007)	1

AUDIT COMMITTEE

The Audit Committee (the "AC") comprises the Chairman and CEO of the Company, Mr. Wang Ya Nan, one executive director and three independent non-executive directors. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the Corporate Governance Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters.



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

Attendance at AC meeting	Number of Meetings Attended (2 Meetings in total)
AC members:	
Mr. Wang Ya Nan	2
Mr. Choi Wai Sang	2
Mr. Ting Leung Huel, Stephen	2
Mr. Wong Kong Hon (passed away on 6 July 2007)	1
Mr. Cheung Wah Fung Christopher	2
Dr. Yu Sun Say (appointed on 5 Oct 2007)	1

AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 December 2007 are as follows:

Services	Fees *HK$'000*
2007 annual audit	1,500
Non-audit services	110
	1,610

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group. 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 accounting systems and internal control of the Group are designed to prevent any misappropriation of the Group's assets, any unauthorized transactions as well as to ensure the accuracy of the accounting records and the true and fairness of the financial statements.

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

EXTERNAL AUDITORS

Ernst and Young has been appointed as the External Auditors of the Company for the year under review by the shareholders of the Company at the Annual General Meeting 2006. The Audit Committee has given their opinion on the fee charged to the Company. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 29 to 30.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communication with its shareholders and investors. In an effort to enhance such communications, the Company provides information relating to the Company and its business in its annual report and also disseminates such information electronically through its web site at www.tongda.com.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 21 days' notice of the date and venue of the annual general meeting of the Company. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as the code of conduct regarding director' securities transactions.

The Board will review regularly the Group's operation and corporate governance of the Company in order to ensure compliance of the relevant laws and regulations and to protect the interest of its shareholders.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16 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 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 31 to 114.

An interim dividend of HK0.8 cent per ordinary share was paid on 11 October 2007.

The directors recommend the payment of a final dividend of HK0.8 cent per ordinary share in respect of the year, to shareholders whose names appear on the register of members on 26 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the respective equity sections of the balance sheets.

FINANCIAL INFORMATION SUMMARY

A summary of the results and assets, liabilities and minority 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

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year attributable to:					
Ordinary equity holders of the Company	**174,818**	161,194	124,807	98,334	58,688
Minority interests	**(4,810)**	(856)	(867)	767	(29)
	170,008	160,338	123,940	99,101	58,659

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,677,384**	1,177,306	1,010,660	827,013	551,600
Total liabilities	**(538,983)**	(550,675)	(529,332)	(454,895)	(304,993)
Minority interests	**(5,429)**	(10,239)	(11,095)	(11,356)	(8,249)
	1,132,972	616,392	470,233	360,762	238,358

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, respectively.

SHARE CAPITAL AND SHARE OPTIONS

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$589,203,000, of which HK$31,918,000 has been proposed as a final dividend for the year. This includes the Company's share premium account in the amount of HK$472,734,000 as at 31 December 2007, which may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$2,029,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 32.5% of the total sales for the year and sales to the largest customer included therein amounted to 8.1%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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.

DIRECTORS

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

Executive Directors:

Mr. Wang Ya Nan *(Chairman)*
Mr. Wang Ya Hua *(Vice chairman)*
Mr. Wong Ah Yu
Mr. Wong Ah Yeung
Mr. Wang Ming Che (appointed on 18 March 2008)
Mr. Choi Wai Sang

Independent non-executive directors:

Mr. Wong Kong Hon, *SBS, JP* (passed away on 6 July 2007)
Mr. Ting Leung Huel, Stephen
Mr. Cheung Wah Fung, Christopher, *JP*
Dr. Yu Sun Say, *SBS, GBS, JP* (appointed on 5 October 2007)

In accordance with article 108(A) of the Company's articles of association, Messrs. Wang Ya Nan, Wang Ya Hua and Ting Leung Huel, Stephen will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through controlled corporation	*Notes*	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	34,920,000	1,994,750,000	1	2,029,670,000	50.77
Mr. Wang Ya Hua	19,920,000	1,994,750,000	1	2,014,670,000	50.40
Mr. Wong Ah Yu	25,160,000	1,994,750,000	1	2,019,910,000	50.53
Mr. Wong Ah Yeung	32,000,000	1,994,750,000	1	2,026,750,000	50.70
Mr. Choi Wai Sang	14,750,000	78,750,000	2	93,500,000	2.34

Long positions in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	8,500,000
Mr. Wang Ya Hua	8,500,000
Mr. Wong Ah Yu	8,500,000
Mr. Wong Ah Yeung	8,500,000
Mr. Ting Leung Huel, Stephen	2,000,000
Mr. Cheung Wah Fung, Christopher	2,000,000
	38,000,000

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

Notes:

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

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

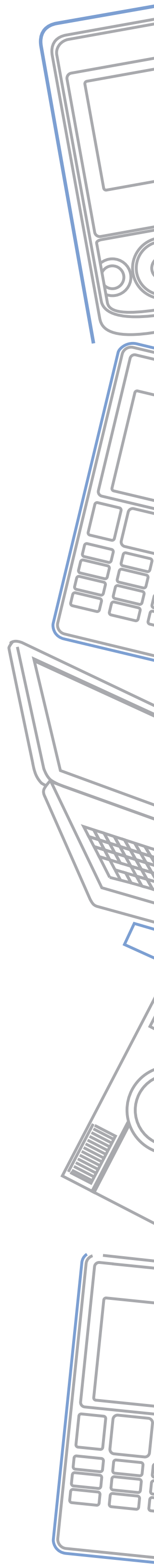
Saved as disclosed above, as at 31 December 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise 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 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 two 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 30 to the financial statements.



SHARE OPTION SCHEMES *(continued)*

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

Name or category of participant	Number of share options: At 1 January 2007	Granted during the year	Cancelled during the year	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*
Directors							
Mr. Wang Ya Nan	–	8,500,000	–	8,500,000	3 July 2007	4 July 2007 to 3 July 2017	0.586
Mr. Wang Ya Hua	–	8,500,000	–	8,500,000	3 July 2007	4 July 2007 to 3 July 2017	0.586
Mr. Wong Ah Yu	–	8,500,000	–	8,500,000	3 July 2007	4 July 2007 to 3 July 2017	0.586
Mr. Wong Ah Yeung	–	8,500,000	–	8,500,000	3 July 2007	4 July 2007 to 3 July 2017	0.586
Mr. Wong Kong Hon	–	2,000,000	(2,000,000)	–	3 July 2007	4 July 2007 to 3 July 2017	0.586
Mr. Ting Leung Huel, Stephen	–	2,000,000	–	2,000,000	3 July 2007	4 July 2007 to 3 July 2017	0.586
Mr. Cheung Wah Fung, Christopher	–	2,000,000	–	2,000,000	3 July 2007	4 July 2007 to 3 July 2017	0.586
Other employees							
In aggregate	–	10,360,000	(360,000)	10,000,000	9 March 2007	10 March 2007 to 9 March 2017	0.485
	–	50,360,000	(2,360,000)	48,000,000			

SHARE OPTION SCHEMES *(continued)*

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

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

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

*** The closing prices of the Company's shares immediately before 9 March 2007 and 3 July 2007 on which the share options were granted during the year were HK$0.485 and HK$0.560, respectively.

The directors have estimated the values of the share options granted during the year, calculated using the Black-Scholes option pricing model as at the date of grant of the options:

Grantee	Number of share options granted during the year	Theoretical value of share options *HK$*
Mr. Wang Ya Nan	8,500,000	777,929
Mr. Wang Ya Hua	8,500,000	777,929
Mr. Wong Ah Yu	8,500,000	777,929
Mr. Wong Ah Yeung	8,500,000	777,929
Mr. Wong Kong Hon	2,000,000	183,042
Mr. Ting Leung Huel, Stephen	2,000,000	183,042
Mr. Cheung Wah Fung, Christopher	2,000,000	183,042
Other employees	10,360,000	948,158
	50,360,000	4,609,000

The Black-Scholes option pricing model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options were risk free rate, exercise price, volatility of the underlying share prices and term to maturity. The measurement dates used in the valuation calculations were the dates on which the options were granted. Details of the assumption are set out in note 30 to the financial statements.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair values of an option.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2007, 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:

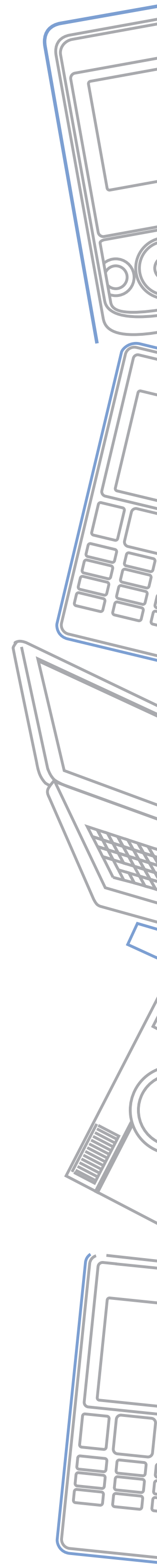
Name of shareholder	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited ("Landmark")	1	Directly beneficially owned	1,994,750,000	49.90
Value Partners Limited	2	Directly beneficially owned	362,820,000	9.08
Atlantis Investment Management Ltd.		Directly beneficially owned	285,000,000	7.13

Notes:

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

2. The issued share capital of Value Partners Limited is held and beneficially owned as to 35.65% by Mr. Cheah Cheng Hye.

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



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 afore-mentioned 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 have a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 35 to the financial statements, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of the annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company purchased certain of its shares on the Stock Exchange. These shares were subsequently cancelled by the Company and the issued share capital of the Company was reduced by the par value thereof. Further details of these transactions are set out in note 29 to the financial statements.

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

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

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
Tongda Group Holdings Limited
Wang Ya Nan
Chairman

Hong Kong

22 April 2008

ERNST & YOUNG
安 永 會 計 師 事 務 所

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

We have audited the financial statements of Tongda Group Holdings Limited set out on pages 31 to 114, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

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

AUDITORS' RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 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
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

22 April 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
REVENUE	5	1,139,540	1,118,917
Cost of sales		(896,142)	(849,825)
Gross profit		243,398	269,092
Other income and gains		66,211	27,606
Selling and distribution costs		(33,443)	(39,015)
Administrative expenses		(69,254)	(54,682)
Other expenses, net		(15,421)	736
Finance costs	6	(14,854)	(17,675)
Share of profits and losses of:			
Associates		3,818	4,338
A jointly-controlled entity		18,468	4,990
PROFIT BEFORE TAX	7	198,923	195,390
Tax	9	(28,915)	(35,052)
PROFIT FOR THE YEAR		170,008	160,338
Attributable to:			
Ordinary equity holders of the Company	10	174,818	161,194
Minority interests		(4,810)	(856)
		170,008	160,338
DIVIDENDS	11		
Interim		32,132	26,796
Proposed final		31,918	32,132
		64,050	58,928
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
– Basic		HK4.42 cents	HK4.84 cents
– Diluted		HK4.41 cents	HK4.82 cents

Consolidated Balance Sheet

31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	523,682	355,447
Investment property	14	4,000	3,300
Prepaid land lease payments	15	19,725	18,774
Interests in associates	17	22,895	15,302
Interest in a jointly-controlled entity	18	43,692	19,789
Prepayments	19	42,980	40,357
Long term deposits	20	13,442	1,360
Deferred tax assets	28	130	130
Total non-current assets		670,546	454,459
CURRENT ASSETS			
Inventories	21	167,710	121,134
Trade and bills receivables	22	627,727	446,772
Prepayments, deposits and other receivables		58,245	36,531
Pledged deposits	23	584	5,199
Derivative financial assets	24	5,945	–
Cash and cash equivalents	23	146,627	113,211
Total current assets		1,006,838	722,847
CURRENT LIABILITIES			
Trade and bills payables	25	243,371	154,050
Accrued liabilities and other payables		58,003	60,693
Trust receipt loans	27	–	1,362
Derivative financial liabilities	24	1,984	–
Interest-bearing bank borrowings	27	112,844	67,571
Due to a jointly-controlled entity	18	13,787	–
Due to a minority shareholder of a subsidiary	26	609	748
Tax payable		105,883	94,972
Total current liabilities		536,481	379,396
NET CURRENT ASSETS		470,357	343,451
TOTAL ASSETS LESS CURRENT LIABILITIES		1,140,903	797,910
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	–	169,429
Deferred tax liabilities	28	2,502	1,850
Total non-current liabilities		2,502	171,279
Net assets		1,138,401	626,631

Consolidated Balance Sheet

31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	29	39,975	33,715
Reserves	31(a)	1,061,079	550,545
Proposed final dividend	11	31,918	32,132
		1,132,972	616,392
Minority interests		5,429	10,239
Total equity		1,138,401	626,631

Wang Ya Nan
Director

Wang Ya Hua
Director

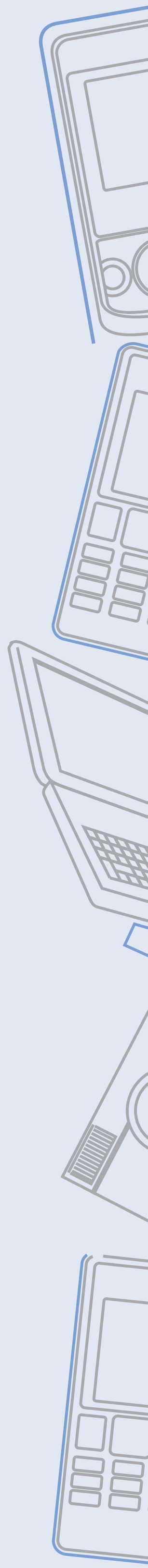
Year ended 31 December 2007

		Attributable to ordinary equity holders of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007		33,715	102,281	–	993	8,725	49	–	23,493	415,004	32,132	616,392	10,239	626,631
Surplus on revaluation	13	–	–	–	–	3,723	–	–	–	–	–	3,723	–	3,723
Deferred tax adjustment on revaluation of property, plant and equipment	28	–	–	–	–	(652)	–	–	–	–	–	(652)	–	(652)
Exchange realignment														
– subsidiaries		–	–	–	–	–	–	–	25,821	–	–	25,821	–	25,821
– a jointly-controlled entity		–	–	–	–	–	–	–	1,937	–	–	1,937	–	1,937
– associates		–	–	–	–	–	–	–	596	–	–	596	–	596
Total income and expense for the year recognised directly in equity		–	–	–	–	3,071	–	–	28,354	–	–	31,425	–	31,425
Profit for the year		–	–	–	–	–	–	–	–	174,818	–	174,818	(4,810)	170,008
Total income and expense for the year		–	–	–	–	3,071	–	–	28,354	174,818	–	206,243	(4,810)	201,433
Equity-settled share option arrangements	30	–	–	4,609	–	–	–	–	–	–	–	4,609	–	4,609
Transfer of share option reserve upon cancellation of share options	31(b)	–	–	(216)	–	–	–	–	–	216	–	–	–	–
Final 2006 dividend declared		–	–	–	–	–	–	–	–	–	(32,132)	(32,132)	–	(32,132)
Issue of shares	29	6,450	380,550	–	–	–	–	–	–	–	–	387,000	–	387,000
Share issue expenses	29	–	(10,097)	–	–	–	–	–	–	–	–	(10,097)	–	(10,097)
Repurchase and cancellation of shares	29	(190)	–	–	–	–	–	190	–	(6,911)	–	(6,911)	–	(6,911)
Interim 2007 dividend	11	–	–	–	–	–	–	–	–	(32,132)	–	(32,132)	–	(32,132)
Proposed final 2007 dividend	11	–	–	–	–	–	–	–	–	(31,918)	31,918	–	–	–
At 31 December 2007		39,975	472,734	4,393	993	11,796	49	190	51,847	519,077	31,918	1,132,972	5,429	1,138,401

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to ordinary equity holders of the Company											
		Issued capital	Share premium account	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006		32,995	87,208	1,075	993	7,889	49	10,789	312,738	16,497	470,233	11,095	481,328
Surplus on revaluation	13	–	–	–	–	1,013	–	–	–	–	1,013	–	1,013
Deferred tax adjustment on revaluation of property, plant and equipment	28	–	–	–	–	(177)	–	–	–	–	(177)	–	(177)
Exchange realignment													
– subsidiaries		–	–	–	–	–	–	10,843	–	–	10,843	–	10,843
– a jointly-controlled entity		–	–	–	–	–	–	482	–	–	482	–	482
– associates		–	–	–	–	–	–	1,379	–	–	1,379	–	1,379
Total income and expense for the year recognised directly in equity		–	–	–	–	836	–	12,704	–	–	13,540	–	13,540
Profit for the year		–	–	–	–	–	–	–	161,194	–	161,194	(856)	160,338
Total income and expense for the year		–	–	–	–	836	–	12,704	161,194	–	174,734	(856)	173,878
Equity-settled share option arrangements	30	–	–	770	–	–	–	–	–	–	770	–	770
Issue of shares upon exercise of share options		720	13,228	–	–	–	–	–	–	–	13,948	–	13,948
Transfer of share option reserve upon exercise of share options		–	1,845	(1,845)	–	–	–	–	–	–	–	–	–
Final 2005 dividend declared		–	–	–	–	–	–	–	–	(16,497)	(16,497)	–	(16,497)
Interim 2006 dividend	11	–	–	–	–	–	–	–	(26,796)	–	(26,796)	–	(26,796)
Proposed final 2006 dividend	11	–	–	–	–	–	–	–	(32,132)	32,132	–	–	–
At 31 December 2006		33,715	102,281	–	993	8,725	49	23,493	415,004	32,132	616,392	10,239	626,631



Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		198,923	195,390
Adjustments for:			
Finance costs	6	14,854	17,675
Depreciation	7	36,838	27,819
Amortisation of prepaid land lease payments	7	470	465
Share of profit and loss of a jointly-controlled entity		(18,468)	(4,990)
Share of profits and losses of associates		(3,818)	(4,338)
Bank interest income	7	(4,646)	(1,457)
Loss on disposal of items of property, plant and equipment	7	12,414	313
Changes in fair value of an investment property	7	(700)	(400)
Amortisation of prepayments	7	964	897
Impairment/(write-back of impairment) of bad and doubtful debts	7	1,051	(719)
Write-off of trade receivables	7	633	126
Write-back of obsolete inventories	7	–	(180)
Equity-settled share option benefits	30	4,609	770
		243,124	231,371
Increase in inventories		(46,576)	(17,282)
Increase in trade and bills receivables		(182,639)	(66,162)
Decrease/(increase) in prepayments, deposits and other receivables		(21,709)	13,204
Increase in derivative financial assets		(5,945)	–
Decrease/(increase) in amounts due from associates	17	(4,679)	6,547
Decrease/(increase) in an amount due from a jointly-controlled entity		15,588	(1,241)
Increase/(decrease) in trade and bills payables		89,321	(59,163)
Increase/(decrease) in accrued liabilities and other payables		(2,690)	15,708
Increase in derivative financial liabilities		1,984	–
Cash generated from operations		85,779	122,982
Interest paid		(14,854)	(17,675)
Hong Kong profits tax paid		(9,614)	(1,226)
Overseas taxes paid		(8,390)	(6,244)
Net cash inflow from operating activities		52,921	97,837

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,646	1,457
Dividend received from an associate		1,500	–
Purchases of items of property, plant and equipment	13	(196,649)	(101,518)
Proceeds from disposal of items of property, plant and equipment		7,481	575
Additional capital contribution to a jointly-controlled entity	8	(5,299)	–
Additions to prepayments		–	(203)
Decrease/(increase) in long term deposits		(12,082)	1,628
Decrease in pledged bank deposits		4,615	4,141
Net cash outflow from investing activities		(195,788)	(93,920)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		202,041	346,000
Repayment of bank loans		(326,197)	(303,825)
Decrease in trust receipt loans		(1,362)	(5,133)
Issuance of shares, net of related expenses	29	376,903	–
Shares repurchase expenses	29	(6,911)	–
Proceeds from exercise of share options		–	13,948
Repayment of advance from a minority shareholder of a subsidiary		(139)	(3)
Dividends paid		(64,264)	(43,293)
Net cash inflow from financing activities		180,071	7,694
NET INCREASE IN CASH AND CASH EQUIVALENTS		37,204	11,611
Cash and cash equivalents at beginning of year		113,211	103,100
Effect of foreign exchange rate changes, net		(3,788)	(1,500)
CASH AND CASH EQUIVALENTS AT END OF YEAR		146,627	113,211
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	23		
Cash and bank balances		96,627	81,595
Non-pledged time deposits with original maturity less than three months when acquired		50,000	31,616
		146,627	113,211

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	127,871	127,871
CURRENT ASSETS			
Due from subsidiaries	16	540,075	342,767
Prepayments, deposits and other receivables		933	388
Cash and cash equivalents	23	50,095	26,160
Total current assets		591,103	369,315
CURRENT LIABILITIES			
Due to a subsidiary	16	52,600	42,882
Accrued liabilities and other payables		327	4,726
Interest-bearing bank borrowings	27	32,286	28,571
Total current liabilities		85,213	76,179
NET CURRENT ASSETS		505,890	293,136
TOTAL ASSETS LESS CURRENT LIABILITIES		633,761	421,007
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	–	169,429
Net assets		633,761	251,578
EQUITY			
Issued capital	29	39,975	33,715
Reserves	31(b)	561,868	185,731
Proposed final dividend	11	31,918	32,132
Total equity		633,761	251,578

Wang Ya Nan
Director

Wang Ya Hua
Director

1. CORPORATE INFORMATION

Tongda Group Holdings Limited is a limited liability company incorporated in the Cayman Islands.

The registered office of the Company is located at 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 16 to the financial statements. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, certain buildings and derivative financial instruments 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 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 37 to the financial statements.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to its employees in accordance with the Company's share option schemes, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on 1 January 2009
2 Effective for annual periods beginning on 1 July 2009
3 Effective for annual periods beginning on 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint venture

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

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

A joint venture is treated as:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint venture *(continued)*

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

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 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, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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. 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 buildings 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	5 – 10 years
Motor vehicles	5 – 10 years

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

Where parts of an item of property, plant and equipment have different useful life, 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 each balance sheet date.

An item of property, plant and equipment 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 under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or other assets when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment property

An investment property is an interest in land and buildings 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 balance sheet date.

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

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

Inventories

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

Operating leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments

The Group uses derivative financial instruments to hedge its risk associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Investments and other financial assets

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) 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. The amount of the impairment loss is recognised in the income statement. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank borrowings)

Financial liabilities including trade and bills payables, other payables, interest-bearing bank borrowings and trust receipt loans are initially stated at fair value less directly attributable transaction costs and 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. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date 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

- where 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, associates and interest in a joint venture, where 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, 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:

- where 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 and interest in a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

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

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

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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 balance sheets, 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, associates and a jointly-controlled entity are currencies other than Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

Revenue recognition

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees 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 Black-Scholes model, further details of which are given in note 30 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. 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.

31 December 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits 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 Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

Treasury shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Classification between leasehold land element from leasehold land and buildings

The Group has determined that the carrying value of the land element of the leasehold land and buildings held in Hong Kong in relation to the value of the entire lease is insignificant and cannot be reliably allocated. Accordingly, the leasehold land and buildings held in Hong Kong has been treated as a single unit and accounted for under HKAS 16 "Property, Plant and Equipment".

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

Judgements *(continued)*

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of the property which is leased out on operating leases.

Estimation uncertainty

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

Write-back for obsolete inventories

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

Impairment of trade receivables and other receivables

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

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

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

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

Estimation uncertainty *(continued)*

Valuation of share options

The fair value of options granted under share option schemes is determined using the Black-Scholes option pricing model. The significant inputs into the model were risk free rate, exercise price, volatility of the underlying share process and term of maturity. When the actual results of the inputs differ from the management's estimate, it will have an impact on share option expenses and the related share option reserve of the Company.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the electrical fittings segment produces accessories for electrical appliance products;

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

(c) the communication facilities segment is a supplier of electronic components and fibre optic cables, the essential components of communication equipment; and

(d) the corporate and others segment comprises the trading of electrical appliances, the Group's management services business and the corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*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	591,950	459,876	389,511	386,844	85,377	188,214	72,702	83,983	–	–	1,139,540	1,118,917
Intersegment sales	6,135	1,998	555	6,549	2,864	–	–	–	(9,554)	(8,547)	–	–
Total	598,085	461,874	390,066	393,393	88,241	188,214	72,702	83,983	(9,554)	(8,547)	1,139,540	1,118,917
Segment results	146,396	144,247	47,941	44,632	(18,656)	3,853	(15,578)	(15,493)	(2,318)	(1,108)	157,785	176,131
Unallocated income											33,706	27,606
Finance costs											(14,854)	(17,675)
Share of profits and losses of:												
Associates											3,818	4,338
A jointly-controlled entity											18,468	4,990
Profit before tax											198,923	195,390
Tax											(28,915)	(35,052)
Profit for the year											170,008	160,338
Segment assets	1,267,842	696,989	524,410	428,748	508,086	468,104	369,916	351,922	(1,212,743)	(922,088)	1,457,511	1,023,675
Unallocated assets											219,873	153,631
Total assets											1,677,384	1,177,306
Segment liabilities	906,282	553,700	314,730	153,681	378,994	374,712	43,435	55,486	(1,327,671)	(922,088)	315,770	215,491
Unallocated liabilities											223,213	335,184
Total liabilities											538,983	550,675

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:												
Depreciation	20,847	13,392	11,875	8,240	3,337	5,698	779	489	–	–	36,838	27,819
Amortisation of prepaid land lease payments	400	400	–	–	70	65	–	–	–	–	470	465
Impairment/(write-back of impairment) of bad and doubtful debts	1,051	(700)	–	–	–	(19)	–	–	–	–	1,051	(719)
Impairment/ (write-back) of trade receivables	720	126	–	–	(87)	–	–	–	–	–	633	126
Write-back of obsolete inventories	–	–	–	–	–	(180)	–	–	–	–	–	(180)
Loss on disposal of items of property, plant and equipment	127	136	–	–	12,287	–	–	177	–	–	12,414	313
Amortisation of prepayments	–	–	964	897	–	–	–	–	–	–	964	897
Surplus on revaluation of property, plant and equipment recognised directly in equity	–	–	–	–	–	–	(3,723)	(1,013)	–	–	(3,723)	(1,013)
Change in fair value of an investment property	–	–	–	–	–	–	(700)	(400)	–	–	(700)	(400)
Capital expenditure	179,108	68,067	16,431	22,158	1,076	9,666	34	1,627	–	–	196,649	101,518

31 December 2007

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group

	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	*HK$'000*	*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	178,445	120,535	750,213	756,321	45,979	37,477	73,467	68,550	91,436	136,034	1,139,540	1,118,917
Total assets	189,260	140,399	1,404,149	973,598	11,772	2,738	40,463	25,703	31,740	34,868	1,677,384	1,177,306
Other segment information:												
Capital expenditure	34	1,627	196,615	99,891	–	–	–	–	–	–	196,649	101,518

5. REVENUE

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

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest expenses on bank loans and overdrafts wholly repayable within five years	14,854	17,675

7. PROFIT BEFORE TAX

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

	2007 *HK$'000*	2006 *HK$'000*
Cost of inventories sold	896,142	849,825
Employee benefits expense		
(excluding directors' remuneration – note 8)		
Salaries and wages	120,217	113,857
Equity-settled share option benefits	948	770
Pension scheme contributions	593	357
Less: Amounts included in research and development costs	(1,291)	(1,272)
	120,467	113,712
Minimum lease payments under operating leases of leasehold land and buildings	4,150	997
Auditors' remuneration	1,500	1,380
Depreciation	36,838	27,819
Amortisation of prepaid land lease payments	470	465
Changes in fair value of an investment property*	(700)	(400)
Amortisation of prepayments	964	897
Impairment/(write-back of impairment) of bad and doubtful debts*	1,051	(719)
Write-off of trade receivables*	633	126
Write-back of obsolete inventories*	–	(180)
Loss on disposal of items of property, plant and equipment*	12,414	313
Research and development costs**	32,374	32,490
Net fair value gains on foreign exchange derivative financial instruments***	(3,961)	–
Gross rental income with nil outgoings***	(5,237)	(2,095)
Bank interest income***	(4,646)	(1,457)
Foreign exchange differences, net***	(34,471)	(12,249)

7. PROFIT BEFORE TAX *(continued)*

* The changes in fair value of an investment property, impairment/(write-back of impairment) of bad and doubtful debts, write-off of trade receivables, write-back of obsolete inventories and loss on disposal of items of property, plant and equipment for the year are included in "Other 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$14,227,000 (2006: HK$19,435,000) which are capitalised under property, plant and equipment in the consolidated balance sheet and are depreciated over their estimated useful lives.

*** The gross rental income with nil outgoings, bank interest income, foreign exchange differences, net fair value gains on foreign exchange derivative financial instruments for the year are included in "Other income and gains" on the face of the consolidated income statement.

Cost of inventories sold includes HK$137,628,000 (2006: HK$124,566,000) relating to staff costs, operating lease rentals on land and buildings, amortisation of prepayments, and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	1,987	2,010
Other emoluments:		
Salaries, allowances and benefits in kind	3,640	3,440
Equity-settled share option benefits	3,661	–
Pension scheme contributions	174	174
	7,475	3,614
	9,462	5,624

31 December 2007

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

Directors' remuneration *(continued)*

(a) Independent non-executive directors

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

	2007 *HK$'000*	2006 *HK$'000*
Mr. Wong Kong Hon, *SBS, JP*	62	120
Mr. Ting Leung Huel, Stephen	150	150
Mr. Cheung Wah Fung, Christopher, *JP*	120	120
Dr. Yu Sun Say, *SBS, GBS, JP*	35	–
	367	390

Except for the equity-settled share option benefits of HK$549,000 (2006: Nil) granted to certain independent non-executive directors, there were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share option benefits *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2007					
Executive directors:					
Mr. Wang Ya Nan	660	980	778	54	2,472
Mr. Wang Ya Hua	240	760	778	30	1,808
Mr. Wong Ah Yu	240	760	778	30	1,808
Mr. Wong Ah Yeung	240	760	778	30	1,808
Mr. Choi Wai Sang	240	380	–	30	650
	1,620	3,640	3,112	174	8,546

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

Directors' remuneration *(continued)*

(b) Executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option benefits	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Executive directors:					
Mr. Wang Ya Nan	660	810	–	54	1,524
Mr. Wang Ya Hua	240	750	–	30	1,020
Mr. Wong Ah Yu	240	750	–	30	1,020
Mr. Wong Ah Yeung	240	750	–	30	1,020
Mr. Choi Wai Sang	240	380	–	30	650
	1,620	3,440	–	174	5,234

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

Five highest paid employees

The five highest paid employees during the year included four (2006: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2006: one) non-director, highest paid employee for the year are as follows:

	Group 2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,092	992
Equity-settled share option benefits	915	770
Pension scheme contributions	12	12
	2,019	1,774

31 December 2007

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

Five highest paid employees *(continued)*

During the year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 30 to the financial statements. The fair value of such options, which has been recognised to 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 non-director, highest paid employee's remuneration disclosures.

The above remuneration of the non-director, highest paid employee fell within the band of HK$2,000,001 to HK$2,500,000 (2006: HK$1,500,001 to HK$2,000,000).

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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 in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 *HK$'000*	2006 *HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	6,663	5,656
Overprovision in prior years	–	(1,337)
Current – Elsewhere		
Charge for the year	25,162	36,952
Overprovision in prior years	(2,910)	(6,219)
Total tax charge for the year	28,915	35,052

9. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdiction in which the Company and its subsidiaries are operated to the tax expense at the effective tax rates are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Profit before tax	198,923	195,390
Tax at the statutory tax rate of 12%	3,107	2,931
Tax at the statutory tax rate of 17.5%	(1,930)	(1,064)
Tax at the statutory tax rate of 33%	55,060	60,343
Lower applicable tax rate enjoyed by the Group	(14,455)	(20,378)
Estimated tax effect of net expenses that are not deductible in determining taxable profit	(2,558)	3,854
Profit attributable to a jointly-controlled entity and associates	(7,399)	(3,078)
Adjustments in respect of current tax of prior years	(2,910)	(7,556)
Tax charge at the Group's effective rate	28,915	35,052

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City) and 福建省石獅市通達電子有限公司 (Tongda Electronic Company Limited, Shishi City) two of the Group's subsidiaries, operating in Mainland China are subject to the People's Republic of China's corporate income tax (the "CIT") at the preferential tax rate of 27% (2006: 27%). 廈門通達光纜有限公司(Xiamen Optic Conduct Cable Company Limited), another subsidiary of the Group operating in Mainland China is subject to CIT at the preferential tax rate of 15%. Taxes on the assessable profits of 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited)*, a subsidiary operating in Mainland China is subject to the preferential tax rate of 7.5%, as this subsidiary is entitled to a 50% reduction of income tax in its fifth profit-making year.

The share of tax attributable to associates amounting to HK$977,000 (2006: HK$1,727,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement. The jointly-controlled entity operating in Mainland China is exempted from corporate income tax for two years from its first profit making year and is eligible for a 50% reduction of income tax for the following three years. The jointly-controlled entity is entitled to a 50% reduction of income tax commenced in current year. The share of tax attributable to a jointly-controlled entity amounting to HK$1,349,000 (2006: Nil) is included in "Share of profits and losses of jointly-controlled entity" on the face of the consolidated income statement.

31 December 2007

9. TAX *(continued)*

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New PRC Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the preferential income tax rates of lower than 25% currently enjoyed by certain PRC enterprises of the Group will be gradually increased to 25% over a five year period. Certain PRC enterprises of the Group which have not fully utilised their "two-year exemption, followed by three-year half deduction" tax holiday will be allowed to continue to enjoy the remaining tax holiday until its expiry. For other eligible PRC enterprises of the Group which have not commenced the aforesaid tax holiday due to loss, the tax holiday will be commenced in 2008.

The enactment of the New PRC Tax Law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable.

10. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$71,846,000 (2006: a loss of HK$15,699,000) which has been dealt with in the financial statements of the Company (note 31(b)).

31 December 2007

11. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim – HK0.8 cent (2006: HK0.8 cent) per ordinary share	32,132	26,796
Proposed final – HK0.8 cent (2006: HK0.8 cent) per ordinary share	31,918	32,132
	64,050	58,928

The proposed final dividend for the year is calculated based on 3,989,800,000 issued and fully paid up shares of the Company, as detailed in note 29 to the financial statements, respectively, up to the date of these financial statements.

The proposed final dividend 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 ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$174,818,000 (2006: HK$161,194,000), and the weighted average of 3,954,223,000 (2006: 3,327,481,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$174,818,000 (2006: HK$161,194,000). The weighted average number of ordinary shares of 3,963,170,000 (2006: 3,341,896,000) used in the calculation is the weighted average of 3,954,223,000 (2006: 3,327,481,000) ordinary shares in issued during the year, as used in the basic earnings per share calculation and the weighted average of 8,947,000 (2006: 14,415,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of 50,360,000 (2006: 72,000,000) share options during the year.

31 December 2007

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings in Hong Kong	Leasehold buildings in Mainland China	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2007								
Cost or valuation:								
At beginning of year	23,300	82,706	7,816	268,411	12,345	15,123	39,837	449,538
Additions	–	–	–	99,592	2,271	5,075	89,711	196,649
Disposals	–	–	–	(34,150)	(867)	(1,184)	–	(36,201)
Transfer to leasehold buildings	–	47,893	–	–	–	–	(47,893)	–
Transfer to plant and machinery	–	–	–	1,572	–	–	(1,572)	–
Transfer to prepayments *(note 19)*	–	–	–	–	–	–	(597)	(597)
Surplus on revaluation	3,300	–	–	–	–	–	–	3,300
Exchange realignment	–	6,183	491	20,247	807	1,029	2,966	31,723
At 31 December 2007	26,600	136,782	8,307	355,672	14,556	20,043	82,452	644,412
Accumulated depreciation:								
At beginning of year	–	16,089	3,330	65,357	4,803	4,512	–	94,091
Provided for the year	423	5,915	344	26,810	1,169	2,177	–	36,838
Disposals	–	(9)	–	(15,353)	(241)	(703)	–	(16,306)
Reversal upon revaluation	(423)	–	–	–	–	–	–	(423)
Exchange realignment	–	760	159	4,939	330	342	–	6,530
At 31 December 2007	–	22,755	3,833	81,753	6,061	6,328	–	120,730
Net book value:								
At 31 December 2007	26,600	114,027	4,474	273,919	8,495	13,715	82,452	523,682

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

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

Group

	Leasehold buildings in Hong Kong	Leasehold buildings in Mainland China	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	136,782	8,307	355,672	14,556	20,043	82,452	617,812
At 31 December 2007 valuation	26,600	–	–	–	–	–	–	26,600
At 31 December 2007	26,600	136,782	8,307	355,672	14,556	20,043	82,452	644,412

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

Group

	Leasehold buildings 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 2006								
Cost or valuation:								
At beginning of year	22,700	75,834	7,561	200,832	9,936	9,865	9,490	336,218
Additions	–	684	–	59,898	2,039	5,742	33,155	101,518
Disposals	–	–	–	(465)	(46)	(863)	–	(1,374)
Transfer to leasehold buildings	–	3,128	–	–	–	–	(3,128)	–
Transfer to furniture, fixtures and office equipment	–	–	–	–	67	–	(67)	–
Surplus on revaluation	600	–	–	–	–	–	–	600
Exchange realignment	–	3,060	255	8,146	349	379	387	12,576
At 31 December 2006	23,300	82,706	7,816	268,411	12,345	15,123	39,837	449,538
Accumulated depreciation:								
At beginning of year	–	11,805	2,770	43,226	3,485	3,316	–	64,602
Provided for the year	413	3,777	489	20,430	1,254	1,456	–	27,819
Write-back on disposals	–	–	–	(64)	(34)	(388)	–	(486)
Reversal upon revaluation	(413)	–	–	–	–	–	–	(413)
Exchange realignment	–	507	71	1,765	98	128	–	2,569
At 31 December 2006	–	16,089	3,330	65,357	4,803	4,512	–	94,091
Net book value:								
At 31 December 2006	23,300	66,617	4,486	203,054	7,542	10,611	39,837	355,447

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

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

Group

	Leasehold buildings in Hong Kong	Leasehold buildings in Mainland China	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	82,706	7,816	268,411	12,345	15,123	39,837	426,238
At 31 December 2006 valuation	23,300	–	–	–	–	–	–	23,300
At 31 December 2006	23,300	82,706	7,816	268,411	12,345	15,123	39,837	449,538

The Group's leasehold buildings situated in Hong Kong were revalued at the balance sheet date by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at open market value of HK$26,600,000 (2006: HK$23,300,000). Revaluation surplus of HK$3,723,000 (2006: HK$1,013,000), resulting from the above valuations, has been credited to the asset revaluation reserve.

The Group's leasehold buildings situated in Hong Kong at valuation of HK$26,600,000 are held under long term leases. The Group's leasehold buildings situated in Mainland China are held under medium term leases.

Had all of the Group's leasehold buildings situated in Hong Kong been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$12,689,000 (2006: HK$12,943,000).

The Group has not pledged any of its leasehold buildings as security against banking facilities at 31 December 2007. The Group's leasehold buildings with net book value of HK$22,108,000 as at 31 December 2006 in Mainland China have been pledged as security against banking facilities granted to the Group (note 27).

31 December 2007

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

As at 31 December 2007, the Group has not yet obtained the title ownership certificates for certain of its buildings situated in Xiamen city and Shishi city, Fujian, Mainland China with a net book value of HK$71,670,000 (2006: HK$30,671,000). The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of the land on which the buildings located, there is no legal barrier or otherwise for the Group to obtain the relevant buildings ownership certificates for the buildings from the relevant Mainland China authority. As disclosed in the prior years' annual reports, when all the relevant buildings ownership certificates are obtained, the results of the revaluation for the leasehold buildings in Mainland China will be reflected.

14. INVESTMENT PROPERTY

	2007 *HK$'000*	2006 *HK$'000*
Carrying amount at 1 January	3,300	2,900
Fair value adjustment	700	400
Carrying amount at 31 December	4,000	3,300

The Group's investment property located at Unit C, 7th Floor, Seabright Plaza, Nos. 9, 11, 13, 15, 17, 19, 21 and 23 Shell Street, Hong Kong and held under the medium term lease and has been pledged as security against banking facilities granted to the Group (note 27).

The Group's investment property was revalued on 31 December 2007 by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, on an open market, existing use basis of HK$4,000,000 (2006: HK$3,300,000). The investment property is leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	19,239	18,947
Recognised during the year	(470)	(465)
Exchange realignment	1,426	757
Carrying amount at 31 December	20,195	19,239
Current portion included in prepayments, deposits and other receivables	(470)	(465)
Non-current portion	19,725	18,774

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

16. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted investments, at cost	79,379	79,379
Loans to subsidiaries	48,492	48,492
	127,871	127,871

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

31 December 2007

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Directly held					
Tong Da Holdings (BVI) Limited	British Virgin Islands ("BVI")	Ordinary US$10,000	**100**	100	Investment holding
Indirectly held					
Tong Da General Holdings (H.K.) Limited	Hong Kong	Ordinary HK$880,000	**100**	100	Investment holding and raw material sourcing
Ever Target Limited	Hong Kong	Ordinary HK$4	**100**	100	Investment holding
Tongda Group International Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK$100,000	**86.67**	86.67	Investment holding
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi) City *(Note a)*	People's Republic of China ("PRC")/ Mainland China	Registered Renminbi ("RMB") 22,693,686	**100**	100	Manufacture and sale of accessories for electrical appliance products

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Indirectly held *(continued)*					
福建省石獅市通達電子有限公司 (Tongda Electronic Company Limited, Shishi City) *(Note b)*	PRC/ Mainland China	Registered RMB32,000,000	100	100	Manufacture and sale of resistors and other electronic products
廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited) *(Note c)*	PRC/ Mainland China	Registered RMB73,864,018	70	70	Manufacture and sale of fibre optic cables
通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited) *(Note d)*	PRC/ Mainland China	Registered HK$30,000,000	100	100	Manufacture and sale of ironware products
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK$10,000	100	100	Investment holding
Tongda Overseas Company Limited	BVI/ Mainland China	Ordinary US$1	100	100	Provision of administrative and management services
Taxdeal Properties Limited	BVI/ Mainland China	Ordinary US$1	100	100	Dormant
Tabcombe Consultants Limited	BVI/ Mainland China	Ordinary US$1	100	100	Dormant

31 December 2007

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Indirectly held *(continued)*					
Tongda Overseas Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	100	100	Trading of electrical appliance products
Wisdom Mark Industries Limited	BVI/ Mainland China	Ordinary US$1	100	100	Provision of quality control and technical support services
Best Buy Limited	BVI/ Mainland China	Ordinary US$1	100	100	Dormant
South Win Limited	Hong Kong	Ordinary HK$1,000	100	100	Dormant
Tongda Smart Technology Company Limited	Hong Kong	Ordinary HK$300,000	100	100	Dormant
Tongda (Xiamen) Company Limited	Hong Kong	Ordinary HK$10,000	100	100	Investment holding
Tong Da General (H.K.) Limited	Hong Kong	Ordinary HK$100,000	100	100	Investment holding
通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited) *(Note e)*	PRC/ Mainland China	Registered HK$10,000,000	100	–	Manufacture and sales of accessories for electrical appliance products
通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited) *(Note f)*	PRC/ Mainland China	Registered HK$10,000,000	100	–	Manufacture and sales of Ironware products

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Indirectly held *(continued)*					
石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi City) *(Note g)*	PRC/ Mainland China	Registered HK$18,000,000	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 City) *(Note h)*	PRC/ Mainland China	Registered HK$28,000,000	100	–	Manufacture of accessories of electrical appliance products

Notes:

a. 福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City) is a wholly-foreign-owned enterprise with an operating period of 65 years commencing from 12 February 1993. The English name is the direct translation of the Chinese name of the company.

b. 福建省石獅市通達電子有限公司 (Tongda Electronic Company Limited, Shishi City) is a wholly-foreign-owned enterprise with an operating period of 30 years commencing from 20 December 1998. The registered capital increased from RMB10,000,000 to RMB32,000,000 in the current year and was fully paid up in 2007.

c. 廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited) is an equity joint venture established by the Group and a joint venture partner in the PRC for a period of 15 years commencing from 10 November 1993.

d. 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited) is a wholly-foreign-owned enterprise with an operating period of 30 years commencing from 11 April 2002. The English name is the direct translation of the Chinese name of the company.

e. 通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited) is a wholly-foreign-owned enterprise with an operating period of 50 years commencing from 30 November 2006. As at the balance sheet date, the Group has paid up capital of HK$5,000,000 and the remaining unpaid capital of HK$5,000,000 was disclosed as a commitment in note 34 to the financial statements.

31 December 2007

16. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

f. 通達精密組件(深圳)有限公司 (Tongda Precision Components (Shenzhen) Company Limited) is a wholly-foreign-owned enterprise with an operating period of 30 years commencing from 15 August 2007. The English name is direct translation of the Chinese name of the company. As at the balance sheet date, the Group has paid up capital of HK$6,000,000 and the remaining unpaid capital HK$4,000,000 was disclosed as a commitment in note 34 to the financial statements.

g. 石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi City) is a wholly-foreign-owned enterprise with an operating period of 20 years commencing from 18 May 2006. As at the balance sheet date, the Group has paid up capital of HK$5,000,000 and the remaining unpaid capital of HK$13,000,000 was disclosed as a commitment in note 34 to the financial statements.

h. 石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi City) is a wholly-foreign-owned enterprise with an operating period of 20 years commencing from 18 May 2006. As at the balance sheet date, the Group has paid up capital of HK$8,000,000 and the remaining unpaid capital of HK$20,000,000 was disclosed as a commitment in note 34 to the financial statements.

17. INTERESTS IN ASSOCIATES

	Group	
	2007 *HK$'000*	2006 *HK$'000*
Share of net assets	15,050	12,136
Due from associates	7,845	3,166
	22,895	15,302

17. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group		Principal activities
			2007	2006	
Meijitsu Tongda (HK) Company Limited ("Meijitsu")	Hong Kong/ Mainland China	Ordinary HK$10,000	**50**	50	Manufacture and sale of silk-screen printing products
Tongda Fuso (HK) Company Limited ("Fuso (HK)")	Hong Kong	Ordinary HK$100,000	**50**	50	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited ("Fuso (Shanghai)")	PRC/Mainland China	Registered RMB10,760,265	**50**	50	Manufacture and sale of silk-screen printing products
Meijitsu Tongda (Vietnam) Company Limited	Vietnam	Registered Vietnamese Dong ("VND") 9,600,000,000	**50**	–	Manufacturing and sales of label/seal for automation office products

Note: The balances with associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances with associates approximate to their fair values.

The directors of the Company do not intend to demand settlement of the amounts due 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.

31 December 2007

17. INTERESTS IN ASSOCIATES *(continued)*

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

	2007 *HK$'000*	2006 *HK$'000*
Assets	80,250	60,680
Liabilities	46,465	30,886
Revenues	63,093	54,905
Profits	7,636	8,676

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2007 *HK$'000*	2006 *HK$'000*
Share of net assets	43,692	17,988
Due from a jointly-controlled entity	–	1,801
	43,692	19,789

Particulars of the jointly-controlled entity are as follows:

Name	Place of registration and operations	Particulars of registered capital	Percentage of Ownership interest 2007	Percentage of Ownership interest 2006	Percentage of Voting power 2007	Percentage of Voting power 2006	Percentage of Profit sharing 2007	Percentage of Profit sharing 2006	Principal activities
Tongda (Xiamen) Technology Limited ("Xiamen Technology")	PRC/ Mainland China	RMB32,265,780	**50**	49	**50**	50	**50**	49	Manufacture and sale of precision plastic injection parts

During the year, the Group made additional capital contribution of approximately RMB5,020,000 (equivalent to HK$5,299,000) to the jointly-controlled entity, which resulted in an increase in the percentage of equity attributable to the Company from 49% to 50%.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(continued)*

Subsequent to the balance sheet date, on 25 January 2008, a written resolution was passed by the directors of Xiamen Technology in relation to the proposed increase in the registered capital of Xiamen Technology by RMB21,510,520 (equivalent to HK$23,105,000) which was made through the contribution in cash by Tongda Xiamen Company Limited ("Tongda Xiamen") solely. Immediately upon the capital contribution of RMB21,510,520 by Tongda Xiamen, Xiamen Technology is owned as to 70% by Tongda Xiamen and as to 30% by its joint venture partner and Xiamen Technology becomes a non-wholly-owned subsidiary of the Group.

The balance with a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this balance with a jointly-controlled entity approximates to its fair value.

The jointly-controlled entity has been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

Share of the jointly-controlled entity's assets and liabilities:

	2007 *HK$'000*	2006 *HK$'000*
Current assets	57,830	16,420
Non-current assets	21,775	15,515
Current liabilities	(35,913)	(13,947)
Net assets	43,692	17,988
Share of the jointly-controlled entity's results:		
Total revenue	80,205	32,850
Total expenses	(61,737)	(27,860)
Profit after tax	18,468	4,990

19. PREPAYMENTS

Group

	Prepaid rental *HK$'000*	Prepaid premises cost *HK$'000*	Total *HK$'000*
31 December 2007			
Costs:			
At beginning of year	1,890	41,354	43,244
Transfer from construction in progress *(note 13)*	–	597	597
Exchange realignment	140	3,065	3,205
At 31 December 2007	2,030	45,016	47,046
Amortisation:			
At beginning of year	154	2,733	2,887
Amortised during the year	44	920	964
Exchange realignment	13	202	215
At 31 December 2007	211	3,855	4,066
Net book value:			
At 31 December 2007	1,819	41,161	42,980
At 31 December 2006	1,736	38,621	40,357

19. PREPAYMENTS *(continued)*

Group

	Prepaid rental *HK$'000*	Prepaid premises cost *HK$'000*	Total *HK$'000*
31 December 2006			
Costs:			
At beginning of year	1,817	39,569	41,386
Additions	–	203	203
Exchange realignment	73	1,582	1,655
At 31 December 2006	1,890	41,354	43,244
Amortisation:			
At beginning of year	109	1,805	1,914
Amortised during the year	41	856	897
Exchange realignment	4	72	76
At 31 December 2006	154	2,733	2,887
Net book value:			
At 31 December 2006	1,736	38,621	40,357
At 31 December 2005	1,708	37,764	39,472

The prepaid rental represents 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 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 Mainland China lawyers, the lessor of the Land has the right to lease the Land and the leasing agreement entered into by the Group with the lessor is legally enforceable under the PRC laws.

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.

31 December 2007

20. LONG TERM DEPOSITS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Deposit for acquisition of property, plant and equipment	12,011	1,360
Deposit for acquisition of a subsidiary *(note 38(a))*	1,431	–
	13,442	1,360

21. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	102,510	83,015
Work in progress	24,386	16,565
Finished goods	40,814	21,554
	167,710	121,134

22. TRADE AND BILLS RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	599,724	439,696
Impairment allowances for bad and doubtful debts	(7,968)	(6,881)
	591,756	432,815
Bills receivables	35,971	13,957
	627,727	446,772

22. TRADE AND BILLS RECEIVABLES *(continued)*

It is the general policy of the Group to allow a credit period of three to six months except for the sale of fibre optic cable products of which a longer credit period of three to eighteen months is allowed in certain cases. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

An aged analysis of the Group's trade and bills receivables as at 31 December 2007, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 3 months	503,169	350,685
4 to 6 months, inclusive	74,806	56,127
7 to 9 months, inclusive	29,830	18,076
10 to 12 months, inclusive	7,782	9,374
More than 1 year	20,108	19,391
	635,695	453,653
Impairment allowances for bad and doubtful debts	(7,968)	(6,881)
	627,727	446,772

31 December 2007

22. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	6,881	7,318
Impairment/(written back of impairment) of bad and doubtful debts *(note 7)*	1,051	(719)
Exchange realignment	36	282
	7,968	6,881

The above impairment allowance for trade receivables is an allowance for individually impaired trade receivables with carrying amount of HK$7,985,000 (2006: HK$17,264,000). The individually impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	92,747	47,282
Within 3 months	430,650	319,876
4 to 6 months, inclusive	58,986	46,712
7 to 9 months, inclusive	23,907	16,441
10 to 12 months, inclusive	13,456	6,078
More than 1 year	7,964	–
	627,710	436,389

22. TRADE AND BILLS RECEIVABLES *(continued)*

Receivables that were neither past due nor impaired relate to a large 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. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	97,211	86,794	95	569
Time deposits	50,000	31,616	50,000	25,591
	147,211	118,410	50,095	26,160
Less: Pledged for trade facilities	(584)	(5,199)	–	–
	146,627	113,211	50,095	26,160

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to HK$75,099,117 (2006: HK$39,930,180). The 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 earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for approximately one week on average depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

31 December 2007

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Forward currency contracts:		
Assets	5,945	–
Liabilities	(1,984)	–
	3,961	–

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The carrying amounts of forward currency contracts are the same as their fair values. Changes in the fair value of non-hedging currency derivatives amounting to HK$3,961,000 were charged to the income statement during the year (2006: Nil).

25. TRADE AND BILLS PAYABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade payables	183,358	117,898
Bills payables	60,013	36,152
	243,371	154,050

25. TRADE AND BILLS PAYABLES *(continued)*

The carrying amounts of trade and bills payables approximate to their fair values. 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 2007, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 3 months	222,808	124,485
4 to 6 months, inclusive	11,760	20,566
7 to 9 months, inclusive	1,360	5,446
10 to 12 months, inclusive	3,661	692
More than 1 year	3,782	2,861
	243,371	154,050

26. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment. The carrying amount approximates to its fair value.

27. INTEREST-BEARING BANK BORROWINGS

		Group		Company	
		2007	2006	2007	2006
	Maturity	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current					
Bank loans – unsecured	2008	112,844	62,571	32,286	28,571
Bank loans – secured		–	5,000	–	–
Trust receipt loans		–	1,362	–	–
		112,844	68,933	32,286	28,571
Non-current					
Bank loans – unsecured		–	169,429	–	169,429
		112,844	238,362	32,286	198,000

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

	Group		Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans and trust receipt loans repayable:				
Within one year	112,844	68,933	32,286	28,571
In the second year	–	112,284	–	112,284
In the third to fifth years, inclusive	–	57,145	–	57,145
	112,844	238,362	32,286	198,000

Notes:

(i) The Company's bank loan is denominated in Hong Kong dollars with an effective interest rate of HIBOR plus 1.1%. Other than the Company's bank loan, the remaining bank loans of the Group are denominated in RMB with effective interest rates ranging from 5.397% to 6.926%.

(ii) As at 31 December 2007, the Group's banking facilities were supported by:

(a) the investment property in Hong Kong owned by the Group (note 14) (2006: the prepaid land lease payments, an investment property and leasehold buildings in Mainland China owned by the Group);

(b) the pledge of bank deposits of approximately HK$584,000 (2006: HK$5,199,000) (note 23); and

(c) corporate guarantees from the Company and certain of its subsidiaries.

The carrying amounts of short-term borrowings approximate to their fair values.

28. DEFERRED TAX

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

Deferred tax liabilities

Group

	Revaluation of properties *HK$'000*
At 1 January 2006	1,673
Deferred tax debited to equity during the year	177
At 31 December 2006 and 1 January 2007	1,850
Deferred tax debited to equity during the year	652
At 31 December 2007	2,502

Deferred tax assets

Group

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	130

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

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

At 31 December 2007, the Company has no significant unrecognised deferred tax asset/liability (2006: Nil).

31 December 2007

29. SHARE CAPITAL

	2007 *HK$'000*	2006 *HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	200,000	200,000
Issued and fully paid:		
3,997,470,000 (2006: 3,371,500,000) ordinary shares of HK$0.01 each	39,975	33,715

The following changes in the Company's issued share capital took place during the year:

	Number of ordinary shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
Issued:				
As at 1 January 2007	3,371,500,000	33,715	102,281	135,996
Issue of new shares	645,000,000	6,450	380,550	387,000
Shares issue expenses	–	–	(10,097)	(10,097)
Repurchase and cancellation of shares	(19,030,000)	(190)	–	(190)
	625,970,000	6,260	370,453	376,713
As at 31 December 2007	3,997,470,000	39,975	472,734	512,709

On 22 January 2007, 645,000,000 new shares were allotted and issued at an issue price HK$0.6 per share. The subscription of these new shares was immediate following a placement of 645,000,000 existing shares in the Company by Landmark at the same price to independent third parties pursuant to a subscription agreement dated 22 January 2007. This placement raised net cash proceeds of approximately HK$376,903,000.

29. SHARE CAPITAL *(continued)*

During the year, the Company repurchased 19,030,000 ordinary shares from the market at a total consideration of approximately HK$6,911,000. These repurchased ordinary shares were subsequently cancelled by the Company and the premium of approximately HK$6,721,000 paid by the Company over the nominal value of the repurchased ordinary shares was debited to retained profits. In addition, the Company also transferred HK$190,000, which equivalent to the nominal value of these repurchased shares, from retained profits to the capital redemption reserve as set out in note 31(b) to the financial statements.

Subsequent to the balance sheet date, the Company further repurchased 9,670,000 ordinary shares from the market at a total consideration of approximately HK$3,332,000. In addition, an aggregate of 2,000,000 share options were exercised by an employee of the Group for cash consideration of HK$630,000, resulting in the issue of 2,000,000 shares by the Company. After the above events, the total number of issued and fully paid up ordinary shares of the Company was 3,989,800,000 up to the date of this financial statements.

Share option schemes

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

30. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the shareholders' meeting of the Company held on 10 June 2002, a new share option scheme of the Company (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 7 December 2000 (the "Old Scheme"). After the adoption of the New Scheme, no further options can be granted under the Old Scheme. As at 31 December 2006 and 2007, there were no outstanding share options under the Old Scheme. The New Scheme became effective on 24 June 2002, and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

30. SHARE OPTION SCHEMES *(continued)*

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

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

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

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

30. SHARE OPTION SCHEMES *(continued)*

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

	2007		2006	
	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	–	–	0.149	52,000
Granted during the year	0.565	50,360	0.310	20,000
Cancelled during the year	0.565	(2,360)	–	–
Exercised during the year	–	–	0.388	(72,000)
At 31 December	0.565	48,000	–	–

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

2007

Number of options *'000*	Exercise price * *HK$ per share*	Exercise period
10,000	0.485	10 March 2007 to 9 March 2017
38,000	0.586	4 July 2007 to 3 July 2017
48,000		

2006

Number of options *'000*	Exercise price * *HK$ per share*	Exercise period
–	–	–
–	–	–
–		

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

30. SHARE OPTION SCHEMES *(continued)*

The fair value of the share options granted during the year was HK$4,609,000 (HK$0.0915 each) (2006: HK$770,000, HK$0.0385 each) of which the Group recognised a share option expense of HK$4,609,000 (2006: HK$770,000) during the year ended 31 December 2007.

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

	2007	2006
Dividend yield (%)	2.86	4.19
Expected volatility (%)	52.32 to 53.08	45.00
Risk-free interest rate (%)	3.93 to 4.15	4.29
Expected life of options (year)	0.25 to 0.58	0.50
Closing share price at the date of grant *(HK$)*	0.485 to 0.560	0.31
Exercise price *(HK$)*	0.485 to 0.586	0.31

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

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

At the balance sheet date and up to the date of approval of these financial statements, the Company had 48,000,000 share options outstanding under the New Scheme, which represented approximately 1.2% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 48,000,000 additional ordinary shares of the Company and additional share capital of HK$480,000 and share premium of HK$26,638,000 (before issue expenses).

31. RESERVES

(a) Group

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

The capital reserve of the Group represents principally the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group's reorganisation completed on 7 December 2000 in preparation of the listing of the Company's shares, over the purchase consideration paid therefor.

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to a statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set off against accumulated losses, if any, arising under certain specified circumstances. As the reserve reaches 50% of Tongda Macao's capital fund, no transfer was made in the current year (2006: Nil).

31 December 2007

31. RESERVES *(continued)*

(b) Company

	Share premium account	Share option reserve	Contributed surplus	Capital redemption reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	87,208	1,075	79,179	–	78,898	246,360
Equity-settled share option arrangements	–	770	–	–	–	770
Exercise of share options	13,228	–	–	–	–	13,228
Transfer of share option reserve upon exercise of share options	1,845	(1,845)	–	–	–	–
Loss for the year	–	–	–	–	(15,699)	(15,699)
Interim 2006 dividend *(note 11)*	–	–	–	–	(26,796)	(26,796)
Proposed 2006 final dividend *(note 11)*	–	–	–	–	(32,132)	(32,132)
At 31 December 2006 and 1 January 2007	102,281	–	79,179	–	4,271	185,731
Issue of new shares *(note 29)*	380,550	–	–	–	–	380,550
Shares issue expenses *(note 29)*	(10,097)	–	–	–	–	(10,097)
Repurchase and cancellation of shares *(note 29)*	–	–	–	190	(6,911)	(6,721)
Equity-settled share option arrangements *(note 30)*	–	4,609	–	–	–	4,609
Transfer of share option reverse upon cancellation of share options	–	(216)	–	–	216	–
Profit for the year	–	–	–	–	71,846	–
Interim 2007 dividend *(note 11)*	–	–	–	–	(32,132)	(32,132)
Proposed final 2007 dividend *(note 11)*	–	–	–	–	(31,918)	(31,918)
At 31 December 2007	472,734	4,393	79,179	190	5,372	561,868

31. RESERVES *(continued)*

(b) Company *(continued)*

(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 2007, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$589,203,000, 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 of the listing of the Company's shares, and represents the excess of the combined net assets of the subsidiaries then acquired by the Company, over the nominal value of the share capital of the Company issued in exchange therefor.

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

32. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had contingent liabilities in respect of outstanding irrevocable letters of credit of HK$44 million (2006: HK$24 million).

In addition, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate, which were utilised to the extent of HK$120.6 million (2006: HK$39.9 million) at the balance sheet date.

Save as disclosed above, neither the Group, nor the Company, had any significant contingent liabilities at the balance sheet date.

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 two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2007 *HK$'000*	2006 *HK$'000*
Within one year	3,223	1,275
In the second to fifth years, inclusive	4,545	528
	7,768	1,803

(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 offices properties under operating lease arrangements for terms of over five years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007 *HK$'000*	2006 *HK$'000*
Within one year	4,069	4,572
In the second to fifth years, inclusive	17,482	14,671
After five years	9,847	12,419
	31,398	31,662

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 balance sheet date:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Purchases of property, plant and equipment	11,196	1,568
Construction of factory buildings in Mainland China	898	3,700
Investments in subsidiaries	42,000	46,000
	54,094	51,268

The Company had no significant commitments at the balance sheet date (2006: Nil).

31 December 2007

35. RELATED PARTY TRANSACTIONS

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

		Group	
		2007	2006
	Notes	*HK$'000*	*HK$'000*
Associates:			
Sales of products	(i)	13,604	15,674
Purchases of raw materials and finished goods	(ii)	663	2,129
Technology consultancy fee	(iii)	600	600
Rental income	(iv)	1,312	576
A jointly-controlled entity:			
Sales of raw materials	(i)	8,443	1,696
Sales of machinery	(i)	1,105	1,607
Purchases of raw materials and finished goods	(ii)	45,384	13,407
Rental income	(iv)	3,098	1,203
A related company in which a director of the Company is a shareholder			
Sales of finished goods	(i)	986	–
Rental expenses	(v)	60	–
Sales of machinery	(vi)	–	69

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) *Notes:*

(i) The sales to associates, a jointly-controlled entity and a related company were made according to the terms similar to those offered to the Group's non-related customers.

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

(iii) The technology consultancy fee was received from associates for the provision of technology support provided by the Group charged at HK$50,000 (2006: HK$50,000) per month.

(iv) The rental income received from an associate and a jointly-controlled entity represented the leasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC and Xiamen, the PRC, respectively.

(v) During the year, the Group paid rental expense to a company owned as to 12.5% by Mr. Wang Ya Nan, a director of the Company, at HK$5,000 (2006: Nil) per month.

(vi) During the year ended 31 December 2006, the Group sold machinery to 福建石獅通達電機有限公司, a company owned as to 7.5% by Mr. Wang Ya Nan, a director of the Company. The selling price was determined with reference to the published prices offered to the Group's non-related customers.

(b) Outstanding balances with related parties

Details of the Group's balances with its associates and jointly-controlled entity as at the balance sheet date are disclosed in notes 17 and 18 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2007 *HK$'000*	2006 *HK$'000*
Short term employee benefits	6,352	6,052
Post-employment benefits	186	186
Share-based payments	4,027	770
Total compensation paid to key management personnel	10,565	7,008

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007 — Group

Financial assets

	Financial assets at fair value through profit or loss designated as such upon initial recognition	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
Due from associates *(note 17)*	–	7,845	7,845
Trade and bills receivables	–	627,727	627,727
Financial assets included in prepayments, deposits and other receivables	–	15,859	15,859
Pledged deposits	–	584	584
Derivative financial assets	5,945	–	5,945
Cash and cash equivalents	–	146,627	146,627
	5,945	798,642	804,587

Financial liabilities

	Financial liabilities at fair value through profit or loss designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*
Due to a jointly-controlled entity	–	13,787	13,787
Trade and bills payables	–	243,371	243,371
Financial liabilities included in accrued liabilities and other payables	–	34,176	34,176
Derivative financial liabilities	1,984	–	1,984
Interest-bearing bank borrowings	–	112,844	112,844
Due to a minority shareholder of a subsidiary	–	609	609
	1,984	404,787	406,771

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

2006

	Group
	Loans and receivables
Financial assets	*HK$'000*
Due from associates *(note 17)*	3,166
Due from a jointly-controlled entity *(note 18)*	1,801
Trade and bills receivables	446,772
Financial assets included in prepayments, deposits and other receivables	16,689
Pledged deposits	5,199
Cash and cash equivalents	113,211
	586,838

	Financial liabilities at amortised cost
Financial liabilities	*HK$'000*
Trade and bills payables	154,050
Financial liabilities included in accrued liabilities and other payables	31,910
Trust receipt loans	1,362
Interest-bearing bank borrowings	237,000
Due to a minority shareholder of a subsidiary	748
	425,070

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(continued)*

Company

Financial assets

	2007 Loans and receivables *HK$'000*	2006 Loans and receivables *HK$'000*
Due from subsidiaries	540,075	342,767
Financial assets included in prepayments, deposits and other receivables	104	11
Cash and cash equivalents	50,095	26,160
	590,274	368,938

Financial liabilities

	2007 Financial liabilities at amortised cost *HK$'000*	2006 Financial liabilities at amortised cost *HK$'000*
Due to a subsidiary	52,600	42,882
Financial liabilities included in accrued liabilities and other payables	–	–
Interest-bearing bank borrowings	32,286	198,000
	84,886	240,882

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 27 to the financial statements. The Group believes its exposure to cash flow interest rate risk is minimal.

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

	Group			Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*	Increase/ (decrease) in basis points	Increase/ (decrease) in equity *HK$'000*
2007					
Hong Kong Dollar	0.5%	(161)	(161)	0.5%	(161)
Hong Kong Dollar	(0.5%)	161	161	(0.5%)	161
2006					
Hong Kong Dollar	0.5%	(997)	(997)	0.5%	(990)
Hong Kong Dollar	(0.5%)	997	997	(0.5%)	990

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

Foreign currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 70% (2006: 70%) of the Group's sales and purchases transactions are denominated in RMB while the remaining balance of sales and purchases transactions denominated mainly in Hong Kong dollars. As the foreign currencies risks generated from 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.

Considering the appreciation of RMB, the Group will maintain a comparatively higher level of Hong Kong dollar borrowings than that of RMB borrowings to minimise the possible currency risk arising therefrom.

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

The following table demonstrates the sensitivity at the balance sheet date 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 and the Group's equity.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in the Group's net profit	Increase/ (decrease) in the Group's equity
	%	*HK$'000*	*HK$'000*
2007			
If Hong Kong dollar weakens against RMB	5	20,535	25,228
If Hong Kong dollar strengthens against RMB	(5)	(20,535)	(25,228)
2006			
If Hong Kong dollar weakens against RMB	5	15,727	16,744
If Hong Kong dollar strengthens against RMB	(5)	(15,727)	(16,744)

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

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. Under the tight control of credit term and detailed assessment of the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

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

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments was as follows:

Group

	2007				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	–	10,089	102,755	–	112,844
Trade and bills payables	4,848	212,546	25,977	–	243,371
Other payables	34,176	–	–	–	34,176
Derivative financial instruments	–	–	1,984	–	1,984
Due to a jointly-controlled entity	13,787	–	–	–	13,787
Due to a minority shareholder of a subsidiary	609	–	–	–	609
	53,420	222,635	130,716	–	406,771

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

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments was as follows: *(continued)*

Group

	2006				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	–	14,000	53,571	169,429	237,000
Trade and bills payables	1,862	122,181	30,007	–	154,050
Other payables	31,910	–	–	–	31,910
Due to a minority shareholder of a subsidiary	748	–	–	–	748
Trust receipt loans	–	1,362	–	–	1,362
	34,520	137,543	83,578	169,429	425,070

Company

	2007				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	–	10,089	22,197	–	32,286
Due to a subsidiary	52,600	–	–	–	52,600
	52,600	10,089	22,197	–	84,886

	2006				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	–	–	28,571	169,429	198,000
Due to subsidiaries	42,882	–	–	–	42,882
	42,882	–	28,571	169,429	240,882

37. 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 shareholder, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2007 and 31 December 2006.

The gearing ratios as at the balance sheet dates were as follows:

Group

	2007 *HK$'000*	2006 *HK$'000*
Trade and bills payables	243,371	154,050
Accrued liabilities and other payables	58,003	60,693
Trust receipt loans	–	1,362
Interest-bearing bank borrowings	112,844	237,000
Due to a jointly-controlled entity	13,787	–
Due to a minority shareholder of a subsidiary	609	748
Total debt	428,614	453,853
Equity attributable to ordinary equity holders of the Company	1,132,972	616,392
Total capital plus total debt	1,561,586	1,070,245
Gearing ratio	0.27	0.42

38. POST BALANCE SHEET EVENTS

(a) On 3 December 2007, the Group entered into a sales and purchases agreement to acquire an entire equity interests of 達明塑膠製(深圳)有限公司 (name has been subsequently changed to "Shenzhen Tongda Electronic Company Limited") ("Shenzhen Tongda Electronic"), a company established in Mainland China, from Asiatec Holdings Limited ("Asiatec"), an independent third party, at a consideration of RMB4,500,000 (equivalent to HK$4,833,000). According to the agreement, an initial deposit of RMB1,350,000 (equivalent to HK$1,431,000) was paid to Asiatec and has been included as a long term deposit (note 20) in the consolidated balance sheet as at 31 December 2007. The acquisition was completed on 23 January 2008 and the remaining consideration of RMB3,150,000 (equivalent to HK$3,402,000) was paid to Asiatec.

(b) On 14 March 2008, an agreement was entered into between the Group and the joint venture partner (the "JCE partner"), in relation to the disposal of a 30% equity interest in Shenzhen Tongda Electronic (the "Disposal") by the Group to the JCE partner at a consideration of RMB1,483,000 (equivalent to HK$1,592,000). The Disposal was completed on 21 March 2008 and thereafter, Shenzhen Tongda Electronic became a 70% non-wholly-owned subsidiary of the Group. Since the Disposal was effected shortly before the date of approval of these financial statements, it is not practical to disclose further details about the Disposal.

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been shown separately in respect of items disclosed for the first time in 2007.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2008.