通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code:698

ANNUAL REPORT 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

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

AUDITORS

Ernst & Young
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wang Ya Hua

PRINCIPAL BANKERS

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

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

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

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR

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

Chairman's Statement

On behalf of the Board of Directors of Tongda Group Holdings Limited (the "Group"), I am pleased to announce the annual results of the Group for the year ended 31 December 2009 (the "Year"). Although the economy continued to fluctuate in 2009, the Group embarked on a strategy to strengthen our business fundamentals, which enabled the Group to achieve satisfactory performance.

Results of operations and dividend

During the Year, total turnover of the Group increased by 29.2% to HK$1,800,254,000 (2008: HK$1,393,843,000). Gross profit also rose 38.8% to HK$302,379,000 (2008: HK$217,918,000), while gross margin stood at 16.8% (2008: 15.6%). With increasing revenue from higher margin products, profit attributable to shareholders reached HK$102,085,000 (2008: HK$65,301,000), representing a rise of 56.3% from the previous year.

Despite the challenging operational environment, the Group managed to generate stable returns for its shareholders. The Board recommended the payment of a final dividend of HK0.5 cent per share (2008: HK0.2 cent) for the Year. Taking account of interim dividend of HK0.35 cent per share, the Group paid HK0.85 cent per share as total dividend in the Year, translating into an annual dividend payout ratio of 37%.

Building on our strengths and preparing for the future

State-of-the-art In-Mould Lamination ("IML") technology and product presence in international market

The Group's strategy and technology investment over the years in state-of-the-art In-Mould Lamination ("IML") technology has become a core competitive edge. Thus the Group was able to extend the use of IML technology from production of handsets and electrical appliances to manufacturing notebook computers, a higher margin sector. The volume of orders and revenue from the IML application in notebook computers increased significantly during the year, in turn boosting overall gross profit.

One reason for this success was the trendy and innovative designs created through the Group's IML techniques which have attracted the attention and orders from renowned international brands. Tongda's quality products have also gained the trust from customers and allowed the Group to boast prominence in the international market. Notebook computer customers include the world's four largest Taiwanese computer manufacturers which supply over 90% of the global notebook computer market. This impressive roster matches the list of our IML application handsets customers which includes key handset manufacturers and boasts industry leaders such as Huawei, ZTE Corporation, Lenovo, Nokia, Sony Ericsson and Motorola. In electrical appliances, the Group has established long-standing cooperative relationships with well-known brand customers. The extensive customer base across a wide spectrum of industries has also created a stable revenue stream for the Group and formed a solid foundation for its long term business development.

Chairman's Statement

Expanded production capacity and assumed geographical advantage

The Group has also taken measures to prepare for the next wave of expansion in its business. During the Year, the Group acquired the entire issued share capital of Tongda (Shanghai) Company Limited which provided a parcel of construction land and seven blocks of industrial/dormitory building in Songjiang District in Shanghai, the PRC. Through this acquisition, the Group plans to expand production facilities from Shenzhen, Xiamen and Fujian to Shanghai and Jiangxu. The new location in Shanghai provides a favourable geographical advantage for servicing a concentration of international notebook computer manufacturers as well as other technology vendors located there. In addition to cost advantages, the new location also offers enormous business development potential.

Visionary and tapped the LED TV market

The Group has been keeping a close watch on opportunities presented in other industry segments while consolidating and strengthening its existing business. In light of the immense potential in the LED TV market, during the Year the Group has collaborated with the well-known Japanese company, Matsushita Shokai, to produce light guide plates used in LED TV. With more than 20 years' experience in the home appliance industry and the long and close relationship with world renowned electrical appliance brands, the Group believes it can leverage the strategic alliance to facilitate its diversification and expand its revenue stream. With the rapid global penetration of the LED TVs, this business segment is set to become a growth driver for the Group in the next few years.

Well-positioned to enter a high growth period

Looking forward, the gradual revival of the global economy concurrent with the returning demand for consumer electronics presents a more favourable business environment for the Group. Based on its effective strategic business initiatives, strong track record as a leading supplier leader of one-stop solutions for consumer electronics casings, long-term working relationship with renowned international brands and sound financial status, the Group is well prepared to capture the enormous opportunities arising during the economic recovery and enter a phase of high growth.

IML products, in particular notebook computer casings will continue to be an important growth engine of the Group as demand for notebook computers is set to accelerate in the next few years. The Group will actively seek to gain more customers from internationally renowned-brands while expanding its production capacity to meet the customer demand when required. In addition, with the roll-out of 3G services after the Government of the People's Republic of China (the "PRC Government") issue of 3G licenses at the end of 2008, the subsequent development of a prosperous 3G handset business has provided growth impetus to the Group's overall handset business. With the PRC Government continuing to subsidise residents in rural China for purchasing household appliances, the Group's IML electrical appliance business is expected to record stable growth in orders.

The Group expects to commence mass production of light guide plates used in LED TVs in the second half of the year with a planned monthly output of around 300,000 pieces a month. To manage anticipated future rapid expansion, the Group has raised HK$37,700,000 through share placement in January 2010 which has strengthened its cash position. Armed with ample capital, the Group will continue to closely monitor the market trend and identify opportunities for acquisition when necessary in a bid to boost its business.

Appreciation

I, on behalf of the Board, wish to thank all staff of the Group for their diligence and contributions during the Year. I would also like to express my gratitude to our shareholders for supporting and trusting the Group over the years. We will continue to work together with our shareholders and staff and dedicate our best efforts to create fruitful results that we can all share.

Management Discussion and Analysis

BUSINESS REVIEW

I. Financial

For the year ended 31 December 2009, the Group recorded a turnover of HK$1,800,254,000, representing a notable rise of 29.2% when compared with last year (2008: HK$1,393,843,000). The increase was mainly attributable to the rapid growth in electrical appliance and notebook computer casing businesses. Electrical appliances in particular have benefited from the rural home appliance subsidies policy implemented by the PRC Government. The turnover of this division increased by 1.8 times to approximately HK$445,109,000 (2008: HK$161,206,000). The notebook computer casing business with higher margins has also generated a strong revenue stream for the Group's Electrical Fittings Division. Within the consolidated accounts, about 9% (2008: 11.4%) of the total turnover of the Group for the period was contributed by Tongda (Xiamen) Technology Limited ("Xiamen Technology") which is 75%-owned by the Group.

The Group was able to offset the effect of a year-on-year decline in overall average selling price and recorded a gross profit of HK$302,379,000 (2008: HK$217,918,000) on the strength of implementing effective cost control measures together with a renewed focus on high value-added products, while also benefiting from depressed raw material prices. Gross profit margin increased to approximately 16.8% (2008: 15.6%). Despite the challenging business environment and rising operating costs, the profit attributable to shareholders was increased to approximately HK$102,085,000 (2008: HK$65,301,000).

To better prepare for capturing future opportunities, the Group has diligently adhered to a prudent financial strategy thereby maintaining a healthy financial position. As at 31 December 2009, the Group had cash and bank and pledged deposits balances of approximately HK$246,050,000 (2008: HK$191,613,000). The Group raised HK$37,700,000 through share placing in January 2010 to secure a stronger cash flow.

II. Operations Information by Division

(1) Electrical Fittings Division

In-Mould Lamination (IML) products remained as the core business of the Group. The advantage in IML technology has also allowed the Group to become a cost effective, quality and reliable one-stop solution provider with a leadership position in both domestic and international markets. During the Year, turnover from the Electrical Fittings Division rose by about 54.4% to approximately HK$1,305,676,000 (2008: HK$845,843,000), being occupied 72.5% of the Group's total turnover. IML products of the Group are applied principally in handsets, notebook computers and electrical appliances and has contributed to the considerable growth in the Division. Performance details of the different IML product segments are as follows:

i. Notebook computers

The Group recorded outstanding progress in further extending its application of IML technology to notebook computer casings which offer higher margins. During the Year, turnover from the business surged 1 time from approximately HK$112,000,000 in the same period last year to HK$225,452,000. Tapping its expertise as a casing manufacturing expert, the Group integrates technology and industrial design by applying IML techniques including colour coating, plasma surface treatment, leather incrustation, multi-colour automatic printing and alloys with various textures. The Group thus provides high quality trendy designs topped off by unique surface-finishes that are in demand for notebook computer casings. These leading-edge designs have caught the attention and the business of Asus, Hon Hai, Quanta and Compal, the world's four largest computer manufacturers based in Taiwan which supply over 90% of the global notebook computers. This signal of success to break into the notebook computer market has translated into a gush of orders and a corresponding rapid expansion of growth in this segment within a short period.

ii. Handsets

Turnover from the Group's handset business rose by 11.7% from approximately HK$564,374,000 during the same period last year to approximately HK$630,307,000 achieving satisfactorily growth. During the Year, an increased volume of orders from world-renowned mobile phone manufacturers Nokia, Motorola and Sony Ericsson pushed forward the steady advance of the Group's handset business. The Group has also continued its close partnerships with key handset manufacturers in China while maintaining a stable flow of orders from Huawei, ZTE Corporation and Lenovo, consolidating the Group's leading presence in the handset supply chain.

iii. Electrical appliances

The Group's electrical appliance business has also provided a steady income stream to the Group thanks to relationships with renowned customers of longstanding including Haier, Midea, Gree, Toshiba, Hitachi, Panasonic, Sharp, Philips, Cisco, Sony and Samsung. A favourable business factor during the Year was the PRC Government continued provision of subsidies to residents of rural China for purchasing household appliances. The turnover of products for electrical appliance applications increased by about 1.8 times to approximately HK$445,109,000 (2008: HK$161,206,000). With the PRC Government committed to promote industries targeted at the domestic consumer sector, the Group expects continued expansion of this business.

(2) Light Guide Plate for LED TV

According to a forecast by Display Search, LCD TVs will hence forth use LED backlighting technology over cold fluorescent lighting. Domestic brands such as Hisense, Amoisonic and Konka have their sights set on developing LED projects while overseas TV manufacturers such as Samsung, Sony, LG-Philips, Chimei and Auo and their related companies have already developed LED TVs. LED backlight modules for large size LCDs is regarded as an important next wave in boosting the sale of LED TVs. Since LED TVs are mercury free, they are also more environmentally friendly.

After the EU implemented a RoHS directive on 1 July 2006 charging a recycling fee of US$10 per TV that uses backlight technology, many companies have commenced research and trial production of LED backlit TVs. In this area of expertise, Tongda Group has allied with Matsushita Shokai to develop and produce larger LED light guide plates in Xiamen. A joint venture company has been formally set up in the first quarter of 2010. Currently, the project has started trial production and is expected to commence mass production in the second half of 2010. The first batch of customers will be set at those prestige Japanese electrical appliance brandnames.

(3) Communication Facilities Division and Other Businesses

To enhance the Group's high-value-added product profile, it established a development center in Shenzhen that will focus on core ODM and JDM electronic products for customers that hold intellectual property rights or patents.

(4) *Rationalisation of Ironware Parts Division*

During the Year, the Division has received bulk orders from a UK customer for manufacturing satellite TV modem cases which has contributed to the improvement of profitability of the Division. Other sectors of business within this Division has scaled down a lot for its relatively low profitability.

As part of the Group's strategic focus on developing higher margin business segments, the Group has scaled down the overall operation of the Ironware Parts Division. Turnover from this division during the year was approximately HK$338,124,000 (2008: HK$410,851,000).

(5) *Product turnover breakdown for the 12 months ended 31 December 2009 and 2008*

	2009	2008
Electrical Fittings Division	73%	61%
i. Handset	35%	41%
ii. Notebook Computers	13%	8%
iii. Electrical Appliances	25%	12%
Ironware Parts Division	19%	30%
Communication Facilities and Other Businesses	8%	9%

The major income of the Group came from the most profitable electrical fittings division, whose turnover contribution increased from 61% in 2008 to 73% in 2009. The Group has diversified its products. Apart from handset casing and electrical appliance like washing machines and air conditioner; it has expanded the application of IML to notebook casing and will further boost its sales. In addition, the Group will also extend its business to LED TV light guide plate. The Group is confident that the diversification and the strategic shift to more profitable production will secure stronger profit stream.

III. Prospect

With the apparent recovery of the global economy and strong consumer demand, the consumer electronics business should continue to boom. The Group's solid business and technology foundation, its leadership as a supplier of one-stop solution for consumer electronics casings, its active efforts in exploring new business and products and stringent cost saving measures are conducive to the development of the Group in the long run. Looking ahead, the Group will continue to develop high value-added solutions to achieve a high growth for its business.

Management Discussion and Analysis

In light of the proven track record and huge market demand for the IML notebook computer and handset casings, the management expects the IML business will remain the principal growth driver of the Group. The 3G network in China continues to expand, and mobile phone users are also increasing in parallel, driving growth of the Group's handset casing business. As one of the few manufacturers capable of producing the entire exterior cover of handsets and by leveraging its close relationship with major handset manufacturers in China, the Group stands well to make the most of this enormous opportunity.

To capture enormous opportunities arising from the computer casing business, the Group has started to set up production facilities in Shanghai and Jiangsu. When completed, the new plants will enable the Groups to expand production facilities from Shenzhen, Xiamen and Fujian to Shanghai and Jiangxu, where a number of international notebook computer manufacturers have clustered, and will pave the way for future expansion of its overall production capacity and providing a more comprehensive service network for its customers. The Group will enhance the production plant and add new facilities and equipments in mid-2010. It is expected to commence operation by the end of 2010.

With LED TVs enjoying rapid consumer takeup, the Group believes this business should become a new growth driver for the Group. According to Display Search, the penetration rate of LED TVs in the market is estimated to rise from 20% in 2010 to 72% in 2015. The output of light guide plate used in LED TV is expected to reach 185 million pieces, underlining the huge demand in the market segment in the next few years. LED TV features the crisp colour display of general LCD TV as well as the vivid motion picture performance of plasma TV. Moreover, the environmentally friendly features of light guide plates used in LED TVs will make it a preferred component for manufacturing the new generation of backlights for LED TVs.

Apart from focusing on realizing the huge potential of business to be gained from targeting the handset, notebook computer and the LED TV segments, the Group will closely monitor other opportunities to achieve a more balanced growth of its revenue sources. Riding on the wealth of market experience accumulated over the years, the Group will capitalise on every growth opportunity and secure more stable and promising returns in these fast growing segments.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Ya Nan, aged 52, 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 54, 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, Fujian Province, He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

Mr. Wong Ah Yu, aged 57, is the Deputy General Manager of the Group and the General Manager of Tongda Electrics. He is responsible for overseeing the operation unit of the Group in Shishi city, Fujian Province and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the 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 60, is the Deputy General Manager of the Group and the General Manager of Tongda Ironware. He is responsible for overseeing the operation unit of the Group in Shenzhen, Guangdong Province and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the 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 54, 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 34, has been appointed as executive Director with effect from 18 March 2008. He is the Deputy General Manager of Tongda Ironware. He joined the Group and was employed as a salesman in Tongda Electronics and as an assistant in Tongda Ironware since 2002.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *G.B.S. S.B.S, J.P.*, aged 71, 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 and Wong's International (Holdings) Limited. He served as member of the Preparatory Committee for the Hong Kong Special Administrative Region and as a Hong Kong Affairs Adviser. He is currently a member of the Standing Committee of the Chinese People's Political Consultative Conference, a member of the Standing Committee of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Ting Leung Huel, Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, FTIHK, FHKIoD*, aged 56, is an independent non-executive director of the Company and joined the Company in December 2000. 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 58, is an Independent Non-executive Director of the Company and joined the Company in September 2004. 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, 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ko Chun Hay, Kelvin, *MSc, FCPA, ACMA*, aged 46, 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 Institute of Certified Public 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 42, 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 44, 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 20 years of experience in manufacturing and product development.

Mr. Shu Yuen Shu, aged 71, 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 49, 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.

Corporate Governance Report

Throughout the year ended 31 December 2009, 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, corporate finance, technical and human resources of the Group. Mr. Wang Ya Hua, the Vice Chairman of the Board, implements the decisions of the Board and manages strategies and plans approved by the Board; and prepares and monitors the annual production plans and operating budget. He is also required to give direction of the day-to-day operation in one of the main operation unit of the Group in Xiamen. Mr. Wong Ah Yu oversees the operation unit in Shishi and requires to give direction of the day-to-day operation. Mr. Wong Ah Yeung and Mr. Wang Ming Che oversee the operation unit in Shenzhen and requires to give direction of the day-to day operation. Mr. Choi Wai Sang is responsible for the marketing function of the overseas market and product development.

The 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 12 meetings during the year with attendance record as follows:

Attendance at Board meeting	Number of meetings attended (12 meetings in total)
Executive Directors:	
Mr. Wang Ya Nan	12
Mr. Wang Ya Hua	11
Mr. Wong Ah Yu	11
Mr. Wong Ah Yeung	11
Mr. Choi Wai Sang	12
Mr. Wang Ming Che (appointed on 18 March 2008)	9
Independent Non-Executive Directors:	
Mr. Ting Leung Huel Stephen	11
Mr. Cheung Wah Fung Christopher, *JP*	10
Dr. Yu Sun Say, *GBS, SBS, JP*	10

The Board held 12 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.

Corporate Governance Report

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. Cheung Wah Fung Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the RC. The main responsibility of the RC is to review and to determine the remuneration of each director and senior management.

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

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

AUDIT COMMITTEE

The Audit Committee (the "AC") comprises the 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 and attendants:	
Mr. Wang Ya Nan	2
Mr. Choi Wai Sang	2
Mr. Ting Leung Huel, Stephen	2
Mr. Cheung Wah Fung Christopher, *JP*	2
Dr. Yu Sun Say, *GBS, SBS, JP*	2

AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 December 2009 are as follows:

Services	Fees *HK$'000*
Annual audit	1,750
Non-audit services	130
	1,880

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 by the shareholders of the Company at the Annual General Meeting 2009. The AC 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 Auditors' Report" on pages 30 to 31.

COMMUNICATION WITH SHAREHOLDERS

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

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communication between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the 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 articles of association of the Company, the laws of the Cayman Islands and regulations and to protect the interest of its shareholders.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 32 to 134.

An interim dividend of HK0.35 cent per ordinary share was paid on 6 November 2009.

The directors recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year to shareholders whose names appear on the register of members on 2 June 2010. This together with the interim dividend of HK0.35 cent per share gives a total of HK0.85 cent per share for the Year (2008: HK0.6 cent per share). The proposed final dividend will be paid on 18 June 2010 following approval at the 2010 Annual General Meeting. Details are set out in note 11 to the financial statements.

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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the year attributable to:					
Ordinary equity holders of the Company	**102,085**	65,301	174,818	161,194	124,807
Minority interests	**11,746**	6,041	(4,810)	(856)	(867)
	113,831	71,342	170,008	160,338	123,940

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	2,359,468	2,073,015	1,677,384	1,177,306	1,010,660
TOTAL LIABILITIES	(978,658)	(857,683)	(538,983)	(550,675)	(529,332)
MINORITY INTERESTS	(47,287)	(33,665)	(5,429)	(10,239)	(11,095)
	1,333,523	1,181,667	1,132,972	616,392	470,233

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and the investment properties 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 30 and 31 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 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$668,827,000, of which HK$22,329,000 has been proposed after the reporting period as a final dividend for the Year. This includes the Company's share premium account in the amount of HK$535,759,000 as at 31 December 2009, which may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$1,097,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year under review, sales to the Group's five largest customers accounted for 41% of the total sales for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers accounted for less than 20% 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 the date of this report were:

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

Independent non-executive directors:
Mr. Ting Leung Huel, Stephen
Mr. Cheung Wah Fung, Christopher, *JP*
Dr. Yu Sun Say, *GBS, SBS, JP*

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As 31 December 2009, 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:

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(continued)

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	56,290,000	2,296,490,000	1,2	2,352,780,000	54.64
Mr. Wang Ya Hua	19,920,000	2,000,490,000	1	2,020,410,000	46.92
Mr. Wong Ah Yu	25,160,000	2,000,490,000	1	2,025,650,000	47.04
Mr. Wong Ah Yeung	32,000,000	2,000,490,000	1	2,032,490,000	47.20
Mr. Choi Wai Sang	21,250,000	78,750,000	3	100,000,000	2.32
Mr. Cheung Wah Fung, Christopher, *JP*	12,210,000	–		12,210,000	0.28

Long positions in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	41,500,000
Mr. Wang Ya Hua	41,500,000
Mr. Wong Ah Yu	41,500,000
Mr. Wong Ah Yeung	41,500,000
Mr. Choi Wai Sang	8,500,000
Mr. Wang Ming Che	8,000,000
Mr. Ting Leung Huel, Stephen	6,500,000
Mr. Cheung Wah Fung, Christopher, *JP*	6,500,000
Dr. Yu Sun Say, *GBS, SBS, JP*	4,500,000
	200,000,000

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

Notes:

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

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

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

Saved as disclosed above, as at 31 December 2009, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 31 to the financial statements.

SHARE OPTION SCHEME *(continued)*

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

Name or category of participants	Number of share options: At 1 January 2009	Granted during the Year	Exercised during the Year	At 31 December 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*
Directors							
Mr. Wang Ya Nan	23,500,000	18,000,000	–	41,500,000	3 July 2007, 16 February 2008 and 25 September 2009	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.586, 0.315 and 0.2262
Mr. Wang Ya Hua	23,500,000	18,000,000	–	41,500,000	3 July 2007, 16 February 2008 and 25 September 2009	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.586, 0.315 and 0.2262
Mr. Wong Ah Yu	23,500,000	18,000,000	–	41,500,000	3 July 2007, 16 February 2008 and 25 September 2009	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.586, 0.315 and 0.2262
Mr. Wong Ah Yeung	23,500,000	18,000,000	–	41,500,000	3 July 2007, 16 February 2008 and 25 September 2009	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.586, 0.315 and 0.2262
Mr. Choi Wai Sang	5,000,000	3,500,000	–	8,500,000	16 February 2008 and 25 September 2009	16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.315 and 0.2262

SHARE OPTION SCHEME *(continued)*

Name or category of participants	Number of share options: At 1 January 2009	Granted during the Year	Exercised during the Year	At 31 December 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$ per share*
Directors *(continued)*							
Mr. Ting Leung Huel, Stephen	4,000,000	2,500,000	–	6,500,000	3 July 2007, 16 February 2008 and 25 September 2009	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.586, 0.315 and 0.2262
Mr. Cheung Wah Fung, Christopher, JP	4,000,000	2,500,000	–	6,500,000	3 July 2007, 16 February 2008 and 25 September 2009	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.586, 0.315 and 0.2262
Dr. Yu Sun Say, GBS, SBS, JP	2,000,000	2,500,000	–	4,500,000	16 February 2008 and 25 September 2009	16 February 2008 to 15 February 2018 and 25 September 2009 to 24 September 2012	0.315 and 0.2262
Mr. Wang Ming Che	–	8,000,000	–	8,000,000	25 September 2009	25 September 2009 to 24 September 2012	0.2262
Other employees							
In aggregate	48,000,000	–	(20,000,000)	28,000,000	9 March 2007, 16 February 2008 and 5 December 2008	10 March 2007 to 9 March 2017, 16 February 2008 to 15 February 2018 and 5 December 2008 to 4 December 2018	0.485 0.315 and 0.053
	157,000,000	91,000,000	(20,000,000)	228,000,000			

SHARE OPTION SCHEME *(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 price of the Company's shares immediately before 25 September 2009 on which the share options were granted during the year were HK$0.223.

The directors have estimated the values of the share options granted during the year, calculated using the binomial 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	18,000,000	1,160,110
Mr. Wang Ya Hua	18,000,000	1,160,110
Mr. Wong Ah Yu	18,000,000	1,160,110
Mr. Wong Ah Yeung	18,000,000	1,160,110
Mr. Choi Wai Sang	3,500,000	225,578
Mr. Ting Leung Huel, Stephen	2,500,000	161,126
Mr. Cheung Wah Fung, Christopher, JP	2,500,000	161,126
Dr. Yu Sun Say, GBS, SBS, JP	2,500,000	161,126
Mr. Wang Ming Che	8,000,000	515,604
	91,000,000	5,865,000

The binomial 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 the risk free rate, volatility of the underlying share prices and the term to maturity. The measurement dates used in the valuation calculations were the dates on which the options were granted. Details of the assumptions are set out in note 31 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 value of an option.

SUBSTANTIAL SHAREHOLDERS

As 31 December 2009, 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	*Note*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	2,000,490,000	46.46
E-Growth Resources Limited	2	Directly beneficially owned	296,000,000	6.87

Note:

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

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

Save as disclosed above, 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.

CONNECTED TRANSACTION

During the Year, the Company and the Group had the following connected transaction, the details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 11 August 2009, the Group entered into an agreement with E-Growth Resources Limited ("E-Growth") and Mr. Wang Ya Nan, pursuant to which the Company has agreed to purchase and E-Growth has agreed to sell all ordinary shares of Tongda (Shanghai) Company Limited and a loan from E-Growth at an aggregate consideration by the issuance of 296,000,000 new ordinary shares of the Company. Further details of the transaction are included in note 33 (iii) to the financial statements.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 37 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, its holding 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

Neither the Company, nor any of its subsidiaries purchased, 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 40 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
16 April 2010

Independent Auditors' Report

ERNST & YOUNG
安 永

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 32 to 134, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 2009 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

16 April 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	1,800,254	1,393,843
Cost of sales		(1,497,875)	(1,175,925)
Gross profit		302,379	217,918
Other income and gains, net		25,003	52,378
Selling and distribution costs		(49,045)	(39,045)
Administrative expenses		(108,080)	(97,644)
Other expenses, net		(18,623)	(22,490)
Finance costs	6	(16,685)	(27,312)
Share of profits and losses of:			
Associates		3,110	2,674
A jointly-controlled entity	19	–	3,572
PROFIT BEFORE TAX	7	138,059	90,051
Income tax expense	9	(24,228)	(18,709)
PROFIT FOR THE YEAR		113,831	71,342
Attributable to:			
Ordinary equity holders of the Company	10	102,085	65,301
Minority interests		11,746	6,041
		113,831	71,342
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
– Basic		HK2.52 cents	HK1.64 cents
– Diluted		HK2.51 cents	HK1.64 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
PROFIT FOR THE YEAR		113,831	71,342
OTHER COMPREHENSIVE INCOME			
Gain/(deficit) on revaluation	13	2,119	(1,682)
Deferred tax adjustment on revaluation of property, plant and equipment	29	(350)	277
Exchange differences on translation of foreign operations			
– subsidiaries		–	31,156
– associates		(105)	453
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		1,664	30,204
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		115,495	101,546
Attributable to:			
Ordinary equity holders of the Company	10	103,749	93,818
Minority interests		11,746	7,728
		115,495	101,546

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	822,303	752,758
Investment properties	14	50,230	3,850
Prepaid land lease payments	15	30,995	27,887
Goodwill	16	22,751	–
Interests in associates	18	35,543	31,226
Prepayments	20	56,401	55,449
Long term deposits	21	11,412	7,352
Deferred tax assets	29	3,833	3,833
Total non-current assets		1,033,468	882,355
CURRENT ASSETS			
Inventories	22	369,242	305,872
Trade and bills receivables	23	630,636	600,152
Prepayments, deposits and other receivables		75,498	90,019
Derivative financial assets	25	–	2,894
Tax recoverable		4,574	110
Pledged deposits	24	20,242	43,738
Cash and cash equivalents	24	225,808	147,875
Total current assets		1,326,000	1,190,660
CURRENT LIABILITIES			
Trade and bills payables	26	411,305	262,300
Accrued liabilities and other payables		84,948	98,041
Derivative financial liabilities	25	–	2,273
Interest-bearing bank borrowings	28	248,226	170,907
Due to minority shareholders of subsidiaries	27	665	609
Due to a related company	27	6,150	–
Tax payable		112,245	108,591
Total current liabilities		863,539	642,721

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
NET CURRENT ASSETS		462,461	547,939
TOTAL ASSETS LESS CURRENT LIABILITIES		1,495,929	1,430,294
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	99,094	211,205
Deferred tax liabilities	29	16,025	3,757
Total non-current liabilities		115,119	214,962
Net assets		1,380,810	1,215,332
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	30	43,058	39,898
Reserves	32(a)	1,290,465	1,141,769
		1,333,523	1,181,667
Minority interests		47,287	33,665
Total equity		1,380,810	1,215,332

Wang Ya Nan
Director

Wang Ya Hua
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

		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* *(Note 32(a))*	Asset revaluation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note 32(a))*	Capital redemption reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2009		39,898	473,527	9,666	993	10,391	49	287	81,769	565,087	1,181,667	33,665	1,215,332
Total comprehensive income for the year		–	–	–	–	1,769	–	–	(105)	102,085	103,749	11,746	115,495
Transfer to statutory reserve		–	–	–	–	–	5,029	–	–	(5,029)	–	–	–
Shares issued for acquisition of a subsidiary	30	2,960	61,272	–	–	–	–	–	–	–	64,232	–	64,232
Partial disposal of a subsidiary	17(j)	–	–	–	–	–	–	–	–	–	–	(2,053)	(2,053)
Acquisition of minority interests	17(l)	–	–	–	–	–	–	–	–	–	–	(1,152)	(1,152)
Capital contribution from minority shareholders		–	–	–	–	–	–	–	–	–	–	7,930	7,930
Equity-settled share option arrangements	31	–	–	5,865	–	–	–	–	–	–	5,865	–	5,865
Shares issued upon exercise of share options	30, 32(b)	200	960	(100)	–	–	–	–	–	–	1,060	–	1,060
Final 2008 dividend declared		–	–	–	–	–	–	–	–	(7,980)	(7,980)	–	(7,980)
Interim 2009 dividend	11	–	–	–	–	–	–	–	–	(15,070)	(15,070)	–	(15,070)
Dividend paid to a minority shareholder		–	–	–	–	–	–	–	–	–	–	(2,849)	(2,849)
At 31 December 2009		43,058	535,759*	15,431*	993*	12,160*	5,078*	287*	81,664*	639,093*	1,333,523	47,287	1,380,810

* These reserve accounts comprise the consolidated reserves of HK$1,290,465,000 (2008: HK$1,141,769,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

		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* *(Note 32(a))*	Asset revaluation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note 32(a))*	Capital redemption reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 1 January 2008		39,975	472,734	4,393	993	11,796	49	190	51,847	550,995	1,132,972	5,429	1,138,401
Total comprehensive income for the year		–	–	–	–	(1,405)	–	–	29,922	65,301	93,818	7,728	101,546
Acquisition of a subsidiary	33(i)	–	–	–	–	–	–	–	–	–	–	21,845	21,845
Acquisition of minority interests		–	–	–	–	–	–	–	–	–	–	(6,709)	(6,709)
Partial disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	2,367	2,367
Capital contribution from a minority shareholder		–	–	–	–	–	–	–	–	–	–	3,005	3,005
Equity-settled share option arrangements	31	–	–	5,456	–	–	–	–	–	–	5,456	–	5,456
Shares issued upon exercise of share options	30, 32(b)	20	793	(183)	–	–	–	–	–	–	630	–	630
Final 2007 dividend declared		–	–	–	–	–	–	–	–	(31,918)	(31,918)	–	(31,918)
Repurchase and cancellation of shares	30	(97)	–	–	–	–	–	97	–	(3,332)	(3,332)	–	(3,332)
Interim 2008 dividend	11	–	–	–	–	–	–	–	–	(15,959)	(15,959)	–	(15,959)
At 31 December 2008		39,898	473,527*	9,666*	993*	10,391*	49*	287*	81,769*	565,087*	1,181,667	33,665	1,215,332

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		138,059	90,051
Adjustments for:			
Finance costs	6	16,685	27,312
Share of profits and losses of associates		(3,110)	(2,674)
Share of profit and loss of a jointly-controlled entity		–	(3,572)
Depreciation	7	79,682	59,130
Amortisation of prepaid land lease payments	7	673	654
Impairment of goodwill	7	9,058	–
Excess over the cost of business combinations	7	(403)	(9,497)
Bank interest income	7	(2,122)	(1,946)
Loss/(gain) on partial disposal of a subsidiary	7	(2,223)	774
Loss on disposal of items of property, plant and equipment	7	44	2,074
Changes in fair value of an investment property	7	(500)	150
Amortisation of prepayments	7	1,286	1,118
Impairment of trade receivables	7	5,808	11,260
Written back of impairment of trade receivables	7	(2,115)	–
Write-off of trade receivables	7	3,252	2,445
Impairment/(written back) of obsolete inventories	7	1,875	(715)
Equity-settled share option expense	31	5,865	5,456
		251,814	182,020
Increase in inventories		(65,245)	(99,634)
Decrease/(increase) in trade and bills receivables		(37,429)	68,558
Decrease/(increase) in prepayments, deposits and other receivables		14,718	(18,286)
Decrease in derivative financial assets		2,894	3,051
Decrease/(increase) in amounts due from associates		1,876	(6,704)
Increase in an amount due from a jointly-controlled entity		–	(7,001)
Increase/(decrease) in trade and bills payables		149,005	(31,652)
Increase/(decrease) in accrued liabilities and other payables		(17,003)	898
Increase/(decrease) in derivative financial liabilities		(2,273)	289
Increase in an amount due to a minority shareholder of a subsidiary		56	–
Cash generated from operations		298,413	91,539
Interest paid		(16,685)	(27,312)
Hong Kong profits tax paid		(5,505)	(7,581)
Overseas taxes paid		(16,392)	(8,966)
Net cash flows from operating activities		259,831	47,680

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,122	1,946
Dividend received from an associate		1,500	1,500
Purchases of items of property, plant and equipment	13	(149,111)	(229,905)
Proceeds from disposal of items of property, plant and equipment		–	3,544
Acquisition of subsidiaries	33	293	5,862
Acquisition of minority interests		(749)	(4,382)
Proceeds from partial disposal of a subsidiary		170	1,593
Increase in prepaid land lease		(3,858)	(7,830)
Decrease/(increase) in long term deposits		(4,060)	4,659
Decrease/(increase) in pledged bank deposits		23,496	(43,154)
Net cash flows used in investing activities		(130,197)	(266,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		210,396	511,459
Repayment of bank loans		(245,188)	(242,191)
Shares repurchase expenses	30	–	(3,332)
Proceeds from exercise of share options	30	1,060	630
Dividend paid to a minority shareholder		(2,849)	–
Capital contribution from minority shareholders		7,930	3,005
Dividends paid		(23,050)	(47,877)
Net cash flows from/(used in) financing activities		(51,701)	221,694
NET INCREASE IN CASH AND CASH EQUIVALENTS		77,933	3,207
Cash and cash equivalents at beginning of year		147,875	146,627
Effect of foreign exchange rate changes, net		–	(1,959)
CASH AND CASH EQUIVALENTS AT END OF YEAR		225,808	147,875
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	24		
Cash and bank balances		225,317	123,561
Non-pledged time deposits with original maturity of less than three months when acquired		491	24,314
Cash and cash equivalents as stated in the consolidated statement of financial position		225,808	147,875

Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	127,871	127,871
Due from an associate	18	–	22
Total non-current assets		127,871	127,893
CURRENT ASSETS			
Due from subsidiaries	17	951,544	818,043
Prepayments, deposits and other receivables		557	377
Cash and cash equivalents	24	70	74
Total current assets		952,171	818,494
CURRENT LIABILITIES			
Due to a subsidiary	17	54,992	55,022
Accrued liabilities and other payables		528	327
Interest-bearing bank borrowings	28	197,825	33,539
Total current liabilities		253,345	88,888
NET CURRENT ASSETS		698,826	729,606
TOTAL ASSETS LESS CURRENT LIABILITIES		826,697	857,499
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	99,094	211,205
Net assets		727,603	646,294
EQUITY			
Issued capital	30	43,058	39,898
Reserves	32(b)	684,545	606,396
Total equity		727,603	646,294

Wang Ya Nan
Director

Wang Ya Hua
Director

1. CORPORATE INFORMATION

Tongda Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office 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 17 to the financial statements. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties, 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 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment *	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008) **	Amendments to a number of HKFRSs

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

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* as it is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. Following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed. In prior years, segment information reported externally was analysed on the Group's four operating divisions, i.e. electrical fittings, ironware parts, communications facilities and corporate and others, in accordance with HKAS 14 "Segment Reporting". However, information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance focuses specifically on three operating divisions only. As a result, the communication facilities, and corporate and others are combined into one category, namely communication facilities and others.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

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

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits 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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity, 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 statement of financial position 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 interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill *(continued)*

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

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

Related parties

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

(a) the party, 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;

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

(d) the party is a member of the key management personnel of the Group or its holding company;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 least at each financial year end.

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

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period 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 properties

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

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

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

Inventories

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

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals 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 foreign currency risk and interest rate risk, respectively. 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 of derivatives are taken directly to the income statement, except for the effective portion of cash flows hedges, which is recognised in other comprehensive income.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and bills receivables, other receivables and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

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

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

Derecognition of financial assets

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

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

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;

- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and bill payables, other payables, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

- 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 an interest in a jointly-controlled entity, 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and an 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Revenue recognition

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

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

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

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 31 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions (continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefit schemes

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

The 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 their 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 end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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:

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

Judgements *(continued)*

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*.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for inventories

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

Impairment of trade receivables and other receivables

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

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

Estimation uncertainty *(continued)*

Estimation of fair value of leasehold buildings in Hong Kong and the investment properties

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was HK$22,751,000 (2008: Nil). More details are given in note 16.

Valuation of share options

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Segment assets exclude interests in associates, deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, and derivative financial instruments as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit and certain assets and liabilities information for the Group's operating segments for the years ended 31 December 2009 and 2008.

Group

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
Segment revenue:										
Sales to external customers	1,305,676	845,843	338,124	410,851	156,454	137,149	–	–	1,800,254	1,393,843
Intersegment sales	8,089	11,202	2,563	941	33	2,783	(10,685)	(14,926)	–	–
Total	1,313,765	857,045	340,687	411,792	156,487	139,932	(10,685)	(14,926)	1,800,254	1,393,843
Segment results before depreciation and amortisation	177,675	118,167	35,659	33,647	(15,083)	(31,585)	8,735	(1,706)	206,986	118,523
Depreciation	(65,266)	(45,504)	(10,622)	(9,923)	(3,794)	(3,703)	–	–	(79,682)	(59,130)
Amortisation	(599)	(580)	–	–	(74)	(74)	–	–	(673)	(654)
Segment results	111,810	72,083	25,037	23,724	(18,951)	(35,362)	8,735	(1,706)	126,631	58,739
Unallocated income									25,003	52,378
Finance costs									(16,685)	(27,312)
Share of profits and losses of:										
Associates									3,110	2,674
A jointly-controlled entity									–	3,572
Profit before tax									138,059	90,051
Income tax expense									(24,228)	(18,709)
Profit for the year									113,831	71,342

4. OPERATING SEGMENT INFORMATION *(continued)*

Group

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,066,744	1,816,388	406,043	486,763	853,324	1,027,266	(1,256,643)	(1,487,078)	2,069,468	1,843,339
Unallocated assets									290,000	229,676
Total assets									2,359,468	2,073,015
Segment liabilities	1,564,918	1,402,299	245,259	326,436	364,573	543,513	(1,671,682)	(1,911,298)	503,068	360,950
Unallocated liabilities									475,590	496,733
Total liabilities									978,658	857,683

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical Information

(a) Revenue from customers

Group

	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**54,785**	96,859	**1,420,887**	1,103,616	**133,454**	61,558	**40,342**	38,186	**150,786**	93,624	**1,800,254**	1,393,843
(b) Non-current assets	**31,674**	29,945	**962,402**	817,330	**–**	–	**–**	–	**16**	21	**994,092**	847,296

The non-current assets information from operations above is based on the location of assets and excludes interests in associates and deferred tax assets.

Information about a major customer

Revenue of approximately HK$200,270,000 (2008: HK$160,162,000) was derived from sales by the electrical fittings segment and the ironware segment to a single customer.

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	
	2009	2008
	HK$'000	*HK$'000*
Interest expenses on bank loans and overdrafts wholly repayable within five years	**16,685**	27,312

7. PROFIT BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	1,497,875	1,175,925
Employee benefit expense (excluding directors' remuneration – *note 8*):		
Salaries and wages	239,089	189,927
Equity-settled share option expense	–	1,277
Pension scheme contributions	414	416
Less: Amounts included in research and development costs	(2,245)	(3,487)
	237,258	188,133
Minimum lease payments under operating leases of leasehold land and buildings	11,316	8,461
Auditors' remuneration	1,750	1,590
Depreciation	79,682	59,130
Amortisation of prepaid land lease payments	673	654
Changes in fair value of an investment property***	(500)	150
Amortisation of prepayments	1,286	1,118
Impairment of trade receivables*	5,808	11,260
Written back of impairment of trade receivables*	(2,115)	–
Write-off of trade receivables*	3,252	2,445
Impairment/(written back) of obsolete inventories*	1,875	(715)
Loss on disposal of items of property, plant and equipment*	44	2,074
Research and development costs**	36,850	32,797
Net fair value losses on foreign exchange derivative financial instruments***	662	3,340
Gross rental income with nil outgoings***	(733)	(1,704)
Loss/(gain) on partial disposal of a subsidiary*	(2,223)	774
Impairment of goodwill*	9,058	–
Excess over the cost of business combinations *(note 17)****	(403)	(9,497)
Bank interest income***	(2,122)	(1,946)
Foreign exchange differences, net***	(3,085)	(29,170)

7. PROFIT BEFORE TAX *(continued)*

* Impairment of trade receivables, written back of impairment of trade receivables, write-off of trade receivables, impairment/(written back) of obsolete inventories, loss on disposal of items of property, plant and equipment, loss/(gain) on partial disposal of a subsidiary and impairment of goodwill 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$14,351,000 (2008: HK$16,678,000) which are capitalised under property, plant and equipment in the consolidated statement of financial position and are depreciated over their estimated useful lives.

*** Changes in fair value of an investment property, gross rental income with nil outgoings, excess over the cost of business combinations, bank interest income, foreign exchange differences, net, and net fair value losses on foreign exchange derivative financial instruments for the year are included in "Other income and gains, net" on the face of the consolidated income statement.

Cost of inventories sold includes HK$283,020,000 (2008: HK$224,398,000) 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:

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

Directors' remuneration *(continued)*

	Group	
	2009	2008
	HK$'000	*HK$'000*
Fees	4,424	2,160
Other emoluments:		
Salaries, allowances and benefits in kind	1,080	3,646
Equity-settled share option expense	5,865	4,179
Pension scheme contributions	174	174
	7,119	7,999
	11,543	10,159

(a) Independent non-executive directors

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

	2009	2008
	HK$'000	*HK$'000*
Mr. Ting Leung Huel, Stephen	150	150
Mr. Cheung Wah Fung, Christopher, *JP*	120	120
Dr. Yu Sun Say, *GBS, SBS, JP*	150	150
	420	420

Except for above fee of HK$420,000 (2008: HK$420,000) and equity-settled share option expense of HK$483,000 (2008: HK$353,000), there were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

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

Directors' remuneration *(continued)*

(b) *Executive directors*

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Executive directors:					
Mr. Wang Ya Nan	1,230	–	1,160	54	2,444
Mr. Wang Ya Hua	630	360	1,160	30	2,180
Mr. Wong Ah Yu	630	360	1,160	30	2,180
Mr. Wong Ah Yeung	630	360	1,160	30	2,180
Mr. Choi Wai Sang	620	–	226	30	876
Mr. Wang Ming Che	264	–	516	–	780
	4,004	1,080	5,382	174	10,640
2008					
Executive directors:					
Mr. Wang Ya Nan	660	928	883	54	2,525
Mr. Wang Ya Hua	240	750	883	30	1,903
Mr. Wong Ah Yu	240	750	883	30	1,903
Mr. Wong Ah Yeung	240	750	883	30	1,903
Mr. Choi Wai Sang	240	380	294	30	944
Mr. Wang Ming Che	120	88	–	–	208
	1,740	3,646	3,826	174	9,386

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

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

Five highest paid employees

The five highest paid employees during the year included four (2008: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2008: one) non-director, highest paid employee for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,020	1,699
Employee share option expense	–	688
Pension scheme contributions	12	24
	1,032	2,411

During the year, share options were granted to directors in respect of their services to the Group, further details of which are included in note 31 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 directors' remuneration disclosures.

The above remuneration of the non-director, highest paid employee fell within the band of HK$1,000,001 to HK$1,500,000 (2008: HK$2,000,001 to HK$2,500,000).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009 *HK$'000*	2008 *HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	44	6,296
Overprovision in prior years	(60)	–
	(16)	6,296
Current – Elsewhere		
Charge for the year	28,727	16,565
Overprovision in prior years	(7,733)	(5,684)
	20,994	10,881
Deferred *(note 29)*	3,250	1,532
Total tax charge for the year	24,228	18,709

9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are operated to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Profit before tax	138,059	90,051
Tax at the statutory tax rate of 15.75% (2008: 15.75%)	3,520	1,790
Tax at the statutory tax rate of 16.5% (2008: 16.5%)	(3,497)	(8,230)
Tax at the statutory tax rate of 25% (2008: 25%)	34,335	32,141
Lower applicable tax rates enjoyed by the Group	(5,960)	(6,175)
Estimated tax effect of net income that are not taxable in determining taxable profit	657	4,736
Profit attributable to a jointly-controlled entity and associates	(667)	(712)
Adjustments in respect of current tax of prior years	(7,793)	(5,684)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	3,633	843
Tax charge at the Group's effective rate	24,228	18,709

With the new Corporate Income Tax Law (the "New CIT Law") of the PRC effective on 1 January 2008, the Corporate Income Tax (the "CIT") rate was changed from 33% to 25%. Under the relevant laws and regulations in the PRC, certain subsidiaries of the Group operating in Mainland China are exempted from CIT for two years from their respective first profit-making years and are eligible for a 50% reduction in CIT for the following three years. In addition, a reduced tax rate of 20% can be enjoyed by the subsidiary in the year 2009 if it is located in the Special Economic Zone of the PRC (2008:18%).

9. INCOME TAX *(continued)*

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) and 福建省石獅市通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian) are the Group's subsidiaries, operating in Mainland China and are subject to CIT at 25% (2008: 25%). The assessable profits of another subsidiary, 通達五金（深圳）有限公司 (Tongda Ironware (Shenzhen) Company Limited) is subject to a preferential CIT rate of 20% (2008: 18%).

通達（廈門）科技有限公司 (Tongda (Xiamen) Technology Limited) ("Xiamen Technology"), a former jointly-controlled entity became to a subsidiary of the Group in 2008 (note 17(k)), and together with another subsidiary 通達（廈門）電器有限公司 (Tongda (Xiamen) Electric Company Limited) ("Xiamen Electric") are also subject to a preferential CIT rate of 20% (2008: 18%). They are entitled to a "two year exemption and three year half reduction" preferential tax treatment. Since it is the fourth and the second profitable year of Xiamen Technology and Xiamen Electric, respectively, Xiamen Technology is subject to a preferential CIT rate of 10% (2008: 9%) while Xiamen Electric is exempted from CIT in the current year.

The share of tax attributable to associates amounting to HK$88,000 (2008: HK$1,007,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement. The share of tax attributable to Xiamen Technology, before it became a non-wholly owned subsidiary of the Company, amounting to HK$353,000 is included in "Share of profits and losses of a jointly-controlled entity" on the face of the consolidated income statements during the year ended 31 December 2008.

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 2009 includes a profit of HK$33,202,000 (2008: HK$57,656,000) which has been dealt with in the financial statements of the Company (note 32(b)).

11. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2008 – HK0.2 cent per ordinary share (2008: final dividend of HK0.8 cent per ordinary share, in respect of the financial year ended 31 December 2007)	7,980	31,918
Interim – HK0.35 cent (2008: HK0.4 cent) per ordinary share	15,070	15,959
	23,050	47,877
Proposed final dividend:		
Final – HK0.5 cent (2008: HK0.2 cent) per ordinary share	22,329	7,980

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend payable.

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$102,085,000 (2008: HK$65,301,000), and the weighted average of 4,058,260,000 (2008: 3,989,811,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$102,085,000 (2008: HK$65,301,000). The weighted average number of ordinary shares of 4,068,031,000 (2008: 3,990,880,000) used in the calculation is the weighted average of 4,058,260,000 (2008: 3,989,811,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 9,771,000 (2008: 1,069,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of 20,000,000 (2008: 20,000,000) diluted share options during the year.

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 2009								
Cost or valuation:								
At beginning of year	24,400	266,789	15,175	578,118	19,239	21,891	2,066	927,678
Additions	–	2,455	1,975	136,670	3,962	3,005	1,044	149,111
Disposals	–	–	–	(21)	(153)	–	–	(174)
Acquisition of subsidiaries *(note 33(iii))*	–	–	–	172	–	107	–	279
Transfers	–	–	–	604	–	–	(604)	–
Transfer to prepayments *(note 20)*	–	–	–	–	–	–	(2,238)	(2,238)
Surplus on revaluation	1,630	–	–	–	–	–	–	1,630
At 31 December 2009	26,030	269,244	17,150	715,543	23,048	25,003	268	1,076,286
Accumulated depreciation:								
At beginning of year	–	33,632	5,188	119,358	8,041	8,701	–	174,920
Provided for the year	489	11,315	1,704	61,252	2,147	2,775	–	79,682
Disposals	–	–	–	(1)	(129)	–	–	(130)
Reversal upon revaluation	(489)	–	–	–	–	–	–	(489)
At 31 December 2009	–	44,947	6,892	180,609	10,059	11,476	–	253,983
Net book value:								
At 31 December 2009	26,030	224,297	10,258	534,934	12,989	13,527	268	822,303

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

At cost	–	269,244	17,150	715,543	23,048	25,003	268	1,050,256
At 31 December 2009 valuation	26,030	–	–	–	–	–	–	26,030
At 31 December 2009	26,030	269,244	17,150	715,543	23,048	25,003	268	1,076,286

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

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 2008								
Cost or valuation:								
At beginning of year	26,600	136,782	8,307	355,672	14,556	20,043	82,452	644,412
Additions	–	457	3,966	172,516	2,382	969	49,615	229,905
Disposals	–	–	–	(16,762)	(226)	(858)	–	(17,846)
Acquisition of subsidiaries *(note 33(i) & (ii))*	–	–	2,489	41,758	1,770	647	579	47,243
Transfers	–	120,720	–	3,554	–	–	(124,274)	–
Transfer to prepayments *(note 20)*	–	–	–	–	–	–	(11,095)	(11,095)
Deficit on revaluation	(2,200)	–	–	–	–	–	–	(2,200)
Exchange realignment	–	8,830	413	21,380	757	1,090	4,789	37,259
At 31 December 2008	24,400	266,789	15,175	578,118	19,239	21,891	2,066	927,678
Accumulated depreciation:								
At beginning of year	–	22,755	3,833	81,753	6,061	6,328	–	120,730
Provided for the year	518	8,703	1,202	44,135	1,902	2,670	–	59,130
Disposals	–	–	–	(11,375)	(199)	(654)	–	(12,228)
Reversal upon revaluation	(518)	–	–	–	–	–	–	(518)
Exchange realignment	–	2,174	153	4,845	277	357	–	7,806
At 31 December 2008	–	33,632	5,188	119,358	8,041	8,701	–	174,920
Net book value:								
At 31 December 2008	24,400	233,157	9,987	458,760	11,198	13,190	2,066	752,758

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

At cost	–	266,789	15,175	578,118	19,239	21,891	2,066	903,278
At 31 December 2008 valuation	24,400	–	–	–	–	–	–	24,400
At 31 December 2008	24,400	266,789	15,175	578,118	19,239	21,891	2,066	927,678

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

The Group's leasehold buildings situated in Hong Kong were revalued at the end of the reporting period by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at an open market value of HK$26,030,000 (2008: HK$24,400,000). A revaluation surplus of HK$2,119,000 (2008: deficit of HK$1,682,000), resulting from the above valuation, has been credited (2008: charged) to the asset revaluation reserve.

The Group's leasehold buildings situated in Hong Kong at valuation of HK$26,030,000 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$12,165,000 (2008: HK$12,427,000).

As at 31 December 2009, none of the Group's property, plant and equipment was pledged as security against banking facilities granted to the Group. The Group's property, plant and equipment with a net book value of HK$61,786,000 as at 31 December 2008 in Mainland China have been pledged as security against banking facilities granted to the Group (note 28).

As at 31 December 2009, the Group had 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$7,551,000 (2008: HK$178,035,000) and approximately HK$32,481,000 (2008: HK$119,106,000) of which are situated on the land under the process of land use right certificates application. The Company's directors confirmed that, as the Group has properly obtained the land use right certificates in respect of certain land on which the buildings are located, there is no legal barrier or otherwise for the Group to obtain the relevant buildings ownership certificates for these buildings from the relevant Mainland China authority.

14. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	3,850	4,000
Acquisition of a subsidiary *(note 33(iii))*	45,880	–
Change in fair value	500	(150)
Carrying amount at 31 December	50,230	3,850

The Group's investment property in Hong Kong located at Unit C, 7th Floor, Seabright Plaza, Nos. 9, 11, 13, 15, 17, 19, 21 and 23 Shell Street, Hong Kong is held under the medium term lease and has been pledged as security against banking facilities granted to the Group (note 28).

The Group's investment property in Mainland China is situated at No. 555 Shenglong Road, Jiuting Town, Songjiang District, Shanghai, and is held under the medium term lease.

The Group's investment property in Hong Kong was revalued on 31 December 2009 by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, on an open market, existing use basis at HK$4,350,000 (2008: HK$3,850,000). The Group's investment property in Mainland China was also revalued on 31 December 2009 by Asset Appraisal Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis at HK$45,880,000 (2008: Nil). The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	28,541	20,195
Additions	3,858	7,830
Recognised during the year	(673)	(654)
Exchange realignment	–	1,170
Carrying amount at 31 December	31,726	28,541
Current portion included in prepayments, deposits and other receivables	(731)	(654)
Non-current portion	30,995	27,887

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

16. GOODWILL

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 January	–	–
Acquisition of a subsidiary *(note 33(iii))*	31,809	–
Impairment during the year	(9,058)	–
Carrying amount at 31 December	22,751	–

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash generating unit of the subsidiary acquired in current year (note 33(iii)) for impairment testing.

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections covering a fifteen-year period approved by senior management. The discount rate applied to the cash flow projections is 9% and cash flows beyond the five-year period are extrapolated using a growth rate of 3%.

16. GOODWILL *(continued)*

The key assumptions for the above cash flow projections are the budgeted operating profits made with reference to the operating profits achieved in the year immediately before the projection period, increases for expected market development, and the pre-tax discount rate of 9%, which are before tax and reflect specific risks relating to the cash-generating unit.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	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.

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		Principal activities
			2009	2008	
Directly held					
Tong Da Holdings (BVI) Limited	British Virgin Islands ("BVI")	Ordinary US$10,000	100	100	Investment holding

17. 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 2009	2008	Principal activities
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
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) *(Note a)*	People's Republic of China ("PRC")/ Mainland China	Registered HK$120,000,000	100	100	Manufacture and sale of accessories for electrical appliance products
福建省石獅通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian) *(Note b)*	PRC/ Mainland China	Registered Renminbi ("RMB") RMB32,000,000	100	100	Manufacture and sale of resistors and other electronic products
廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited) *(Note c)*	PRC/ Mainland China	Registered USD8,903,723	81	81	Manufacture and sale of fibre optic cables

17. 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 2009	2008	Principal activities
Indirectly held *(continued)*					
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	Ordinary US$1	100	100	Dormant
Taxdeal Properties Limited	BVI	Ordinary US$1	100	100	Dormant
Tabcombe Consultants Limited	BVI	Ordinary US$1	100	100	Dormant
Tongda Overseas Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	100	100	Trading of electrical appliance products
Wisdom Mark Industries Limited	BVI	Ordinary US$1	100	100	Dormant
Best Buy Limited	BVI	Ordinary US$1	100	100	Dormant

17. 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 2009	2008	Principal activities
Indirectly held *(continued)*					
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$100,000	100	100	Investment holding
Tongda General (H.K.) Limited	Hong Kong	Ordinary HK$100,000	100	100	Investment holding and machinery sourcing
通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited) *(Note e)*	PRC/ Mainland China	Registered HK$10,000,000	100	100	Manufacture and sale of accessories for electrical appliance products
通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited) *(Note f)*	PRC/ Mainland China	Registered HK$10,000,000	100	100	Manufacture and sale of ironware products
石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi) *(Note g)*	PRC/ Mainland China	Registered HK$18,000,000	100	100	Manufacture of accessories of electrical appliance products

17. 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 2009	Percentage of equity attributable to the Company 2008	Principal activities
Indirectly held *(continued)*					
石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi) *(Note h)*	PRC/ Mainland China	Registered HK$28,000,000	100	100	Manufacture of accessories of electrical appliance products
Tongda Optical Fiber Technology Limited *(Note i)*	Hong Kong	Ordinary HK$100,000	100	100	Investment holding
Evertarget (Hong Kong) Limited *(Note j)*	Hong Kong	Ordinary HK$500,000	51	85	Subcontracting and trading of lifestyle consumer products
通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) *(Note k)*	PRC/ Mainland China	Registered RMB53,776,300	75	75	Manufacture and sale of plastic injection and printing parts
深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited) *(Note l)*	PRC/ Mainland China	Registered HK$45,000,000	75	70	Manufacture and sales of plastic injection and printing parts
Tongda (Shanghai) Company Limited *(note m)*	Hong Kong	Ordinary HK$100,000	100	N/A	Investment holding

17. 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 2009	2008	Principal activities
Indirectly held *(continued)*					
通達(上海)電器裝飾件有限公司 *(note m)*	PRC/ Mainland China	Registered HK$10,000,000	**100**	N/A	Property holding
Ever Target (Asia) Limited	Hong Kong	Ordinary HK$10,000	**100**	–	Dormant

Notes:

a. 福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) is a wholly-foreign-owned enterprise with an operating period of 65 years commencing from 12 February 1993. As at the end of the reporting period, the Group has paid up capital of HK$75,999,650 and the remaining unpaid capital of HK$44,000,350 was disclosed as a commitment in note 36 to the financial statements.

b. 福建省石獅通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian) is a wholly-foreign-owned enterprise with an operating period of 30 years commencing from 20 December 1998.

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. During the year, the certificate of approval was renewed and the operating period is extended for additional 5 years to 9 November 2013.

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.

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.

f. 通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited) is a wholly-foreign-owned enterprise with an operating period of 30 years commencing from 15 August 2008.

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

g. 石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi) is a wholly-foreign-owned enterprise with an operating period of 20 years commencing from 18 May 2006.

h. 石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi) is a wholly-foreign-owned enterprise with an operating period of 20 years commencing from 18 May 2006.

i. During the year ended 31 December 2008, the Group acquired the remaining 13.33% equity interest in Tongda Optical Fiber Technology Limited from the minority shareholder at a cash consideration of HK$910,000 and an excess over the cost of the acquisition of additional interests of HK$1,534,000 was recognised in the income statement for that year.

j. During the year ended 31 December 2009, the Group entered into two sale and purchase agreements with the minority shareholder of Evertarget (Hong Kong) Limited, to dispose of an aggregate of 34% equity interest in Evertarget (Hong Kong) Limited at a consideration of the par value of the share disposed of. A gain on disposal of HK$2,223,000 was resulted and recognised in the income statement for the current year.

k. On 25 January 2008, a written resolution was passed by the directors of Tongda (Xiamen) Technology Limited ("Xiamen Technology") in relation to the proposed increase in the registered capital of Xiamen Technology from RMB32,265,780 to RMB53,776,300 by RMB21,510,520 (approximately HK$23,915,000) which was made through the contribution in cash solely by the wholly-owned subsidiary of the Group, Tongda (Xiamen) Company Limited ("Tongda Xiamen"). Immediately upon the capital contribution by Tongda Xiamen, Tongda Xiamen's equity interest in Xiamen Technology increased from 50% to 70%. Thereafter, Xiamen Technology was changed from a jointly-controlled entity to a non-wholly-owned subsidiary of the Group. An excess over the cost of business combination of HK$3,467,000 was resulted and recognised in the income statement for the year ended 31 December 2008. Details of this acquisition are disclosed in note 33 (i) to the financial statements.

   Pursuant to a sale and purchase agreement entered into between the Group and the joint venture partner on 20 July 2008, a further 5% equity interest in Xiamen Technology was acquired by the Group from its joint venture partner at a cash consideration of RMB3,042,863 (approximately HK$3,472,000) and an excess over the cost of this acquisition of additional interests of HK$793,000 was recognised in the income statement for the year ended 31 December 2008.

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes: (continued)

l. On 3 December 2007, the Group entered into a sale and purchase agreement to acquire the entire equity interests of Shenzhen Tongda Electronic Company Limited ("Shenzhen Tongda Electronic"), formerly known as 達明塑膠製品(深圳)有限公司, a company established in the PRC, from Asiatec Holdings Limited ("Asiatec"), an independent third party, at a consideration of RMB4,500,000 (approximately HK$4,833,000). As at 31 December 2007, the Group had paid a deposit of RMB1,350,000 (approximately HK$1,431,000) for this acquisition. This acquisition was completed on 23 January 2008 and the remaining consideration of RMB3,150,000 (approximately HK$3,402,000) was paid to Asiatec during the year. An excess over the cost of business combination of HK$3,703,000 was recognised in the income statement for the year ended 31 December 2008. Details of this acquisition are disclosed in note 33 (ii) to the financial statements.

On 14 March 2008, an agreement was entered into between the Group and a former jointly-controlled entity's partner of Xiamen Technology, in relation to the disposal of the Group's 30% equity interest in Shenzhen Tongda Electronic (the "Disposal") at a cash consideration of RMB1,483,000 (approximately HK$1,593,000). The Disposal was completed on 21 March 2008 and thereafter, Shenzhen Tongda Electronic became a 70% non-wholly-owned subsidiary of the Group.

On 11 November 2008, an agreement was entered into between the Group and the former jointly-controlled minority shareholder of Xiamen Technology, to acquire 5% equity interest in Shenzhen Tongda Electronic at a cash consideration of RMB698,000 (equivalent to HK$749,000). This acquisition was completed on 15 January 2009. An excess over the cost of business combination of HK$403,000 was recognised in the income statement for the current year.

m. On 11 August 2009, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Tongda (Shanghai) Company Limited ("Tongda Shanghai"), its subsidiary, 通達(上海)電器裝飾件有限公司(「通達電器裝飾件」), and its associates, Tongda Fuso (HK) Company Limited and Tongda Fuso Printing (Shanghai) Company Limited and the shareholder's loan of HK$7,005,000 from E-Growth Resources Limited ("E-Growth"), a company incorporated in Hong Kong and wholly and beneficially owned by Mr. Wang Ya Nan, an executive director and a substantial shareholder of the Company, at a total consideration satisfied by the issuance of the Company's new ordinary shares of 296,000,000. Details of this acquisition are disclosed in notes 16 and 33 (iii) to the financial statements.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	22,870	16,677	–	–
Due from associates	12,673	14,549	–	22
	35,543	31,226	–	22

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 2009	2008	Principal activities
Meijitsu Tongda (HK) Company Limited ("Meijitsu")	Hong Kong/ Mainland China	Ordinary HK$10,000	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	50	Manufacture and sale of label/seal for automation office products
通達名科技(深圳)有限公司	PRC/Mainland China	Registered RMB11,000,000	50	50	Manufacture and sale of silk–screen printing products

18. INTERESTS IN ASSOCIATES *(continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group		Principal activities
			2009	2008	
Tongda Fuso (HK) Company Limited ("Fuso (HK)")	Hong Kong	Ordinary HK$7,625,630	**70***	30	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited ("Fuso (Shanghai)")	PRC/Mainland China	Registered US$1,300,000	**70***	30	Manufacture and sale of silk-screen Printing products

* During the year, the Group acquired 40% equity interest in Fuso (HK) and Fuso (Shanghai) through the acquisition of Tongda Shanghai. Details of this acquisition are disclosed in note 33(iii) to the financial statements. Together with the 30% equity interest in Fuso (HK) and Fuso (Shanghai) held by the Company's associate, Meijitsu, a total of 70% equity interest was indirectly attributable to the Group. Management considered that Fuso (HK) and Fuso (Shanghai) are the associates of the Company as at 31 December 2009 because the Company did not have unilateral or joint control over Fuso (HK) and Fuso (Shanghai) and is in a position to exercise significant influence over Fuso (HK) and Fuso (Shanghai).

Note:

The Group received dividend income of HK$1,500,000 (2008: HK$1,500,000) from the associates during the year.

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

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

18. 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:

	2009 *HK$'000*	2008 *HK$'000*
Assets	80,447	98,358
Liabilities	40,869	60,040
Revenue	50,307	67,330
Profits	6,582	6,030

19. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2009 *HK$'000*	2008 *HK$'000*
Share of net assets	–	–

Particulars of the jointly-controlled entity are as follows:

Name	Place of registration and operations	Particulars of registered capital	Percentage of Ownership interest		Percentage of Voting power		Percentage of Profit sharing		Principal activities
			2009	2008	2009	2008	2009	2008	
Tongda (Xiamen) Technology Limited	PRC/Mainland China	RMB32,265,780	–	–	–	–	–	–	Manufacture and sale of precision plastic injection parts

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

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. Upon the Group's capital contribution in 2008, Xiamen Technology became a non-wholly-owned subsidiary of the Group. The balance with the jointly-controlled entity was classified as an amount due to a subsidiary upon Xiamen Technology becoming a non-wholly-owned subsidiary. Details of the acquisition are disclosed in notes 17(k) and 33 (i) to the 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:

	2009 *HK$'000*	2008 *HK$'000*
Current assets	–	–
Non-current assets	–	–
Current liabilities	–	–
Net assets	–	–

Share of the jointly-controlled entity's results:

	2009 *HK$'000*	2008 *HK$'000*
Total revenue	–	14,827
Total expenses	–	(11,255)
Profit after tax	–	3,572

20. PREPAYMENTS

Group

	Prepaid rental	Prepaid premises cost	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2009			
Cost:			
At beginning of year	2,148	58,707	60,855
Transfer from construction in progress *(note 13)*	–	2,238	2,238
At 31 December 2009	2,148	60,945	63,093
Amortisation:			
At beginning of year	270	5,136	5,406
Amortised during the year	48	1,238	1,286
At 31 December 2009	318	6,374	6,692
Net book value:			
At 31 December 2009	1,830	54,571	56,401

20. PREPAYMENTS *(continued)*

	Prepaid rental *HK$'000*	Prepaid premises cost *HK$'000*	Total *HK$'000*
31 December 2008			
Cost:			
At beginning of year	2,030	45,016	47,046
Transfer from construction in progress *(note 13)*	–	11,095	11,095
Exchange realignment	118	2,596	2,714
At 31 December 2008	2,148	58,707	60,855
Amortisation:			
At beginning of year	211	3,855	4,066
Amortised during the year	47	1,071	1,118
Exchange realignment	12	210	222
At 31 December 2008	270	5,136	5,406
Net book value:			
At 31 December 2008	1,878	53,571	55,449

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 the construction of certain premises erected on the Land. The Group has been granted the right to use these premises within the rental period of the Land. As confirmed by legal opinions issued by the 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 PRC law.

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

21. LONG TERM DEPOSITS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Deposit for acquisition of property, plant and equipment	5,412	7,352
Deposit for acquisition of an associate#	6,000	–
	11,412	7,352

On 26 September 2009, the Group entered into a capital injection agreement to acquire 33% equity interests of 東莞康祥電子有限公司, a company established in the PRC at a consideration of RMB5,280,000 (equivalent to HK$6,000,000). The transaction has not been completed up to the date of approval of these financial statements.

22. INVENTORIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	134,309	159,113
Work in progress	63,553	40,935
Finished goods	171,380	105,824
	369,242	305,872

23. TRADE AND BILLS RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	635,060	579,040
Impairment allowances	(23,335)	(19,642)
	611,725	559,398
Bills receivables	18,911	40,754
	630,636	600,152

23. TRADE AND BILLS RECEIVABLES *(continued)*

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good 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 number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at 31 December 2009, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months	544,142	495,404
4 to 6 months, inclusive	70,177	86,596
7 to 9 months, inclusive	6,876	4,343
10 to 12 months, inclusive	6,358	1,378
More than 1 year	26,418	32,073
	653,971	619,794
Impairment allowances	(23,335)	(19,642)
	630,636	600,152

23. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	19,642	7,968
Impairment of trade receivables *(note 7)*	5,808	11,260
Written back of impairment of trade receivables *(note 7)*	(2,115)	–
Exchange realignment	–	414
At 31 December	23,335	19,642

The above impairment allowance for trade receivables is an allowance for individually impaired trade receivables with carrying amounts of HK$30,511,000 (2008: HK$23,126,000). The individually impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	522,264	462,487
Within 3 months	83,764	117,099
4 to 6 months, inclusive	8,132	7,106
7 to 9 months, inclusive	5,276	1,476
10 to 12 months, inclusive	1,335	1,187
More than 1 year	2,689	7,313
	623,460	596,668

23. TRADE AND BILLS RECEIVABLES *(continued)*

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

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

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**225,317**	123,561	**70**	74
Time deposits	**20,733**	68,052	**–**	–
	246,050	191,613	**70**	74
Less: Pledged deposits *(note 28)*	**(20,242)**	(43,738)	**–**	–
	225,808	147,875	**70**	74

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$141,137,000 (2008: HK$124,176,324). 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 from one month to three months on average depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Forward currency contracts:		
Assets	–	2,894
Liabilities	–	(2,273)
	–	621

In prior years, the Group 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. All forward currency contracts matured and were settled during the year. Fair value of non-hedging currency derivatives amounting to HK$662,000 was charged to the income statement during the year (2008: HK$3,340,000 charged to the income statement).

26. TRADE AND BILLS PAYABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade payables	338,120	205,789
Bills payables	73,185	56,511
	411,305	262,300

26. TRADE AND BILLS PAYABLES *(continued)*

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 31 December 2009, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months	339,369	223,012
4 to 6 months, inclusive	56,646	28,866
7 to 9 months, inclusive	6,517	4,949
10 to 12 months, inclusive	2,670	1,607
More than 1 year	6,103	3,866
	411,305	262,300

27. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES AND A RELATED COMPANY

The amounts due to minority shareholders and a related company are unsecured, interest-free and have no fixed terms of repayment.

28. INTEREST-BEARING BANK BORROWINGS

		Group		Company	
		2009	2008	2009	2008
	Maturity	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current					
Bank loans – unsecured	2010	248,226	117,525	197,825	33,539
Bank loans – secured	2010	–	53,382	–	–
		248,226	170,907	197,825	33,539
Non-current					
Bank loans – unsecured	2011	99,094	211,205	99,094	211,205
		347,320	382,112	296,919	244,744

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

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans payable:				
Within one year	248,226	170,907	197,825	33,539
In the second year	99,094	140,682	99,094	140,682
In the third to fifth years, inclusive	–	70,523	–	70,523
	347,320	382,112	296,919	244,744

Notes:

(i) The Company's bank loan is denominated in Hong Kong dollars with an annual effective interest rate of Hong Kong Interbank Offered rate ("HIBOR") plus 1.1%. Other than the Company's bank loan, the remaining bank loans of the Group are denominated in RMB and USD with carrying amount of HK$38,636,000 (2008: HK$93,750,000) and HK$11,765,000 (2008: HK$17,819,000). Last year, these was also a bank loan of HK$25,799,000 denominated in EUR. Other than the Company's bank loan, the effective interest rates of the other bank loans range from 5.0% to 5.3% and board rate or HIBOR plus 1.9% per annum, respectively.

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

(a) the pledge of bank deposits of approximately HK$20,242,000 (2008: HK$43,738,000) (note 24) to secure the issuance of bills payables;

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

(c) the investment property in Hong Kong owned by the Group (note 14).

As at 31 December 2008, the Group's banking facilities were also supported by the pledge of the Group's property, plant and equipment of approximately HK$61,786,000.

29. DEFERRED TAX

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

Deferred tax liabilities

Group

	Withholding taxes *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 January 2008	–	2,502	2,502
Deferred tax debited to the income statement during the year *(note 9)*	843	689	1,532
Deferred tax credited to equity during the year	–	(277)	(277)
At 31 December 2008 and 1 January 2009	843	2,914	3,757
Acquisition of a subsidiary *(note 33(iii))*	–	8,668	8,668
Deferred tax debited/(credited) to the income statement during the year *(note 9)*	3,633	(383)	3,250
Deferred tax debited to equity during the year	–	350	350
At 31 December 2009	4,476	11,549	16,025

29. DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 January 2008	130
Acquisition of a subsidiary *(note 33 (ii))*	3,703
At 31 December 2008, 1 January 2009 and 31 December 2009	3,833

The Group has tax losses arising in Hong Kong of HK$18,573,421 (2008: HK$19,140,161) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the New PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

However, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and associates of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

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

At 31 December 2009, the Company has no significant unrecognised deferred tax asset/liability (2008: Nil).

30. SHARE CAPITAL

	2009 *HK$'000*	2008 *HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
4,305,800,000 (2008: 3,989,800,000) ordinary shares of HK$0.01 each	**43,058**	39,898

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

	Notes	Number of ordinary shares in issue	Issued share capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
Issued:					
As at 1 January 2008		3,997,470,000	39,975	472,734	512,709
Shares issued upon exercise of share options	(i)	2,000,000	20	793	813
Repurchase and cancellation of shares	(ii)	(9,670,000)	(97)	–	(97)
		(7,670,000)	(77)	793	716
As at 31 December 2008 and 1 January 2009		3,989,800,000	39,898	473,527	513,425
Shares issued upon exercise of share options	(iii)	20,000,000	200	960	1,160
Issue of shares	(iv)	296,000,000	2,960	61,272	64,232
		316,000,000	3,160	62,232	65,392
As at 31 December 2009		4,305,800,000	43,058	535,759	578,817

30. SHARE CAPITAL *(continued)*

Notes:

(i) On 7 March 2008, a subscriber served the notice for subscription of 2,000,000 shares of the Company at an exercise price of HK$0.315 per share. 2,000,000 new shares were allotted and issued on 2 April 2008, and net proceeds of approximately HK$630,000 were raised by the Company. Fair value of these share options included in the share option reserve of HK$183,000 was transferred to the share premium account.

(ii) During the year ended 31 December 2008, the Company repurchased 9,670,000 ordinary shares from the market at a total consideration of approximately HK$3,332,000. These repurchased ordinary shares were subsequently cancelled by the Company and the premium of approximately HK$3,235,000 paid by the Company over the nominal value of the repurchased ordinary shares was debited to retained profits. In addition, the Company also transferred approximately HK$97,000, which is equivalent to the nominal value of these repurchased shares, from retained profits to the capital redemption reserve as set out in note 32(b) to the financial statements.

(iii) On 28 September 2009, a subscriber served the notice for subscription of 20,000,000 shares of the Company at an exercise price of HK$0.053 per share. 20,000,000 new shares were allotted and issued on 28 September 2009, and net proceeds of approximately HK$1,060,000 were raised by the Company. Fair value of these share options included in the share option reserve of HK$100,000 was transferred to the share premium account.

(iv) On 11 August 2009, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Tongda Shanghai, and its subsidiary, 通達電器裝飾件, and its associates, Fuso (HK) and Fuso (Shanghai) and the shareholder's loan of HK$7,005,000 from E-Growth. This acquisition was completed on 15 October 2009 and a total of 296,000,000 shares were issued on that date at an issue price of HK$0.217 per share as the consideration for the acquisition. Details of this acquisition are set out in note 33(iii) to the financial statements.

Share option schemes

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. 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 2008 and 2009, 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.

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.

31. SHARE OPTION SCHEMES *(continued)*

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

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

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

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

	2009		2008	
	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	0.358	157,000	0.565	48,000
Granted during the year	0.2262	91,000	0.268	111,000
Exercised during the year	0.053	(20,000)	0.315	(2,000)
At 31 December	0.3322	228,000	0.358	157,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.225 per share.

31. SHARE OPTION SCHEMES *(continued)*

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

2009

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
89,000	0.315	16 February 2008 to 15 February 2018
91,000	0.2262	25 September 2009 to 24 September 2012
228,000		

2008

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
89,000	0.315	16 February 2008 to 15 February 2018
20,000	0.053	5 December 2008 to 4 December 2018
157,000		

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

The fair value of the share options granted during the year was HK$5,865,000 (HK$0.0645 each) (2008: HK$5,456,000, HK$0.0492 each) of which the Group recognised a share option expense of HK$5,865,000 (2008: HK$5,456,000) during the year ended 31 December 2009.

31. SHARE OPTION SCHEMES *(continued)*

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

Dividend yield (%)	2.69
Expected volatility (%)	68.475
Risk-free interest rate (%)	0.86
Expected life of options (year)	3

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

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

At the end of the reporting period and up to the date of approval of these financial statements, the Company had 228,000,000 share options outstanding under the New Scheme, which represented approximately 5.3% 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 228,000,000 additional ordinary shares of the Company and additional share capital of HK$2,280,000 and share premium of HK$73,457,200 (before issue expenses).

32. RESERVES

(a) Group

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

(i) Capital reserve

The capital reserve of the Group represents principally 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.

(ii) Statutory reserve

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to a statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set off against accumulated losses, if any, arising under certain specified circumstances. As the reserve was reached 50% of Tongda Macao's capital fund, no transfer was made in the current year (2008: Nil).

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

32. 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 2008	472,734	4,393	79,179	190	5,372	561,868
Shares issued upon exercise of share options *(note 30)*	793	(183)	–	–	–	610
Repurchase and cancellation of shares *(note 30)*	–	–	–	97	(3,332)	(3,235)
Equity-settled share option arrangements *(note 31)*	–	5,456	–	–	–	5,456
Profit for the year	–	–	–	–	57,656	57,656
Interim 2008 dividend *(note 11)*	–	–	–	–	(15,959)	(15,959)
At 31 December 2008 and 1 January 2009	473,527	9,666	79,179	287	43,737	606,396
Acquisition of a subsidiary	61,272	–	–	–	–	61,272
Shares issued upon exercise of share options *(note 30)*	960	(100)	–	–	–	860
Equity-settled share option arrangements *(note 31)*	–	5,865	–	–	–	5,865
Profit for the year	–	–	–	–	33,202	33,202
Interim 2009 dividend *(note 11)*	–	–	–	–	(15,070)	(15,070)
Final 2008 dividend *(note 11)*	–	–	–	–	(7,980)	(7,980)
At 31 December 2009	535,759	15,431	79,179	287	53,889	684,545

32. 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 2009, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$668,827,000, subject to the restriction stated in note (i) above.

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

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

33. BUSINESS COMBINATIONS

(i) 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 (approximately HK$23,915,000) which was made through the contribution in cash by Tongda Xiamen solely. Immediately upon the capital contribution of RMB21,510,520 by Tongda Xiamen during the current year, Tongda Xiamen's equity interest in Xiamen Technology increased from 50% to 70%. Thereafter, Xiamen Technology changed from a jointly-controlled entity to a non-wholly-owned subsidiary of the Group.

In the opinion of the directors, there is no material difference between the fair values of the identifiable assets and liabilities of Xiamen Technology as at the date of acquisition in 2008 and the corresponding carrying amounts immediately before the acquisition.

33. BUSINESS COMBINATIONS *(continued)*

(i) *(continued)*

	Fair value recognised on acquisition *HK$'000*
Net assets acquired:	
Property, plant and equipment	43,388
Inventories	37,813
Trade and bill receivables	54,411
Prepayments, deposits and other receivables	11,499
Amounts due from the holding company	23,915
Amounts due from the Group's companies	6,786
Cash and cash equivalents	9,061
Trade and bill payables	(50,201)
Dividend payable to a former minority shareholder	(20,989)
Tax payable	(1,889)
Accrued liabilities and other payables	(17,303)
Minority interest	(21,845)
Total net assets acquired	74,646
Excess over the cost of a business combination recognised in the income statement	(3,467)
Consideration	71,179
Satisfied by:	
Interest in a jointly-controlled entity	47,264
Capital contribution	23,915
	71,179

33. BUSINESS COMBINATIONS *(continued)*

(ii) On 3 December 2007, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Shenzhen Tongda Electronic, a company established in Mainland China, from Asiatec, an independent third party, at a consideration of RMB4,500,000 (approximately HK$4,833,000). As at 31 December 2007, the Group has paid a deposit of RMB1,350,000 (approximately HK$1,431,000) for the acquisition. The acquisition was completed on 23 January 2008 and the remaining consideration of RMB3,150,000 (approximately HK$3,402,000) was paid to Asiatec during last year.

The fair values of the identifiable assets and liabilities of Shenzhen Tongda Electronic as at the date of acquisition in 2008 and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	Previous carrying amount *HK$'000*
Net assets acquired:		
Property, plant and equipment	3,855	18,665
Deferred tax assets *(note 29)*	3,703	–
Trade and bill receivables	277	277
Prepayments, deposits and other receivables	1,805	1,805
Cash and cash equivalents	203	203
Trade and bill payables	(380)	(380)
Tax payable	(79)	(79)
Accrued liabilities and other payables	(848)	(848)
Total net assets acquired	8,536	19,643
Excess over the cost of a business combination recognised in the income statement	(3,703)	
Consideration	4,833	
Satisfied by:		
Cash	3,402	
Long term deposits paid in 2007	1,431	
	4,833	

33. BUSINESS COMBINATIONS *(continued)*

(ii) *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisitions of the above subsidiaries is as follows:

	HK$'000
Cash consideration	(3,402)
Cash and cash equivalents acquired	9,264
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	5,862

Since the above acquisitions, Xiamen Technology and Shenzhen Tongda Electronic have contributed HK$222,198,000 to the Group's revenue and HK$30,783,000 to the consolidated profit for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,423,987,000 and HK$83,118,000, respectively.

(iii) On 11 August 2009, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Tongda Shanghai, and its subsidiary, 通達電器裝飾件, and its associates, Fuso (HK) and Fuso (Shanghai) and the shareholder's loan of HK$7,005,000 from E-Growth, a company wholly and beneficially owned by Mr. Wang Ya Nan at an aggregate consideration of HK$71,188,000 to be settled in the form of issuance of 296,000,000 shares of the Company as determined with reference to the Company's share price of HK$0.2405 per share at the date of the agreement.

33. BUSINESS COMBINATIONS *(continued)*

(iii) *(continued)*

The fair values of the identifiable assets and liabilities of Tongda Shanghai as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	Previous carrying amount *HK$'000*
Property, plant and equipment	279	279
Investment property	45,880	11,205
Interests in associates	4,688	4,688
Prepayments, deposits and other receivables	120	120
Cash and cash equivalents	293	293
Accrued liabilities and other payables	(3,910)	(3,910)
Due to a related company	(6,150)	(6,150)
Tax payable	(109)	(109)
Shareholder's loan	(7,005)	(7,005)
Deferred tax liabilities	(8,668)	–
Total net assets acquired	25,418	(589)
Goodwill on acquisition *(note 16)*	31,809	
Shareholder's loan	7,005	
Consideration	64,232	
Satisfied by:		
Issue of shares#	64,232	

\# Under HKFRS 3, the fair value of the Company's shares was measured at market price of HK$0.2170 per share at the date of exchange, i.e. the completion date of the acquisition on 15 October 2009. Such amount is different from the consideration set out in the agreement of HK$71,188,000, which was estimated based on the market price of the Company's shares of HK$0.2405 per share at the date of agreement on 11 August 2009.

33. BUSINESS COMBINATIONS *(continued)*

(iii) *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the above subsidiary is as follows:

	HK$'000
Cash consideration	–
Cash and cash equivalents acquired	293
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	293

Since the above acquisition, no material contribution to the Group's revenue and the consolidated profit for the year ended 31 December 2009 was resulted.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,800,254,000 and HK$115,053,000 respectively.

34. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group had contingent liabilities in respect of outstanding irrevocable letters of credit of HK$21 million (2008: HK$22 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$55 million (2008: HK$44 million) at the end of the reporting period.

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

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one year or 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	2,648	1,358
In the second to fifth years, inclusive	1,997	3,239
	4,645	4,597

(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 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	10,889	6,938
In the second to fifth years, inclusive	8,492	17,566
After five years	10,230	10,222
	29,611	34,726

36. COMMITMENTS

In addition to the operating lease commitments set out in note 35(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Purchases of property, plant and equipment	6,318	7,687
Investments in subsidiaries	44,000	60,202
	50,318	67,889

The Company had no significant commitments at the end of the reporting period (2008: Nil).

37. RELATED PARTY TRANSACTIONS

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

		Group	
		2009	2008
	Notes	*HK$'000*	*HK$'000*
Associates:			
Sales of products	(i)	5,171	9,620
Purchases of raw materials and finished goods	(ii)	1,112	1,226
Technology consultancy fee	(iii)	600	600
Rental income	(iv)	1,272	1,408
A jointly-controlled entity:			
Sales of raw materials	(i)	–	3,924
Purchases of raw materials and finished goods	(ii)	–	1,267
Rental income	(v)	–	464
A related company of which a director of the Company is a shareholder:			
Sales of finished goods	(i)	–	16,420
Purchase of raw materials and finished goods	(ii)	–	28,829

37. 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 associates, a jointly-controlled entity and a related company 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 (2008: HK$50,000) per month.

(iv) The rental income received from an associate represented the leasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC.

(v) Last year's rental income received from a jointly-controlled entity represented the leasing of factory premises and staff quarters of the Group located at Xiamen, the PRC.

(b) Outstanding balances with related parties

Details of the Group's balances with its associates, jointly-controlled entity and the related parties as at the end of the reporting period are disclosed in notes 18, 19 and 27 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group.

	2009 *HK$'000*	2008 *HK$'000*
Short term employee benefits	7,296	8,205
Post-employment benefits	198	198
Share-based payments	5,865	5,103
Total compensation paid to key management personnel	13,359	13,506

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

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2009

Financial assets

	Loans and receivables *HK$'000*
Due from associates *(note 18)*	12,673
Trade and bills receivables	630,636
Financial assets included in prepayments, deposits and other receivables	42,192
Pledged deposits	20,242
Cash and cash equivalents	225,808
	931,551

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade and bills payables	411,305
Financial liabilities included in accrued liabilities and other payables	83,170
Interest-bearing bank borrowings	347,320
Due to minority shareholders of subsidiaries	665
Due to a related company	6,150
	848,610

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group

2008

Financial assets

	Financial assets at fair value through profit or loss held for trading *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Due from associates *(note 18)*	–	14,549	14,549
Trade and bills receivables	–	600,152	600,152
Financial assets included in prepayments, deposits and other receivables	–	12,551	12,551
Pledged deposits	–	43,738	43,738
Derivative financial assets	2,894	–	2,894
Cash and cash equivalents	–	147,875	147,875
	2,894	818,865	821,759

Financial liabilities

	Financial liabilities at fair value through profit or loss held for trading *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	–	262,300	262,300
Financial liabilities included in accrued liabilities and other payables	–	45,120	45,120
Derivative financial liabilities	2,273	–	2,273
Interest-bearing bank borrowings	–	382,112	382,112
Due to a minority shareholder of a subsidiary	–	609	609
	2,273	690,141	692,414

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial assets

	Company	
	2009 Loans and receivables *HK$'000*	2008 Loans and receivables *HK$'000*
Due from an associate	–	22
Due from subsidiaries	951,544	818,043
Financial assets included in prepayments, deposits and other receivables	557	–
Cash and cash equivalents	70	74
	952,171	818,139

Financial liabilities

	Company	
	2009 Financial liabilities at amortised cost *HK$'000*	2008 Financial liabilities at amortised cost *HK$'000*
Due to a subsidiary	54,992	55,022
Interest-bearing bank borrowings	296,919	244,744
	351,911	299,766

39. 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.

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

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 borrowings of the Group are disclosed in note 28 to the financial statements.

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 after tax and equity through the impact on floating rate borrowings and the Group's and the Company's equity.

	Group		Company
	Increase/ (decrease) in percentage points	Increase/ (decrease) in profit after tax and equity	Increase/ (decrease) in profit after tax in equity
		HK$'000	*HK$'000*
2009			
Hong Kong dollar	0.5%	(1,289)	(1,240)
Hong Kong dollar	(0.5%)	1,289	1,240
2008			
Hong Kong dollar	0.5%	(1,040)	(1,022)
Hong Kong dollar	(0.5%)	1,040	1,022

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.

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

Foreign currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 67% (2008: 53%) of the Group's sales and purchases transactions are denominated in RMB while the remaining balance of the sales and purchases transactions are denominated mainly in Hong Kong dollars. As the foreign currency risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

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

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

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

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in the Group's net profit
	%	*HK$'000*
2009		
If Hong Kong dollar weakens against RMB	5	23,293
If Hong Kong dollar strengthens against RMB	(5)	(23,293)
2008		
If Hong Kong dollar weakens against RMB	5	20,867
If Hong Kong dollar strengthens against RMB	(5)	(20,867)

39. 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.

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.

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

Liquidity risk *(continued)*

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

Group

2009

	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*
Trade and bills payables	–	386,884	24,421	–	411,305
Other payables	83,170	–	–	–	83,170
Interest-bearing bank and other borrowings	–	61,221	187,005	99,094	347,320
Due to minority shareholders of subsidiaries	665	–	–	–	665
Due to a related company	6,150	–	–	–	6,150
	89,985	448,105	211,426	99,094	848,610

2008

	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*
Trade and bills payables	–	223,012	35,422	3,866	262,300
Other payables	45,120	–	–	–	45,120
Derivative financial instruments	–	65	2,208	–	2,273
Interest-bearing bank and other borrowings	–	13,378	157,529	211,205	382,112
Due to a minority shareholder of a subsidiary	609	–	–	–	609
	45,729	236,455	195,159	215,071	692,414

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

Liquidity risk *(continued)*

Company

2009

	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 borrowings	–	49,456	148,369	99,094	296,919
Due to a subsidiary	54,992	–	–	–	54,992
Guarantees given to banks in connection with facilities granted to subsidiaries	–	53,513	1,147	–	54,660
	54,992	102,969	149,516	99,094	406,571

2008

	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 borrowings	–	–	33,539	211,205	244,744
Due to a subsidiary	55,022	–	–	–	55,022
	55,022	–	33,539	211,205	299,766

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

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

Capital management *(continued)*

The gearing ratios defined as the net debt over equity plus net debt as at the ends of the reporting periods were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills payables	411,305	262,300
Accrued liabilities and other payables	84,948	98,041
Interest-bearing bank borrowings	347,320	382,112
Due to a related company	6,150	–
Due to minority shareholders of subsidiaries	665	609
Less: Cash and cash equivalents	(225,808)	(147,875)
Net debt	624,580	595,187
Equity attributable to equity holders of the Company	1,333,523	1,181,667
Equity plus net debt	1,958,103	1,776,854
Gearing ratio	32%	33%

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 January 2010, E-Growth entered into share placing agreement with Kingsway Financial Services Group Limited ("Kingsway") pursuant to which Kingsway agreed to place, on a best efforts basis, up to 160,000,000 existing shares of the Company (the "Placing Shares") beneficially owned by E-Growth at a price of HK$0.24 per Placing Share (the "Share Placing Price") to the placees who and whose ultimate beneficial owners will be independent third parties.

On the same date, E-Growth entered into a subscription agreement with the Company for the subscription up to 160,000,000 shares of the Company at the Share Placing Price.

On 15 January 2010, the Company also entered into a warrant placing agreement with Kingsway in connection with a warrant placing, pursuant to which Kingsway agreed to place, on a best effort basis, 192,000,000 warrants conferring rights to subscribe for 192,000,000 shares of the Company (the "Warrant Shares") at a warrant exercise price of HK$0.30 per Warrant Share to the warrant placees who and their respective ultimate beneficial owners are independent third parties.

(b) On 24 February 2010, the Group entered into an agreement with Matsushitu Shokai Company Limited ("Matsushitu Shokai") pursuant to which the Group has agreed to grant to Matsushitu Shokai the option to acquire 240,800 shares of Tongda Optical Company Limited ("Tongda Optical"), a 85.1% owned subsidiary of the Company and incorporated in Hong Kong after the reporting period on 15 January 2010. The remaining 14.9% equity interest in Tongda Optical is owned by Matsushitu Shokai.

41. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been revised to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2010.