TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

2015 Annual Report

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

Contents

Corporate Information

BOARD OF DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Sze Man

AUDITORS

Ernst & Young
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wang Ya Hua

PRINCIPAL BANKERS

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

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

LEGAL ADVISERS

As to Hong Kong laws:
Michael Li & Co.

As to PRC laws:
Fujian Rede Law Firm

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

INVESTOR RELATIONS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong
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Email (Investor Relations): ir@tongda.com.hk

LISTING INFORMATION

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "Tongda Group") for the year ended 31 December 2015 (the "Year") on behalf of the board of directors of the Company (the "Board").

Benefiting from the pre-emptive moves of first-tier brands, especially Huawei and Xiaomi, fighting for market share as well as the shift in handset design trend towards metal casing, total turnover of the Group surged 26.8% to HK$6,074.1 million (2014: HK$4,791.3 million), while gross profit increased by 32.2% to HK$1,512.0 million (2014: HK$1,143.6 million). Profit attributable to shareholders amounted to HK$702.8 million (2014: HK$501.7 million), representing a 40% year-on-year growth. Thanks to the efforts on further enhancing technology and production automation while focusing on provision of high value-added products, gross profit margin surged to 24.9% (2014: 23.9%) with net profit margin lifted to 11.6% (2014: 10.5%). Such encouraging growth is attributable to the hard work of all of the staff and the management team over the past year.

The Group has brought fruitful returns to shareholders and maintained a stable dividend payout history over the years. For the Year, the Board recommends the payment of a final dividend of HK2.1 cents per share (2014: HK2.0 cents). Together with the paid interim dividend of HK1.6 cents per share (2014: HK1.0 cent), the total dividend for the Year will amount to HK3.7 cents per share (2014: HK3.0 cents).

Handsets with metal casings rapidly gained high penetration across a wide swath from the high-end to the mid-range market segment. The higher demand on the appearance and texture of the metal handset casings from customers require more processing time and more advanced technologies. The Group has diverse and innovative decorating technologies, of which, the Nano Molding Technology ("NMT") enables the production of metal casings to be less dependent on Computer Numerical Control ("CNC") machines as it can be widely applied to metal casings across different price ranges. With initiatives to cope with the expansion of the capacity of CNC machines, to develop metal forging technology for metal middle frames, etc., the Group is able to march forward in the market with numerous challenges and opportunities.

We understand that it is necessary to offer more packages with different mechanical parts in order to secure greater cooperation and more business with the existing and potential customers. During the Year, we have commenced our new precision rubber parts business. With excellent sealing, waterproof and insulating properties, the products, when combined with the Group's metal and precision plastic casings, help deliver a one-stop solution with tailor-made components ranging from battery covers, middle frames, display frames and Laser Direct Structuring ("LDS") antennas. With the increasing enhancement of the technical level of each product, the Group has progressed to the next stage of development.

The Group has actively developed the household electrical appliance market in the US and has successfully become a qualified supplier of General Electric and Whirlpool. Through this proactive tatic, the Group may extend its reach to new customers. During the Year, the Group proposed spin-off of its notebook computer and tablet segment so as to better concentrate its resources on the development of its handset-related core business.

Given the high development potential of new energy-driven automotives, internet of vehicles and connected mobility, the Group will place its emphasis on the development of the automotive industry in China. Over three years of strategic development of the interior decorative components for automotives as well as two years of customer's recognition and trial production, the Group has officially become a supplier of a substantial amount of wide range automotive interior decorative parts to Ford and BYD last year and its customer base had been extended to various brands, namely General Motors, Mazda, Geely Auto, Volkswagen, Wuling Motors, etc.. Riding on the trend of localization of joint-venture brands and rising domestic sales, the Group will strive its utmost to develop diversified interior decorative components for automotives so as to further expand its customer base in the automotive industry.

With a diverse product portfolio and extensive customer base, the Group has strengthened its business over the years. Looking ahead, the Group believes that the metal handset casings will remain mainstream products in China and it will continue to join forces with domestic brands, while seeking to partner with international brands, so as to expand its market share. Adhering to its strategies of in-depth technology exploration, research and development, market expansion, innovation and transformation, as well as further enhancing the level of automation, artificial intelligence and standardization of the production plant, and improving its execution capability, the Group will fully capitalize on the synergies to be generated among business segments and achieve more streamlined management structure.

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express sincere gratitude to all the staff and the management team of the Group for their hard work and valuable contribution last year. We hope to gain continuous support from all of fellow colleagues in the future. We will continue working closely with our shareholders and employees so as to turn to a new chapter in the Group's development.

Chairman
Wang Ya Nan

Hong Kong, 16 March 2016

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group's turnover grew from HK$4,791.3 million last year by 26.8% to HK$6,074.1 million. Profit attributable to owners of the Company increased from HK$501.7 million last year by 40% to HK$702.8 million.

REVENUE

As a world-leading one-stop solution provider of high-precision components for smart device, during the year, the Group had benefited from the brand effect of smartphone market in the PRC, pre-emptive moves of first-tier brands fighting for market shares, as well as the shift in handset design trend towards metallic and ultra-thin casing with large screen, and the rise in income of the main handset customers, thus driving the turnover for the year to increase by 26.8%.

GROSS PROFIT

The Group's gross profit for the year increased 32.2% to HK$1,512.0 million compared with HK$1,143.6 million last year, which was mainly attributable to the overall increase in gross profit margin from 23.9% last year to 24.9% due to the increased proportion of handset business with a higher segment margin in general.

OTHER INCOME AND GAINS, NET

During the year under review, other income and gains, net was HK$25.9 million, a slight decrease of HK$0.6 million from last year, which was mainly attributable to the increase in net loss from exchange differences caused by the devaluation of the RMB, which offset with the increase in government grants, other miscellaneous income and the bank interest income.

SELLING AND DISTRIBUTION EXPENSES

During the year under review, selling and distribution expenses increased by 32.6% from HK$112.0 million to HK$148.5 million. The increase was mainly attributable to the increase in freight charges and commission expenses.

ADMINISTRATIVE EXPENSES

During the year under review, administrative expenses rose by 34.8% from HK$330.3 million to HK$445.2 million, which was mainly due to an increase in research and development ("R&D") expenses and staff remuneration.

OTHER OPERATING EXPENSES, NET

Other operating expenses, net decreased by 40.3% from HK$26.8 million to HK$16.0 million during the year under review, which was mainly attributable to no impairment of goodwill in 2015 and decrease in loss incurred from disposal of fixed assets, which offset the increase in the provision of receivables.

FINANCE COSTS

During the year under review, finance costs decreased 2.1% from HK$56.9 million to HK$55.7 million as a result of the reduction in interest expenses on discounted bills.

PROFIT BEFORE TAX

For the year ended 31 December 2015, profit before tax amounted to HK$872.3 million, representing a year-on-year growth of 35.8% from HK$642.4 million, which was in line with the growth in net profit of the Group.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

Profit attributable to owners of the Company increased 40% from HK$501.7 million in last year to HK$702.8 million, while the overall net profit margin rose to 11.6% (2014: 10.5%), which was mainly because both profit and market share gained from the handset business segment increased.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities. During the year, the Group's primary sources of funding included cash generated from operating activities, the credit facilities provided by the Group's principal banks in Hong Kong and China as well as the 1% convertible bonds of HK$880.0 million due 2018 issued on 2 July 2015.

As at 31 December 2015, the Group had cash and cash equivalents and pledged deposits of HK$936.0 million (31 December 2014: HK$477.6 million), and without holding any structural investment contract of which approximately HK$173.6 million (31 December 2014: HK$117.5 million) has been pledged to banks as security for trade financing.

As at 31 December 2015, the Group had total assets of HK$8,588.9 million (31 December 2014: HK$6,367.1 million), net current assets of HK$2,469.9 million (31 December 2014: HK$1,934.0 million) and equity of HK$4,039.3 million (31 December 2014: HK$3,636.5 million).

The Group issued HK$880.0 million 1% convertible bonds due 2018 on 2 July 2015. As the Board declared an interim dividend of HK1.6 cents per share for the six months ended 30 June 2015 on 18 August 2015, the Group adjusted the conversion price to HK$1.85 per share on 9 September 2015.

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

CAPITAL EXPENDITURE

The total capital expenditure incurred for the year was HK$1,113.2 million (31 December 2014: HK$625.8 million), which was mainly used in purchase of equipment related to the production of metal handset components and construction of new manufacturing plants.

TREASURY POLICY

The Group's revenue was principally denominated in Hong Kong dollars, RMB and US dollars while purchases were transacted mainly in Hong Kong dollars, RMB, US dollars and Japanese Yen. The foreign currency risks generated from the revenue and purchases can be offset against each other. The fluctuation of RMB in 2015 caused a decrease in net profit of the Group of approximately HK$22.8 million. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange and interest rate exposure, and consider hedging against exposure should any need arise.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK$173.6 million (31 December 2014: HK$117.5 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of HK$40.5 million (31 December 2014: HK$40.0 million) mortgaged by the Group as at 31 December 2015, the Group had no other pledge of assets to any financial institution.

HUMAN RESOURCES

As at 31 December 2015, the Group employed a total of approximately 20,000 employees (31 December 2014: 16,000 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 31 December 2015 amounted to HK$1,133.0 million (31 December 2014: HK$892.4 million).

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

GEARING RATIO AND INDEBTEDNESS

As at 31 December 2015, the gearing ratio of the Group (consolidated net debt/total equity) was 35.5% (31 December 2014: 13.8%).

As at 31 December 2015, other than the non-current portion of bank loans of HK$519.3 million (31 December 2014: HK$350.8 million) and convertible bonds of HK$873.0 million (31 December 2014: Nil), the Group had bank and other borrowings of HK$976.4 million (31 December 2014: HK$629.1 million) which will be repayable within one year from the end of the reporting period.

The effective interest rates per annum for the Company's bank loans are Hong Kong Interbank Offered Rate ("HIBOR") plus 1.5% per annum ("p.a."), 1.75% p.a. and 1.85% p.a. and a fixed rate of 2.65% p.a.. Other than the Company's bank loans, the effective interest rates for the Group's bank and other borrowings are HIBOR plus 1.5% p.a., 1.9% p.a. and 2.6% p.a. to 7.28% p.a..

BUSINESS REVIEW

Electrical Fittings Division

The Group primarily engages in one-stop design and production of smart device products, including casings and components for handsets, electrical appliances and notebook computers for domestic and international customers. During the year, the Group focused on the improvements in technology, expanding production capacity, strengthening customer relationships and bolstering quality management. Its revenue grew by 31.4% from HK$3,637.0 million last year to approximately HK$4,780.3 million, representing 79% of total turnover of the Group.

Handsets

Through successfully seizing the market opportunities in respect of metal components, the Group's continued to transform and improve its handset casing products during the year. With sleek, durable and high-end features, handsets with metal casings have been well-received by consumers, and they rapidly gained penetration from the high-end market segment to the mid-range market segment during the year. Benefiting from its higher unit price and gross profit margin, turnover of the Group soared by 53.7% from HK$2,415.0 million in 2014 to HK$3,712.5 million, representing 61% of total turnover.

The Group's major handset customers include domestic and international brands, namely Huawei, Xiaomi, OPPO, Asus, Coolpad, Vivo, etc., who have considered metal handsets and peripheral fittings as their key focus during the year. The increasingly stringent requirements of metal handset casings in terms of the curvature, thickness, color and texture have resulted in constant increase in their processing time and technology barriers. Only companies with diverse craftsmanship and one-stop service providers with complete assembly procedures ranging from mold designing to casing processing like the Group can provide competitive products.

The Group's diverse metal treatment solutions can be applied to metal handsets across a wide price range. Of which, the Nano Molding Technology ("NMT") has been widely applied by customers to the manufacturing of metal casings. This technology attaches metal and plastic at the Nano level, which reduces production lead time, resulting in higher price-performance ratio of products, as well as raising yield. This technology has been generally used in mid-segment handsets with a high price-performance ratio. With strong foresight, the Group has developed capability to handle for Computer Numerical Control ("CNC") machines and the metal stamping/forging technology can shorten CNC processing time. Composite die-casting technology is used in processing metal middle frames, and technologies including Metal Injection Molding ("MIM") are applied in the production of metal precision components.

Furthermore, the Group also achieved progress developing its precision rubber parts business during the year. Such products have excellent sealing, waterproof and insulating properties, which provide good protection to the electronic components in the handsets. With these products, the Group expects to extend its reach to the supply chains of reputable international customers, or provide one-stop supply of a wide variety of components incorporating this product, including precision rubber handset casings, metal frames, middle frames, rubber parts, and Laser Direct Structuring ("LDS") antennas, thereby enhancing its overall competitiveness.

Electrical Appliances

Revenue of electrical appliances still accounted for approximately 10% of total turnover, amounting to HK$587.5 million. Our major customers include China's well-known household electrical appliance brands, such as Haier, Gree and Midea, and the products include panels for high-end air-conditioners, refrigerators, washing machines and rice-cookers. During the year, there was a slight decline in our overall performance, which was attributable to the weak demand for domestic household electrical appliances. In view of this, the Group proactively took steps to develop overseas markets. In addition to the existing customers, such as Panasonic, Zojirushi, Electrolux and DYSON, the Group has also become a qualified supplier of General Electric and Whirlpool, a significant step toward penetrating the US market.

Notebook Computers

During the Year, revenue of notebook computers decreased from HK$633.6 million by 24.2% to HK$480.3 million, which accounted for 8% of the turnover. Major products of the business include ultrabook and tablet casings made of precision metal and plastics. The divestment of a customer from the international market in the second half of 2014 dampened the turnover of the Group during the year. During the year, the Group secured orders for high-end products from major customers like Lenovo, and orders from other international brands namely Fujitsu, Toshiba and NEC had become stable. During the year, the Group proposed spin-off of the notebook computer and tablet segment so as to concentrate its resources in the development of its handset-related core business.

Ironware Parts Division

Revenue of this division decreased by 31.4% from HK$687.7 million last year to HK$471.9 million, which represented 8% of the turnover. Over the years, the Group not only produced metal set top boxes casing, but also provided one-stop services to electrical appliance customers for the production of aluminum parts and precision metal components with different surface effects.

Communication Facilities Division and Other Business

Revenue of the division increased by 76.1% from HK$466.6 million last year to HK$821.9 million, representing 13% of the turnover. The division offers a wide variety of products, including digital satellite TV receivers, plastic set top boxes casings, durable household goods and sports equipment. The Group had already commenced the development of the automotive interior decoration business three years ago. After two years of customers' recognition and trial production, the Group has officially become a supplier of a substantial amount of numerous automotive interior decorations to Ford and BYD last year and secured a number of new orders from various automotive brands, such as General Motors, Mazda and Geely Auto.

Percentage of total revenue by types of product for the year ended 31 December 2015 and a comparison with 2014 are as follows:

	2015	2014
Electrical Fittings Division	**79%**	76%
i. Handsets	**61%**	51%
ii. Electrical Appliances	**10%**	12%
iii. Notebook Computers	**8%**	13%
Ironware Parts Division	**8%**	14%
Communication Facilities and Other Business	**13%**	10%

Business Prospects

During the year, with the global economy clouded with uncertainties, the growth of global handset shipment has slowed down. Leveraging their edge of outstanding cost-performance ratio, the performance of the renowned handset brands in Mainland China outpaced competitors in the industry. The Group anticipates a continuous increase in the penetration rate of the domestic handsets in the global market. As a supplier possessing advanced and innovative technologies, strong integration capability and products with a high price performance ratio, the Group has benefited from the new opportunities arising from the popularity of 4G market. It will strive to gain a larger market share amid intense industry consolidation.

In the short term, the Group will focus on improving the quality and production efficiency of metal casings for handsets and will maximize its penetration among the existing customers by delivering high quality, stable and reliable products. Keeping abreast of the market dynamics through application and research of new technologies, new materials and new craftsmanship, as well as strengthening the compatibility of the components, the Groups will increasingly be able to cope with fierce industry competition. Besides, the Group will proactively explore the household appliance market in the United States and seek new impetus for further development.

The automotive market in China is the key target of the Group in the mid-to-long term. In view of the high development potential of new energy-driven automotives, internet of vehicles and connected mobility, the Group will try its best to develop interior decorative components so as to further expand its customer base in the automotive industry. It is expected to explore all-around cooperation, with customers like Volkswagen and Wuling Motors amid localization of joint venture brands and the anticipated increase in domestic automotive market.

The Group, as always, will continue to optimize its resources in quality control, production and operation. It will also conduct technology research and development and will strive to enhance its overall competitive advantages through more automatic, intelligent, standardized production and optimized quality, in order to seize future opportunities.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Ya Nan, aged 58, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He graduated with a Executive Master of Business Administration degree in Xiamen University and serves as a member of the Standing Committee of the Chinese People's Political Consultative Conference. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua.

Mr. Wang Ya Hua, aged 60, is the Vice Chairman and the general manager of the Group. He is responsible for the overall management of the Group with special focus on product development, preparation and monitoring of annual production plans and operating budget. He is also required to give direction of the day-to-day operations to the operation unit located at Xiamen, Fujian Province. He joined the Group in December 1988 and has over 20 years of experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Nan.

Mr. Wong Ah Yu, aged 63, is the deputy general manager of the Group and the general manager of Tongda Electrics Company Limited, Shishi City, Fujian Province. He is responsible for overseeing the operation unit of the Group in Shishi city, Fujian Province ("Shishi") and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the electronics and electrical industry. He is a brother of Messrs. Wong Ah Yeung, Wang Ya Hua and Wang Ya Nan.

Mr. Wong Ah Yeung, aged 66, is the deputy general manager of the Group and the general manager of Tongda Ironware (Shenzhen) Company Limited ("Tongda Ironware"). He is responsible for overseeing the operation unit of the Group in Shenzhen, Guangdong Province and requires to give direction of the day-to-day operation. He joined the Group in December 1988 and has over 20 years experience in the ironware and electrical industry. He is a brother of Messrs. Wong Ah Yu, Wang Ya Hua and Wang Ya Nan and the father of Mr. Wang Ming Che.

Mr. Choi Wai Sang, aged 60, is an executive director and is responsible for the development of overseas market and the technical support of the Group's product development. He joined the Group in December 1988. He graduated with a Bachelor and Master of Science degrees in electrical engineering from the University of Illinois, USA.

Mr. Wang Ming Che, aged 40, is an executive director and the Deputy General Manager of Tongda Ironware. He is responsible for overseeing the operation unit and the sales of the Group in Shenzhen. He joined the Group since 2002. Mr. Wang is the son of Mr. Wong Ah Yeung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yu Sun Say, *G.B.M., G.B.S., S.B.S, J.P.,* aged 77, joined the Company as an independent non-executive director in October 2007. Dr. Yu is the Chairman of the H.K.I. Group of Companies and a director of a number of manufacturing and investment companies. He is an independent non-executive director of Wong's International Holdings Limited and Beijing Enterprises Holdings Limited. He had served as member of Standing Committee of the Chinese People's Political Consultative Conference, member of the Preparatory Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Adviser. He is currently the Permanent Honorary President of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong.

Mr. Ting Leung Huel Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD*, aged 62, is an independent non-executive director of the Company and joined the Company in December 2000. Mr. Ting is the managing partner of Ting Ho Kwan & Chan, Certified Public Accountants since 1987. Mr. Ting is a member of the 9th, 10th and 11th Chinese People's Political Consultative Conference, Fujian. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited and an independent non-executive director of six listed companies, namely, China SCE Property Holdings Limited, Computer and Technologies Holdings Limited, Dongyue Group Limited, New Silkroad Culturaltainment Limited, Texhong Textile Group Limited and Tong Ren Tang Technologies Company Limited.

Mr. Cheung Wah Fung, Christopher, *S.B.S, JP*, aged 64, is an independent non-executive director of the Company and joined the Company in September 2004. Mr. Cheung is currently the member of Legislative Council (Functional Constituency-Financial Services) of the Hong Kong Special Administrative Region and the chairman of Christfund Securities group of companies. He serves as a member of the National Committee of the Chinese People's Political Consultative Conference, honorary president of the Hong Kong Securities Professionals Association, elected director of the Hong Kong Chinese General Chamber of Commerce, council member of the Chinese Overseas Friendship Association, deputy secretary of the Friends of Hong Kong Association, member of the Standing Committee of the Federation of Commerce and Industry of Guangdong Province, Honorary president of Hong Kong Federation of Fujian Association.

SENIOR MANAGEMENT

Ms. Chan Sze Man, aged 35, is the chief financial officer and company secretary since 2011 and is responsible for the corporate finance, accounts and company secretarial functions of the Group. Ms. Chan graduated from the Hong Kong University of Science and Technology with a Bachelor's Degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in June 2010 and has over 10 years of working experience in the field of accounting, auditing and financial management.

Mr. Hui Wai Man, Anthony, *BSc*, aged 48, is the deputy general manager of a subsidiary of the Group. He is mainly responsible for the sales and marketing activities of the Group in Hong Kong and overseas. He is also responsible for the overall purchasing management of the Group. He has over 25 years experience in the field of electronic market. He joined the Group in April 2003.

Mr. Wong Ming Sik, aged 36, is the deputy general manager of a subsidiary of the Group, He joined the Group in 2005 and in charge of finance, operations, sales and production of the operation unit in Shenzhen. Mr. Wong graduated from University of Central Lancashire in the UK with MSc, Business Management and BA(Hons), Accounting and Financial Studies. He is the son of Mr. Wong Ah Yeung.

Mr. Pan Jian Jun, aged 41, is the business manager of a subsidiary of the Group. Mr. Pan joined the Group in March 2003, he has over a decade of experience in electronics and ironware industry, served various positions in Taiwan and American invested entities.

Mr. Zheng Yu, aged 43, is the vice department manager of a subsidiary of the Group, and he joined the Group in 2015. He is responsible for operation management of aluminium products and has 20 years of experience in manufacturing industry.

Mr. Wang Ming Yi, aged 34, is the deputy general manager of a subsidiary of the Group and responsible for the sales and promotion of the electrical appliance business. He graduated from Macquarie University in Australia and majored in commerce and accounting management. He has gained work experience in banking before joining the Group. Mr. Wang joined the Group in January 2007. He is the son of Mr. Wong Ah Yu and brother of Wang Ming Li.

Ms. Liu Feng, aged 39, is the account manager of a subsidiary of the Group and responsible for financing and accounting affairs of the subsidiary. She graduated from Northeast Agricultural University and majored in Accounting. Ms. Liu joined the Group in March 1998 and has accumulated 18 years of experiences in accounting.

Mr. Wang Ming Li, aged 34, is the general manager of a subsidiary of the Group and he is responsible for the sales and promotion of the notebook computer business. He graduated from Macquarie University in Australia and majored in accounting. He has gained accounting and audit experiences before joining the Group. Mr. Wang joined the Group in October 2008. He is the son of Mr. Wong Ah Yu and brother of Wong Ming Yi.

Mr. Guo Qi Cai, aged 66, is the vice president of a subsidiary of the Group. He joined the Group in 1995. He had accumulated over 40 years of working experience in the high technology industry and served at state owned and Sino-foreign enterprises.

Mr. Wang Hung Man, aged 27, is the deputy general manager of a subsidiary of the Group and responsible for the sales and promotion of the handsets and other businesses. He graduated from the University of California, Davis and majored in economics. Mr. Wang joined the Group in January 2012 and he is the son of Mr. Wong Ah Hua.

Mr. Ye Jin Huang, aged 51, joined the Group in 2008 and is the general manger of a subsidiary of the Group. He has over 25 years experience in the plastic product industry. Beginning to engage in high-tech industry in 1986, he is currently the vice president of Xiamen Association of the Molded Plastic Industry (廈門注塑工業協會).

Mr. Zheng Ren Hao, aged 53, is the general manager of a subsidiary of the Group, and he joined the Group in 2015. He is responsible for development and production of products and operation management in quality and supply chain controls and has over 28 years of experience in high-tech hardware industry.

Mr. You Jun Feng, aged 47, is the vice general manager of a subsidiary of the Group. With over 20 years of technical and managerial experience in the production of molded plastic components, Mr. You joined the Group in 2008 and is now responsible for the management of operations including marketing, procurement and project management in Xiamen.

Mr. Zhou Mao Xin, aged 35, is the vice general manager of a subsidiary of the Group, and he joined the Group in 2008. He is responsible for business operation management, including market, resource purchasing and case management and has 16 years of experience in high-tech hardware industry.

Mr. Xiao Rui Hai, aged 44, is the vice general manager of a subsidiary of the Group and he gained over 16 years of experience in electronic technology industry. He joined the Group in 2005 and is responsible for the business operation management in Xiamen.

Mr. Zhang Jing Guo, aged 38, is the general manager of a subsidiary of the Group. He joined the Group in May 2012. He had 13 years of working experience in manufacture and trading industry. He served as a regional manager (North Asia) for a French multi-national conglomerate, who was in charge of the purchasing office of Asia-Pacific region.

Mr. Lu Chao Hui, aged 39, is the deputy general manager of a subsidiary of the Group. He joined the Group in 2006. Mr. Lu has more than 18 years of experience in the field of plastic with proficient business operational experience.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

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

The Company has compiled with the code provisions of the Code of Best Practice (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout 2015 with certain deviations in respect of the distinctive roles of chairman and chief executive officer and the appointment of non-executive Directors with specific terms. The following summarizes the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code and the code of conduct regarding Directors' securities transactions adopted by the Company throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

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

As at 31 December 2015 and at the date of this report, the Board comprises six executive Directors (including the chairman of the Board) and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive directors:

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

Independent non-executive directors:

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

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

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

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

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

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

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

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

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

The Board held 4 meetings during the year ended 31 December 2015. The Chief Financial Officer and company secretary attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

During the year ended 31 December 2015, Directors had participated in different continuous professional development (the "CPD") to develop and refresh their knowledge and skills and each Directors provided their records of training to the Company respectively. The Company is of the view that all Directors meet the A.6.5 of the CG Code and details as follow:

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

Notes:

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

2. Attending overseas tertiary institution by physical attendances.

3. Attending CPD Seminars.

4. Reading related journals and/or learning materials.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION COMMITTEE

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

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

The Company operates share option schemes (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Schemes are disclosed in note 28 to the financial statements.

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

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

AUDIT COMMITTEE

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

The Group's unaudited interim results for the six months ended 30 June 2015 and audited annual results for the year ended 31 December 2015 have been reviewed by the AC which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

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

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

NOMINATION COMMITTEE

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

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

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

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

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

AUDITORS' REMUNERATION

Details of fees paid or payable to the Group's external auditors for the year ended 31 December 2015 are as follows:

Services	Fees HK$'000
Annual audit	3,069
Non-audit services	376
	3,445

ACCOUNTABILITY AND AUDIT

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

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

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 47 to 48 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

In addition to the risk management and internal control function carried out internally by the Group, an external independent audit firm, Baker Tilly Hong Kong Business Services Ltd. has been appointed to review and appraise the internal control system of the Group. The annual internal control review plan of the Group covers major activities and material controls (including operational, financial and compliance) of the Group's business and service units. A report on the result of assessment and recommendations from Baker Tilly Hong Kong Business Services Ltd. was provided to the Audit Committee in March 2016.

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

COMPANY SECRETARY

As at 31 December 2015, the company secretary of the Company is Ms. Chan Sze Man and a written confirmation had been received by the Company from Ms. Chan to confirm she took no less than 15 hours of relevant professional training during the year ended 2015. The Company is on the view that Ms. Chan complied with the Rule 3.29 of the Listing Rules.

EXTERNAL AUDITORS

Currently, the Group's external auditors are Ernst & Young. Ernst & Young has been appointed as the external auditors of the Company by the shareholders of the Company at the Annual General Meeting 2015. The AC is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorised external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The AC has given their opinion on the fee charged by the external auditors to the Company and has approved the appointment of Ernst & Young as auditors, which the Board fully concurred with such approval of the AC. The responsibilities of the external auditors on the financial statements are set out in the "Independent Auditors' Report" on pages 47 to 48 of this annual report.

SHAREHOLDERS' RIGHTS

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

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

PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The Board will review regularly the Group's operation and corporate governance of the Company in order to ensure compliance of the articles of association of the Company, the laws of the Cayman Islands and regulations and to protect the interest of its shareholders. There is no change in the Company's memorandum and articles of association during the year ended 31 December 2015.

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 39 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 2015 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 49 to 137.

An interim dividend of HK1.6 cents (2014: HK1.0 cent) per ordinary share was paid on 17 September 2015.

The directors recommend the payment of a final dividend of HK2.1 cents (2014: HK2.0 cents) per ordinary share in respect of the year to shareholders whose names appear on the register of members on or about 10 June 2016. This together with the interim dividend of HK1.6 cents per ordinary share gives a total of HK3.7 cents per ordinary share for the year (2014: HK3.0 cents per ordinary share). The proposed final dividend will be paid on or about 21 June 2016 following approval at the 2015 Annual General Meeting. Details are set out in note 10 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 138. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment and the investment property of the Group during the year are set out in notes 12 and 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$1,465,403,000, of which approximately HK$120,240,000 has been proposed after the reporting period as a final dividend. This includes the Company's share premium account in the amount of HK$1,425,527,000 as at 31 December 2015, which may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$116,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 57.41% of the total sales for the year and sales to the largest customer included therein amounted to 25.44%. Purchases from the Group's five largest suppliers accounted for 11.58% of the total purchases for the year and purchases from the largest supplier included therein amounted to 4.2%.

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

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

In accordance with article 108(A) of the Company's articles of association, Mr. Wong Ah Yeung, Mr. Wong Ah Yu, and Mr. Choi Wai Sang will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests and long positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of directors	Directly beneficially owned	Through controlled corporation	Note	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	306,950,000 (L)	2,026,490,000 (L)	1, 2, 4	2,333,440,000 (L)	40.75
		270,000,000 (S)		270,000,000 (S)	4.72
Mr. Wang Ya Hua	70,720,000 (L)	1,730,490,000 (L)	1, 4	1,801,210,000 (L)	31.46
		270,000,000 (S)		270,000,000 (S)	4.72
Mr. Wong Ah Yeung	82,800,000 (L)	1,730,490,000 (L)	1, 4	1,813,290,000 (L)	31.67
		270,000,000 (S)		270,000,000 (S)	4.72
Mr. Wong Ah Yu	75,960,000 (L)	1,730,490,000 (L)	1, 4	1,806,450,000 (L)	31.55
		270,000,000 (S)		270,000,000 (S)	4.72
Mr. Wang Ming Che	16,000,000 (L)	–		16,000,000 (L)	0.28
Mr. Choi Wai Sang	29,750,000 (L)	78,750,000 (L)	3	108,500,000 (L)	1.89
Dr. Yu Sun Say	7,010,000 (L)	–		7,010,000 (L)	0.12
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–		5,950,000 (L)	0.10
Mr. Ting Leung Huel Stephen	8,050,000 (L)	–		8,050,000 (L)	0.14

L: Long position
S: Short position

Long positions in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	20,500,000
Mr. Wang Ya Hua	20,500,000
Mr. Wong Ah Yeung	20,500,000
Mr. Wong Ah Yu	20,500,000
Mr. Wang Ming Che	3,000,000
Mr. Choi Wai Sang	3,000,000
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	2,400,000
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	3,000,000
Mr. Ting Leung Huel Stephen	2,400,000
	95,800,000

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

Notes:

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

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

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

4. 270,000,000 shares were lent by Landmark Worldwide Holdings Limited to PAG-P Asia Fund L.P, pursuant to the stock lending agreement entered into between PAG-P Asia Fund L.P. and Landmark Worldwide Holdings Limited on 26 June 2015.

Save as disclosed above, as at 31 December 2015, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

The Company operates share option schemes (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Schemes are disclosed in note 28 to the financial statements.

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

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

SHARE OPTION SCHEMES *(continued)*

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

SHARE OPTION SCHEMES *(continued)*

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

SHARE OPTION SCHEMES *(continued)*

Name or category of participants	Date of grant	Vesting period	Exercise period	Exercise price of share options HK$ per share	Number of share options: At 1 January 2015	Granted during the period	Exercised during the period	At 31 December 2015
					211,700,000	–	(66,500,000)	145,200,000***

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

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

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

*** The weighted average exercise price of the share options outstanding as at the end of the reporting period was HK$0.7388 per share.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2015, the following parties were interested in 5% or more of the Company's issued share capital as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	1,730,490,000 (L)	30.23
			270,000,000 (S)	4.72
E-Growth Resources Limited	2	Directly beneficially owned	296,000,000	5.17

Note:

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

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

Save as disclosed above, as at 31 December 2015, 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

On 28 April 2015, Mr. Hui Wai Man as the vendor and Tongda (Xiamen) Company Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser entered into the acquisition agreement pursuant to which Tongda (Xiamen) Company Limited agreed to acquire, and Mr. Hui Wai Man agreed to dispose of, the entire issued shares of Grand Prosper Investments Limited (the "Target Company") at the consideration of HK$275,077,000. The consideration was paid to the Mr. Hui Wai Man as to HK$30,357,000 by cash and as to the balance of HK$244,720,000 by procuring the Company to allot and issue 190,000,000 new shares of the Company to Mr. Hui Wai Man, credited as fully paid. Mr. Hui Wai Man was the sole beneficial owner of the Target Company. The Target Company was the beneficial owner of 25% of the equity interests of two PRC companies, the remaining 75% of the equity interest of such PRC companies was owned by Tongda (Xiamen) Company Limited, a wholly-owned subsidiary of the Company. Mr. Hui Wai Man was therefore an indirect substantial shareholder of such two PRC companies. As such, Mr. Hui Wai Man is regarded as a connected person of the Company under the Listing Rules. For details, please refer to the circular of the Company dated 15 June 2015.

CONTINUING CONNECTED TRANSACTION

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

Lease of an investment property

A subsidiary of the Company has been leasing the Group's investment property in Shanghai to a related company controlled by a director of the Company. Pursuant to the Company's announcement dated 18 April 2013, the annual cap for the lease agreement were HK$4,600,000 (equivalent to approximately RMB2,760,000), HK$4,600,000 (equivalent to approximately RMB2,760,000) and HK$1,917,000 (equivalent to approximately RMB1,150,000) for each of the three years ending 31 December 2016. On 29 January 2016, the Company has entered into the termination agreement to terminate the lease agreement with effect from 31 January 2016, respectively. Further details are set out in note 34(a)(ii) to the financial statements.

Lease of a property in Fujian Province

A related company controlled by a director of the Company has been leasing its property in Fujian Province to a subsidiary of the Company. Pursuant to the Company's announcement dated 23 December 2015, the annual cap for the lease agreement were RMB4,800,000 (equivalent to approximately HK$5,714,286), RMB4,800,000 (equivalent to approximately HK$5,714,286) and RMB4,800,000 (equivalent to approximately HK$5,714,286) for each of the three years ending 31 December 2018, respectively.

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONTRACT OF SIGNIFICANCE

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

COMPETITION AND CONFLICT OF INTERESTS

As at 31 December 2015, none of the Directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CONVERTIBLE BONDS

Details of the convertible bonds issued by the Company are set out in note 25 to the financial statements.

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 28 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report and maintained a sufficient public float throughout the year ended 31 December 2015.

AUDITORS

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

PERMITTED INDEMNITY PROVISION

The articles of associations of the Company provides that the directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors and directors of the subsidiaries of the Group.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Details of which is set out in pages 36 to 46 of the Environment, Social and Governance Report in this annual report.

ON BEHALF OF THE BOARD

Wang Ya Nan
TONGDA GROUP HOLDINGS LIMITED
Chairman

Hong Kong
16 March 2016

Environmental, Social and Governance Report

ABOUT THIS REPORT

The contents contained in this standalone of Environment, Social and Governance ("ESG") report include the information obtained through a number of channels from shareholders, stakeholders and various parties over the year. The report covers workplace quality, environment protection, operating practices and community involvement aspect and Corporate Social Responsibility ("CSR") Model. We have given full consideration to issues that are concerned about by major stakeholders, and adhered to the principles of materiality, completeness, comparability and stakeholder involvement, whereby the substances of this ESG report are determined. This report spans over a period from 1 January 2015 to 31 December 2015, and covers information of the Group – Hong Kong headquarters and the production bases in China, such as Shishi (石獅), Xiamen (廈門), Changshu (常熟), Shenzhen Baoan (深圳寶安), Shenzhen Shajin (深圳沙井), Nanan (南安) and the research and development centres in Taiwan, Kaohsiung (台灣高雄) and Shanghai (上海). This report provides detailed explanation with regard to the Group's CSR model on different aspects, including working environment quality, employee welfare and training, health and safety, environment protection, operating practices, community involvement and stakeholder communication. Tongda Group's CSR model is set out as follows.

Tongda Group's CSR Model

1. WORKPLACE QUALITY

1.1 Working conditions

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

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

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

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

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

1. WORKPLACE QUALITY *(continued)*

1.1 Working conditions *(continued)*

As of 31 December 2015, the Group has in total approximately 20,000 employees. Set out below is the KPI established according to department and age group of employees and most of the employees are employed for our business operation in the PRC. The approximate proportions of technical management staff and production base workers:

	Approximate proportion of technical management staff	Approximate proportion of production base workers	Total
Aged 18-30	9.9%	53.7%	63.6
Aged 31-45	6.8%	25.0%	31.8
Aged 46-60	0.6%	4.0%	4.6
Sub-total	17.3%	82.7%	100%

Recognising the importance of the communication with its employees, the Group encourages its employees to share their ideas with the Group, and raise questions or make suggestions to the Group. With the availability of a wide array of communication channels, the Group offers its employees access to the latest information of the Group through a number of means such as the Group's website, internal forums, company newspaper and instant messaging. Employees can also maintain timely and smooth communication with the management, colleagues and partners of the companies within the Group through the members of the union or the representatives of the employees.

Staff restaurant are available within the Group's production plants. The Group also set aside reserved funds for activities, which helped our employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

1. WORKPLACE QUALITY *(continued)*

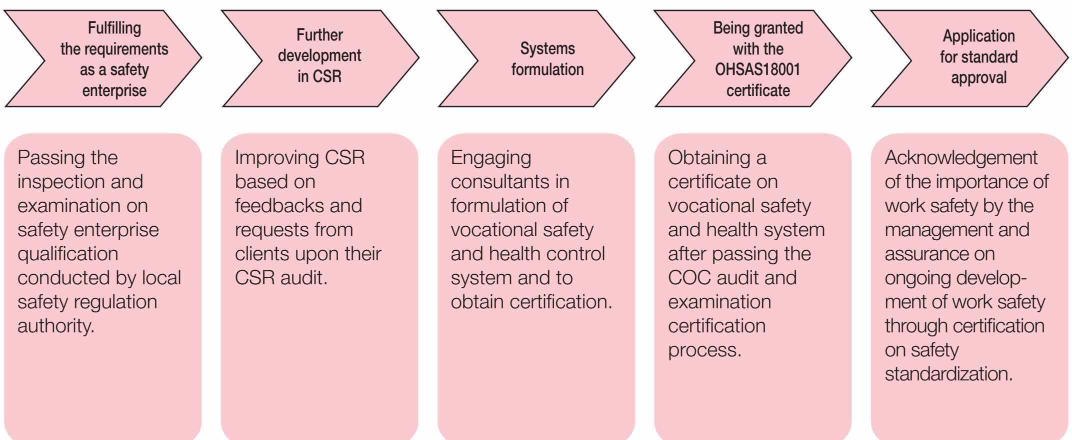
1.2 Labour standards

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

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

1.3 Health and safety

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



1. WORKPLACE QUALITY *(continued)*

1.3 Health and safety *(continued)*

The subsidiaries of the Group obtained certifications on occupational health and safety, namely OHSAS18001 certification, meanwhile, the Group manages the hygiene and safety of its plants in accordance with the relevant laws and regulations of occupational health and safety. It also holds safe production and fire safety training on a regular basis, in order to raise the safety awareness of its employees. The Group provides employee in the PRC with labour protection supplies such as gloves, masks and work uniforms, but not limited to these protection materials so as to ensure the safety and health of our employees. Should our employees suffer from any illness or debilitating condition or are considered by the Group to be in need of health protection based on their health inspection results, the Group will limit their job duties, redesignate their post temporarily, applying treatment and other health care measures. No severe industrial accidents were recorded by the Group during 2015. The KPI of each production base, measured in days lost due to work injury, is set out below.

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

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

1.4 Development and training

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

1. WORKPLACE QUALITY *(continued)*

1.4 Development and training *(continued)*

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

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

2. ENVIRONMENTAL PROTECTION

2.1 Emissions

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

The Group strictly complies with local regulations to identify and manage such substances to ensure safe treatment, transportation, storage, use, recycle or reuse and disposal for it. For example, each plant has a special storage room and method to store different materials, such as placing oil paint and other substance at ventilated and homothermal places and the corresponding secondary containers. Moreover, the Group deals with wastes depending on different conditions. Generally, wastes are transported only when accumulated to a certain amount, which aims to reduce transportation cost and carbon emission. Plants have also set postprocessor to deal with exhaust gas/wastes emitted during production process. For example, waste water is processed in aerobic tanks. It is assured that no hazardous substances are emitted during the postprocessor. In addition, external EIA companies are engaged to evaluate if the emitted substances are hazard-free, and local environment protection authorities visit the production bases to review annually.

2. ENVIRONMENTAL PROTECTION *(continued)*

2.2 Use of resources

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

The Group has established a set of management and implementation regulations for the reduction of electricity consumption. We encourage each of the departments to reduce electricity consumption and strictly regulate the use of air conditioners and the operation of compressors. Notices containing monthly statistics of electricity consumption by each department are issued to them so that they may be aware of their electricity consumption status. In order to eliminate the abuses of electricity, we reinforce the management for electricity conservation by regularly inspecting and supervising the electricity consumption by different departments. On the other hand, the Group actively support the energy saving transformation projects, through, amongst others, upgrading the existing equipment (such as adopting advanced energy saving technologies and equipment, including the purchase of completely electric- driven injection molding machines and the switch to energy efficient lighting), improving various systems (such as air compressor frequency transformation and bake molding machine feeding system energy saving transformation) and introducing brand new technologies (such as air conditioning water systems based on nano dirt removal new technologies). In 2015, through the continuous implementation of technical enhancement, the Group's electricity consumption in domestic production amounted to approximately 203.8 million KWh, and the industrial waste gas discharge amounted to 2,823 million standard cubic meters.

On water consumption management, through the conduction of water balance tests and the installation of water meters at each of the water consumption points (whose summary of comparative analyses will be made on a monthly basis), the Group endeavors to avoid waste of water. In 2015, the Group's water consumption amounted to approximately 1.9 million tons.

In the horizons of waste management and recycling, the Group recorded approximately 1,781 tons of recyclable industrial waste, 1,648 tons of domestic waste, 1,980 tons of kitchen waste and 501 tons of carbon emission in 2015. The Group reuses reusable resources and properly handles hazardous materials with best efforts. We require our employees to keep contaminated items in separation and treat wastes in classification. In 2015, the Group recycled and reused over 3,530 tons of waste from its production process, including scrap steel, copper and packaging waste. In 2015, paint residues and waste with oil content produced by the Group amounted to approximately 448 tons in aggregate. Such hazardous wastes and paint residues will be packed into bags after they are artificially filtered out and will be subsequently stored in specialised storing places after they are drained and dried. Oily wastes will also be collected and packed into bags, and stored in specialised storing places. In compliance with the "Standards on Storage and Pollution Control of Hazardous Wastes", the Group entrusts qualified units to handle hazardous wastes for us in the form of transfer processing. We follow transfer processing system as well as reporting and registration system in accordance with the regulations.

3. OPERATING PRACTICES

3.1 Supply chain management

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

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

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

3. OPERATING PRACTICES *(continued)*

3.2 Product responsibility

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

3.3 Anti-corruption

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

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

4. COMMUNITY INVOLVEMENT

4.1 Community investment

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

5. COMMUNICATION WITH STAKEHOLDERS

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

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

5. COMMUNICATION WITH STAKEHOLDERS *(continued)*

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

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

We have audited the consolidated financial statements of Tongda Group Holdings Limited (the "Company") and its subsidiaries set out on pages 49 to 137, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
16 March 2016

Consolidated Income Statement

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**6,074,061**	4,791,346
Cost of sales		**(4,562,032)**	(3,647,711)
Gross profit		**1,512,029**	1,143,635
Other income and gains, net	5	**25,930**	26,507
Selling and distribution expenses		**(148,535)**	(111,992)
General and administrative expenses		**(445,207)**	(330,262)
Other operating expenses, net		**(16,011)**	(26,756)
Finance costs	6	**(55,660)**	(56,883)
Share of losses of associates		**(286)**	(1,852)
PROFIT BEFORE TAX	7	**872,260**	642,397
Income tax expense	9	**(134,285)**	(94,187)
PROFIT FOR THE YEAR		**737,975**	548,210
Attributable to:			
Owners of the Company		**702,839**	501,701
Non-controlling interests		**35,136**	46,509
		737,975	548,210
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
– Basic		**HK12.60 cents**	HK9.44 cents
– Diluted		**HK11.97 cents**	HK9.30 cents

Details of the dividends are disclosed in note 10.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**737,975**	548,210
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**1,393**	868
Income tax effect	26	**(230)**	(143)
		1,163	725
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations			
– subsidiaries		**(129,651)**	(8,635)
– associates		**(107)**	(16)
Release of exchange fluctuation reserve upon step acquisition from associates to subsidiaries	31	**–**	(4,052)
Release of exchange reserve upon disposal of an associate	31	**–**	133
		(129,758)	(12,570)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX		**(128,595)**	(11,845)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**609,380**	536,365
Attributable to:			
Owners of the Company		**575,682**	490,090
Non-controlling interests		**33,698**	46,275
		609,380	536,365

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,627,744**	1,757,234
Investment property	13	**53,902**	54,545
Prepaid land lease payments	14	**58,198**	61,657
Goodwill	15	**–**	–
Investments in associates	16	**2,666**	3,059
Prepayments	17	**57,842**	61,534
Long term deposits	18	**248,299**	147,119
Loan to a non-controlling shareholder of a subsidiary	23(a)	**1,500**	12,610
Deferred tax assets	26	**3,703**	3,703
Total non-current assets		**3,053,854**	2,101,461
CURRENT ASSETS			
Inventories	19	**1,605,937**	1,400,901
Trade and bills receivables	20	**2,682,939**	2,166,186
Prepayments, deposits and other receivables		**300,950**	204,441
Loan to a non-controlling shareholder of a subsidiary	23(a)	**–**	6,305
Due from a related company	23(b)	**8,922**	9,848
Tax recoverable		**287**	344
Pledged deposits	21	**173,581**	117,463
Cash and cash equivalents	21	**762,392**	360,161
Total current assets		**5,535,008**	4,265,649
CURRENT LIABILITIES			
Trade and bills payables	22	**1,572,221**	1,329,422
Accrued liabilities and other payables		**324,419**	195,609
Interest-bearing bank and other borrowings	24	**976,356**	629,143
Due to a non-controlling shareholder of a subsidiary	23(c)	**54**	54
Tax payable		**192,029**	177,406
Total current liabilities		**3,065,079**	2,331,634
NET CURRENT ASSETS		**2,469,929**	1,934,015
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,523,783**	4,035,476

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**519,321**	350,835
Convertible bonds	25	**873,028**	–
Due to a former non-controlling shareholder of a subsidiary	39	**30,034**	–
Deferred tax liabilities	26	**62,082**	48,172
Total non-current liabilities		**1,484,465**	399,007
Net assets		**4,039,318**	3,636,469
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**57,257**	54,692
Reserves	29	**3,999,929**	3,422,502
		4,057,186	3,477,194
Non-controlling interests		**(17,868)**	159,275
Total equity		**4,039,318**	3,636,469

Wang Ya Nan
Director

Wang Ya Hua
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Notes	Attributable to owners of the Company												
		Share capital HK$'000	Share premium account HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Capital reserve HK$'000 (Note 29(i))	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 29(ii))	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		54,692	1,295,199	-	20,696	17,008	26,987	154,979	287	216,756	1,690,590	3,477,194	159,275	3,636,469
Profit for the year		-	-	-	-	-	-	-	-	-	702,839	702,839	35,136	737,975
Other comprehensive income for the year:														
Gain on property revaluation, net of tax		-	-	-	-	-	1,163	-	-	-	-	1,163	-	1,163
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(128,320)	-	(128,320)	(1,438)	(129,758)
Total comprehensive income for the year		-	-	-	-	-	1,163	-	-	(128,320)	702,839	575,682	33,698	609,380
Capital contribution from a non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Transfer to statutory reserve		-	-	-	-	-	-	74,915	-	-	(74,915)	-	-	-
Acquisition of a non-controlling interest	27(iii)	1,900	304,000	-	-	(142,665)	-	-	-	-	-	163,235	(212,341)	(49,106)
Issue of convertible bonds	25	-	-	6,972	-	-	-	-	-	-	-	6,972	-	6,972
Shares issued upon exercise of share options	27(iv)	665	27,321	-	(6,205)	-	-	-	-	-	-	21,781	-	21,781
Equity-settled share option arrangements	28	-	-	-	13,315	-	-	-	-	-	-	13,315	-	13,315
Final 2014 dividend declared and paid	10	-	(109,383)	-	-	-	-	-	-	-	-	(109,383)	-	(109,383)
Interim 2015 dividend declared and paid	10	-	(91,610)	-	-	-	-	-	-	-	-	(91,610)	-	(91,610)
At 31 December 2015		57,257	1,425,527*	6,972*	27,806*	(125,657)*	28,150*	229,894*	287*	88,436*	2,318,514*	4,057,186	(17,868)	4,039,318

	Notes	Attributable to owners of the Company											
		Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000 (Note 29(i))	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (Note 29(ii))	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		48,589	693,156	9,173	17,008	26,262	98,147	287	229,092	1,333,163	2,454,877	94,293	2,549,170
Profit for the year		–	–	–	–	–	–	–	–	501,701	501,701	46,509	548,210
Other comprehensive income for the year:													
Gain on property revaluation, net of tax		–	–	–	–	725	–	–	–	–	725	–	725
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(8,417)	–	(8,417)	(234)	(8,651)
Release of exchange fluctuation reserve upon step acquisition from associates to subsidiaries	31	–	–	–	–	–	–	–	(4,052)	–	(4,052)	–	(4,052)
Release of exchange reserve upon disposal of an associate	31	–	–	–	–	–	–	–	133	–	133	–	133
Total comprehensive income for the year		–	–	–	–	725	–	–	(12,336)	501,701	490,090	46,275	536,365
Capital contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	18,707	18,707
Transfer to statutory reserve		–	–	–	–	–	56,832	–	–	(56,832)	–	–	–
Issue of shares	27(i)	6,000	666,000	–	–	–	–	–	–	–	672,000	–	672,000
Share issue expenses		–	(14,494)	–	–	–	–	–	–	–	(14,494)	–	(14,494)
Shares issued upon exercise of share options	27(ii)	103	5,189	(797)	–	–	–	–	–	–	4,495	–	4,495
Equity-settled share option arrangement	28	–	–	12,320	–	–	–	–	–	–	12,320	–	12,320
Final 2013 dividend declared	10	–	–	–	–	–	–	–	–	(87,442)	(87,442)	–	(87,442)
Interim 2014 dividend	10	–	(54,652)	–	–	–	–	–	–	–	(54,652)	–	(54,652)
At 31 December 2014		54,692	1,295,199*	20,696*	17,008*	26,987*	154,979*	287*	216,756*	1,690,590*	3,477,194	159,275	3,636,469

* These reserve accounts comprise the consolidated reserves of HK$3,999,929,000 (2014: HK$3,422,502,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**872,260**	642,397
Adjustments for:			
Finance costs		**55,660**	56,883
Share of losses of associates		**286**	1,852
Depreciation	7	**202,941**	176,119
Amortisation of prepaid land lease payments	7	**1,364**	1,612
Amortisation of prepayments	7	**1,591**	1,647
Bank interest income	5	**(7,564)**	(5,083)
Equity-settled share option expenses	28	**13,315**	12,320
Loss on disposal of items of property, plant and equipment	7	**1,170**	8,257
Changes in fair value of an investment property	7	**(1,220)**	(758)
Impairment of trade receivables	7	**9,347**	7,635
Write-back of impairment of trade receivables	7	**(199)**	(470)
Write-off of trade receivables	7	**405**	–
Provision against obsolete inventories	7	**10,337**	20,664
Impairment of goodwill	7	**–**	9,177
Impairment of an other receivable	7	**5,212**	–
Net gain on step acquisition	5	**–**	(7,651)
		1,164,905	924,601
Increase in inventories		**(215,373)**	(321,278)
Increase in trade and bills receivables		**(526,306)**	(579,126)
Increase in prepayments, deposits and other receivables		**(101,769)**	(66,341)
Decrease/(increase) in an amount due from a related company		**926**	(4,725)
Increase in amounts due to associates		**–**	1
Increase in trade and bills payables		**242,799**	429,111
Increase in accrued liabilities and other payables		**127,986**	51,725
Cash generated from operations		**693,168**	433,968
Interest paid		**(55,660)**	(56,883)
Hong Kong profits tax paid		**–**	(5,168)
Overseas taxes paid		**(105,562)**	(100,475)
Net cash flows from operating activities		**531,946**	271,442

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		7,564	5,083
Acquisition of a non-controlling interest	39	667	–
Acquisition of subsidiaries	31	–	23,225
Purchases of items of property, plant and equipment		(986,081)	(546,808)
Proceeds from disposal of items of property, plant and equipment		766	12,559
Increase in long term deposits		(248,299)	(177,065)
Increase in pledged bank deposits		(56,118)	(54,670)
Net cash flows used in investing activities		(1,281,501)	(737,676)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		1,730,870	1,251,113
Repayment of bank loans		(1,215,171)	(1,120,802)
Proceeds from exercise of share options		21,781	4,495
Proceeds from issue of shares		–	672,000
Share issue expense		–	(14,494)
Capital contribution from a non-controlling shareholder of a subsidiary		–	18,707
Loan to a non-controlling shareholder of a subsidiary		–	(18,915)
Issuance of convertible bonds		880,000	–
Dividends paid		(200,993)	(142,094)
Net cash flows from financing activities		1,216,487	650,010
NET INCREASE IN CASH AND CASH EQUIVALENTS		466,932	183,776
Cash and cash equivalents at beginning of year		360,161	177,643
Effect of foreign exchange rate changes, net		(64,701)	(1,258)
CASH AND CASH EQUIVALENTS AT END OF YEAR		762,392	360,161
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	561,912	360,161
Non-pledged time deposits with original maturity of less than three months when required		200,480	–
Cash and cash equivalents as stated in the consolidated statement of financial position	21	762,392	360,161

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 39. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 a leasehold building in Hong Kong classified as property, plant and equipment and the investment property which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

Other than as explained below regarding the impact of *Annual Improvements to HKFRSs 2010–2012 Cycle* and *Annual Improvements to HKFRSs 2011–2013 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

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

(a) The *Annual Improvements to HKFRSs 2010-2012 Cycle*: *(continued)*

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(b) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Investment property

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

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

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

Inventories

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

Operating leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

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

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

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

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

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

Derecognition of financial assets

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

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

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

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

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.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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

Financial liabilities

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

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

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

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

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

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

Convertible bonds
The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

Government grants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development costs

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

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

Provisions

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

Revenue recognition

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

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

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

Estimation uncertainty

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

Provision against inventories
The management of the Group reviews the ageing analysis of inventories 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. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The carrying amount of inventories at 31 December 2015 was HK$1,605,937,000 (2014: HK$1,400,901,000). Further details are given in note 19.

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

Estimation uncertainty *(continued)*

Impairment of trade and bills receivables and other receivables

Impairment of trade and bills receivables and other receivables is made by assessing the recoverability of trade and bills receivables and other receivables based on credit history, historical payment pattern, ageing of receivable balances and prevailing market conditions. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed. The carrying amounts of trade and bills receivables and prepayments, deposits and other receivables at 31 December 2015 were HK$2,682,939,000 (2014: HK$2,166,186,000) and HK$300,950,000 (2014: HK$204,441,000), respectively. Further details of the trade and bills receivables are given in note 20.

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

As described in notes 12 and 13 to the financial statements, the leasehold building located in Hong Kong and the investment property located in Mainland China were revalued at the end of the reporting period by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period. The carrying amounts of a leasehold building in Hong Kong and an investment property at 31 December 2015 were HK$40,500,000 (2014: HK$40,000,000) and HK$53,902,000 (2014: HK$54,545,000), respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13, to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was fully impaired during the year ended 31 December 2014. Further details are given in note 15.

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

Estimation uncertainty *(continued)*

Impairment of property, plant and equipment (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Segment liabilities exclude interest-bearing bank and other borrowings, convertible bonds, due to a former non-controlling shareholder of a subsidiary, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**4,780,254**	3,636,967	**471,902**	687,730	**821,905**	466,649	**–**	–	**6,074,061**	4,791,346
Intersegment sales	**6,592**	14,535	**6,094**	11,701	**3,049**	4,205	**(15,735)**	(30,441)	**–**	–
Total	**4,786,846**	3,651,502	**477,996**	699,431	**824,954**	470,854	**(15,735)**	(30,441)	**6,074,061**	4,791,346
Segment results before depreciation and amortisation	**971,004**	765,241	**33,908**	62,188	**133,141**	65,179	**–**	–	**1,138,053**	892,608
Depreciation	**(174,440)**	(152,516)	**(19,416)**	(16,660)	**(9,085)**	(6,943)	**–**	–	**(202,941)**	(176,119)
Amortisation	**(1,285)**	(1,530)	**(1,590)**	(1,647)	**(80)**	(82)	**–**	–	**(2,955)**	(3,259)
Segment results	**795,279**	611,195	**12,902**	43,881	**123,976**	58,154	**–**	–	**932,157**	713,230
Unallocated income									**25,930**	26,507
Impairment of goodwill									**–**	(9,177)
Corporate and other unallocated expenses									**(29,881)**	(29,428)
Finance costs									**(55,660)**	(56,883)
Share of losses of associates									**(286)**	(1,852)
Profit before tax									**872,260**	642,397
Income tax expense									**(134,285)**	(94,187)
Profit for the year									**737,975**	548,210
Other segment information:										
Impairment losses/write-down recognised in the income statement*	**(19,474)**	(23,482)	**(5,693)**	(1,637)	**(134)**	(3,180)	**–**	–	**(25,301)**	(28,299)
Impairment losses reversed in the income statement**	**31**	–	**–**	–	**168**	470	**–**	–	**199**	470
Capital expenditure***	**1,085,601**	541,271	**42,234**	59,066	**5,365**	25,416	**–**	–	**1,133,200**	625,753

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

** Included write-back of impairment of trade receivables.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	6,336,103	4,942,593	675,920	596,229	632,710	324,643	–	–	7,644,733	5,863,465
Unallocated assets									944,129	503,645
Total assets									8,588,862	6,367,110
Segment liabilities	1,499,662	1,155,363	215,514	239,164	181,518	130,558	–	–	1,896,694	1,525,085
Unallocated liabilities									2,652,850	1,205,556
Total liabilities									4,549,544	2,730,641

Geographical information

	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(a) Revenue from customers										
Segment revenue:										
Sales to external customers	5,501,365	4,321,073	414,978	333,836	2,560	5,061	155,158	131,376	6,074,061	4,791,346
(b) Non-current assets	3,004,911	2,041,237	–	–	–	–	41,074	40,852	3,045,985	2,082,089

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

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

Information about major customers

During the year ended 31 December 2015, revenue of approximately HK$1,545,105,000 (2014: HK$1,206,968,000) and HK$1,035,276,000 (2014: 481,376,000), representing 25.44% (2014: 25.19%) and 17.04% (2014: 10.05%) of the Group's revenue, respectively, was derived from sales by the electrical fittings segment to two customers (2014: two), including sales to a group of entities which are known to be under common control of the respective customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of:		
Electrical fittings	4,780,254	3,636,967
Ironware parts	471,902	687,730
Communication facilities and others	821,905	466,649
	6,074,061	4,791,346
Other income and gains, net		
Bank interest income	7,564	5,083
Gross rental income with nil outgoings	3,366	3,485
Sale of scrap materials	7,912	7,227
Government grants*	17,283	8,230
Fair value gain on an investment property (note 13)	1,220	758
Foreign exchange differences, net	(22,813)	(8,703)
Net gain on step acquisition (note 31)	–	7,651
Others	11,398	2,776
	25,930	26,507

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

6. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expenses on bank and other loans (including convertible bonds)	44,924	39,408
Less: Interest capitalised#	(988)	(2,181)
	43,936	37,227
Interest expenses on discounted bills	11,724	19,656
	55,660	56,883

\# During the year ended 31 December 2015, interest of HK$988,000 (2014:HK$2,181,000) arising from certain funds borrowed generally used for the purpose of constructing certain leasehold buildings situated in Mainland China (note 12) was capitalised and included in the cost of leasehold buildings in Mainland China.

7. PROFIT BEFORE TAX

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

	2015 HK$'000	2014 HK$'000
Cost of inventories sold	**4,562,032**	3,647,711
Depreciation	**202,941**	176,119
Amortisation of prepaid land lease payments	**1,364**	1,612
Amortisation of prepayments	**1,591**	1,647
Research and development costs	**128,927**	97,468
Impairment of goodwill* (note 15)	**–**	9,177
Minimum lease payments under operating leases	**44,785**	36,551
Employee benefit expense (excluding directors' remuneration – note 8):		
Salaries and wages	**1,133,006**	892,363
Equity-settled share option expense	**4,293**	3,975
Pension scheme contributions	**51,372**	31,627
Less: amounts included in research and development costs	**(31,601)**	(22,205)
	1,157,070	905,760
Auditors' remuneration	**3,069**	2,839
Impairment of trade receivables*	**9,347**	7,635
Write-back of impairment of trade receivables*	**(199)**	(470)
Write-off of trade receivables*	**405**	–
Impairment of an other receivable*	**5,212**	–
Provision against obsolete inventories	**10,337**	20,664
Changes in fair value of an investment property	**(1,220)**	(758)
Loss on disposal of items of property, plant and equipment*	**1,170**	8,257

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

Cost of inventories sold includes HK$1,243,471,000 (2014: HK$996,586,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against obsolete inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Fees	**4,130**	4,130
Other emoluments:		
Salaries, allowances and benefits in kind	**1,940**	1,940
Equity-settled share option expense	**9,022**	8,345
Pension scheme contributions	**192**	199
	11,154	10,484
	15,284	14,614

During the year ended 31 December 2014, directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of these options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

Directors' remuneration *(continued)*

(a) *Independent non-executive directors*

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2015			
Mr. Ting Leung Huel, Stephen	250	430	680
Mr. Cheung Wah Fung, Christopher, *JP*	200	430	630
Dr. Yu Sun Say, *GBS, SBS, JP*	200	430	630
	650	1,290	1,940

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

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

Directors' remuneration *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Mr. Wang Ya Nan	870	360	1,718	60	3,008
Mr. Wang Ya Hua	630	360	1,718	36	2,744
Mr. Wong Ah Yeung	630	360	1,718	24	2,732
Mr. Wong Ah Yu	630	360	1,718	36	2,744
Mr. Choi Wai Sang	360	260	430	36	1,086
Mr. Wang Ming Che	360	240	430	–	1,030
	3,480	1,940	7,732	192	13,344

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

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 (2014: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2014: one) non-director highest paid employee are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,210**	1,372
Equity-settled share option expense	**430**	397
Pension scheme contributions	**18**	17
	1,658	1,786

During the year ended 31 December 2014, share options were granted to a non-director and non-chief executive highest paid employee in respect of her services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

The above remuneration of the non-director highest paid employee fell within the band of HK$1,500,001 to HK$2,000,000 (2014: HK$1,500,001 to HK$2,000,000).

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**3,510**	3,704
Underprovision/(Overprovision) in prior years	**447**	(1,413)
	3,957	2,291
Current – Elsewhere		
Charge for the year	**132,334**	103,788
Overprovision in prior years	**(16,049)**	(24,407)
	116,285	79,381
Deferred (note 26)	**14,043**	12,515
Total tax charge for the year	**134,285**	94,187

9. INCOME TAX *(continued)*

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

	Group	
	2015	2014
	HK$'000	HK$'000
Profit before tax	**872,260**	642,397
Tax at the applicable tax rates	**213,969**	155,242
Lower applicable tax rates enjoyed by the Group	**(86,199)**	(63,252)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**13,737**	12,324
Adjustments in respect of current tax of prior years	**(15,602)**	(25,820)
Loss attributable to associates	**47**	306
Income not subject to tax	**(9,310)**	(10,347)
Expenses not deductible for tax	**10,333**	19,294
Tax losses utilised from previous years	**–**	(51)
Tax losses not recognised	**7,310**	6,491
Tax charge at the Group's effective rate	**134,285**	94,187

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

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

The share of tax attributable to associates amounting to HK$38,000 (2014: HK$67,000) is included in "Share of losses of associates" on the face of the consolidated income statement.

10. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2014 – HK2.0 cents per ordinary share (2014: final dividend of HK1.6 cents per ordinary share, in respect of the financial year ended 31 December 2013)	**109,383**	87,442
Interim – HK1.6 cents (2014: HK1.0 cent) per ordinary share	**91,610**	54,652
	200,993	142,094
Proposed final dividend:		
Final – HK2.1 cents (2014: HK2.0 cents) per ordinary share	**120,240**	109,383

The proposed final dividend of HK2.1 cents per ordinary share (2014: HK2.0 cents per ordinary share) 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 final dividend payable.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 5,578,538,000 (2014: 5,316,267,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

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

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

	2015 HK$'000	2014 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	**702,839**	501,701
Interest on convertible bonds	**4,340**	–
Profit for the year attributable to owners of the Company before interest on convertible bonds	**707,179**	501,701
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,578,538**	5,316,267
Effect of dilutive potential ordinary shares arising from		
– share options	**93,127**	78,224
– convertible bonds	**238,489**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,910,154**	5,394,491

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building in Hong Kong HK$'000	Leasehold buildings in Mainland China HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015								
Cost or valuation:								
At 1 January 2015	40,000	497,824	93,286	1,835,636	70,451	42,739	125,817	2,705,753
Additions	–	4,779	5,691	966,848	10,241	4,215	141,426	1,133,200
Surplus on revaluation	500	–	–	–	–	–	–	500
Disposals	–	–	(9,246)	(6,911)	(1,092)	(256)	–	(17,505)
Transfer	–	112,370	8,451	81,084	846	–	(202,751)	–
Exchange realignment	–	(16,992)	(3,208)	(63,394)	(2,352)	(1,388)	(4,517)	(91,851)
At 31 December 2015	40,500	597,981	94,974	2,813,263	78,094	45,310	59,975	3,730,097
Accumulated depreciation:								
At 1 January 2015	–	119,319	28,083	738,970	33,311	28,836	–	948,519
Provided for the year	893	15,800	5,170	166,958	10,659	3,461	–	202,941
Disposals	–	–	(8,784)	(5,717)	(893)	(175)	–	(15,569)
Reversal upon revaluation	(893)	–	–	–	–	–	–	(893)
Exchange realignment	–	(4,074)	(784)	(25,789)	(1,064)	(934)	–	(32,645)
At 31 December 2015	–	131,045	23,685	874,422	42,013	31,188	–	1,102,353
Net book value:								
At 31 December 2015	40,500	466,936	71,289	1,938,841	36,081	14,122	59,975	2,627,744

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

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

Except for the leasehold building in Hong Kong which is stated at valuation, all other property, plant and equipment are stated at cost less depreciation.

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

The Group's leasehold building situated in Hong Kong was revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK$40,500,000 (2014: HK$40,000,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong equates to its highest and best use.

A revaluation surplus of HK$1,393,000 (2014: HK$868,000), resulting from the above valuation, has been credited to other comprehensive income. Further details of the fair value measurement of the Group's building situated in Hong Kong are disclosed in note 13 below.

Had the Group's leasehold building situated in Hong Kong been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately HK$10,619,000 (2014: HK$10,877,000).

As at 31 December 2015, the Group's leasehold building in Hong Kong with a net carrying amount of HK$40,500,000 (2014: HK$40,000,000) was pledged to secure bank loans granted to the Group (note 24).

As at 31 December 2015, the Group had not yet obtained the title ownership certificates for certain of its buildings situated in Xiamen city and Shishi city, Fujian, the PRC with net book values of HK$202,994,000 (2014: HK$140,600,000) and HK$102,997,000 (2014: HK$73,942,000), respectively. The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

13. INVESTMENT PROPERTY

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**54,545**	53,992
Changes in fair value	**1,220**	758
Exchange realignment	**(1,863)**	(205)
Carrying amount at 31 December	**53,902**	54,545

The Group's investment property in Shanghai was revalued on 31 December 2015 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers at RMB44,200,000, equivalent to HK$53,902,000 (2014: RMB43,200,000, equivalent to HK$54,545,000). In the opinion of the directors, the current use of the investment property in Shanghai equates to its highest and best use.

13. INVESTMENT PROPERTY *(continued)*

The investment property in Shanghai is leased to a related company controlled by a director of the Company under an operating lease, further details of which are included in notes 32(a) and 34(a)(ii) to the financial statements.

As at 31 December 2015, the Group has not yet obtained the title ownership certificates for certain of its buildings situated in Shanghai, the PRC with the fair value of RMB4,586,000, equivalent to HK$5,593,000 (2014: RMB4,699,000, equivalent to HK5,933,000). The Company's directors confirmed that there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

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

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold building situated in Hong Kong for own use (note 12) and an investment property in Shanghai:

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Leasehold building in Hong Kong for own use (note (a))	–	–	40,500	40,500
Investment property in Shanghai (note (b))	–	–	53,902	53,902
	–	–	94,402	94,902

13. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

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

	Leasehold building HK$'000	**Investment property HK$'000**
Net carrying amount at 1 January 2014	40,000	53,992
Depreciation	(868)	–
Gain from a fair value adjustment recognised in:		
other income and gains, net, in income statement (note 5)	–	758
other comprehensive income in the statement of comprehensive income	868	–
Exchange realignment	–	(205)
Net carrying amount at 31 December 2014 and 1 January 2015	**40,000**	**54,545**
Depreciation	**(893)**	**–**
Gain from a fair value adjustment recognised in:		
other income and gains, net, in income statement (note 5)	**–**	**1,220**
other comprehensive income in the statement of comprehensive income	**1,393**	**–**
Exchange realignment	**–**	**(1,863)**
Net carrying amount at 31 December 2015	**40,500**	**53,902**

13. INVESTMENT PROPERTY *(continued)*

Fair value hierarchy *(continued)*

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

	Valuation technique	Significant unobservable inputs	Range 2015	Range 2014
Leasehold building in Hong Kong for own use	Direct comparison approach	Market transaction price (per square feet)	HK$16,158 to HK$23,256	HK$14,000 to HK$22,723
		Discount on quality of the building	0.5% to 7%	1.5% to 3.5%
Investment property	Direct comparison approach	Asking price per square metre	HK$4,390 to HK$5,945	HK$4,910 to HK$7,155
		Discount factor	10%	10%

Notes:

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

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

(b) The valuation of the investment property in Shanghai was determined using the direct comparison approach. Since no recent transaction history of the comparable properties nearby was publicly available, the asking price per square metre of comparable properties nearby and currently on sale with a discount factor of 10% (2014: 10%) was used in the determination of the fair value of the investment property. The most significant inputs to this valuation approach are the asking price per square metre and the discount factor.

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

14. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**63,069**	34,866
Addition#	**–**	30,059
Amortisation recognised during the year	**(1,364)**	(1,612)
Exchange realignment	**(2,143)**	(244)
Carrying amount at 31 December	**59,562**	63,069
Current portion included in prepayments, deposits and other receivables	**(1,364)**	(1,412)
Non-current portion	**58,198**	61,657

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

15. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost		
Balance at beginning of year	**34,851**	31,809
Step acquisition from associates to subsidiaries (note 31)	**–**	3,042
Balance at the end of year	**34,851**	34,851
Accumulated impairment losses		
Balance at beginning of year	**34,851**	25,674
Impairment recognised in the year	**–**	9,177
Balance at the end of year	**34,851**	34,851
Carrying amount		
Balance at 31 December	**–**	–

15. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units (the "CGUs") of the subsidiaries acquired in prior years for impairment testing. During the year ended 31 December 2014, goodwill of HK$9,177,000 had been impaired and the carrying amount of goodwill resulted in zero balance as at 31 December 2014.

CGU acquired prior to the year ended 31 December 2014

CGU acquired prior to the year ended 31 December 2014 was engaged in the manufacture and sale of silk-screen printing products and leasing a building in Shanghai (note 13).

The recoverable amount had been determined based on a value in use calculation using cash flow projections covering a 5-year period approved by senior management. The discount rate applied to the cash flow projections was 13% and cash flows beyond the 5-year period were extrapolated using a growth rate of 5%.

Assumptions for the above cash flow projections were the budgeted operating profits made with reference to the operating profits achieved in the year immediately before the projection period, increased for expected market development, and the pre-tax discount rate of 13%, which was before tax and reflected specific risks relating to the CGU.

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

CGU acquired through the step acquisition from associates to subsidiaries and disposal of an associate during the year ended 31 December 2014 (note 31)

CGU acquired during the year ended 31 December 2014 was engaged in the manufacture and sale of silk-screen printing products.

In respect of the goodwill allocated to the CGU acquired during the year ended 31 December 2014 (note 31), the directors considered that, due to the deteriorating operating performance of the CGU, the goodwill of HK$3,042,000 was fully impaired based on the recoverable amount of the CGU during the year ended 31 December 2014.

16. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	4,127	4,520
Goodwill on acquisition	14,308	14,308
	18,435	18,828
Due from associates	9	9
Due to associates	(3,766)	(3,766)
	14,678	15,071
Provision for impairment	(12,012)	(12,012)
	2,666	3,059

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of issued shares held	Percentage of ownership interest indirectly attributable to the Group 2015	2014	Principal activities
東莞市康祥電子有限公司 ("Kangxiang")*	PRC/Mainland China	Registered RMB13,500,000	34.9	34.9	Manufacture and sale of electronic components
Justone Holdings Limited ("Justone")*	BVI	Ordinary US$33,333	28	28	Investment holding
Justone Technologies Limited	Hong Kong	Ordinary HK$10,000	28	28	Investment holding
Justone（北京）通訊技術有限公司	PRC/Mainland China	Registered RMB5,000,000	28	28	Provision of software platform to run integrated fixed line phone

16. INVESTMENTS IN ASSOCIATES *(continued)*

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

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

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

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

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

	2015	2014
	HK$'000	HK$'000
Share of the associates' losses for the year	**(286)**	(1,852)
Exchange difference on translation of an associate	**(107)**	(16)
Share of the associates' total comprehensive expense	**(393)**	(1,868)
Aggregate carrying amount of the Group's investments in the associates	**2,666**	3,059

17. PREPAYMENTS

	Prepaid rental HK$'000	Prepaid premises cost HK$'000	Total HK$'000
31 December 2015			
Cost:			
At 1 January 2015	**2,386**	**74,492**	**76,878**
Exchange realignment	**(81)**	**(2,544)**	**(2,625)**
At 31 December 2015	**2,305**	**71,948**	**74,253**
Amortisation:			
At 1 January 2015	**614**	**14,730**	**15,344**
Amortised during the year	**51**	**1,540**	**1,591**
Exchange realignment	**(21)**	**(503)**	**(524)**
At 31 December 2015	**644**	**15,767**	**16,411**
Net book value:			
At 31 December 2015	**1,661**	**56,181**	**57,842**
31 December 2014			
Cost:			
At 1 January 2014	2,395	74,774	77,169
Exchange realignment	(9)	(282)	(291)
At 31 December 2014	2,386	74,492	76,878
Amortisation:			
At 1 January 2014	564	13,184	13,748
Amortised during the year	52	1,595	1,647
Exchange realignment	(2)	(49)	(51)
At 31 December 2014	614	14,730	15,344
Net book value:			
At 31 December 2014	1,772	59,762	61,534

17. PREPAYMENTS *(continued)*

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

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

18. LONG TERM DEPOSITS

	2015 **HK$'000**	2014 HK$'000
Deposits for acquisition of property, plant and equipment	**248,299**	147,119

19. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Raw materials	**412,742**	482,131
Work in progress	**421,146**	360,711
Finished goods	**772,049**	558,059
	1,605,937	1,400,901

As at 31 December 2015, moulds of HK$223,785,000 (2014: HK$175,012,000) are included in the finished goods.

20. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**2,440,733**	1,998,829
Impairment allowances	**(48,835)**	(40,013)
	2,391,898	1,958,816
Bills receivable	**291,041**	207,370
	2,682,939	2,166,186

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing. At the end of the reporting period, 20.4% (2014: 19.6%) and 52.9% (2014: 54.7%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

An aged analysis of the Group's trade and bills receivables as at 31 December 2015, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**2,363,751**	1,907,767
4 to 6 months, inclusive	**274,776**	216,833
7 to 9 months, inclusive	**25,976**	35,902
10 to 12 months, inclusive	**10,068**	8,762
More than 1 year	**57,203**	36,935
	2,731,774	2,206,199
Impairment allowances	**(48,835)**	(40,013)
	2,682,939	2,166,186

20. TRADE AND BILLS RECEIVABLES *(continued)*

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

	2015 HK$'000	2014 HK$'000
At 1 January	**40,013**	32,884
Impairment of trade receivables (note 7)	**9,347**	7,635
Write-back of impairment of trade receivables (note 7)	**(199)**	(470)
Exchange realignment	**(326)**	(36)
At 31 December	**48,835**	40,013

The above impairment allowances for trade receivables are allowances for impaired trade receivables with a gross carrying amount of HK$90,778,000 (2014: HK$142,084,000). The impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**2,417,517**	1,929,541
Past due:		
Within 3 months	**197,977**	121,782
4 to 6 months, inclusive	**22,848**	11,468
7 to 9 months, inclusive	**2,654**	1,324
	2,640,996	2,064,115

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.

21. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015	2014
	HK$'000	HK$'000
Cash and bank balances	**561,912**	360,161
Time deposits	**374,061**	117,463
	935,973	477,624
Less: Pledged deposits*	**(173,581)**	(117,463)
	762,392	360,161

* Pledged deposits as at 31 December 2015 include HK$173,581,000 (2014: HK$113,397,000) for the bank facilities granted to the Group (note 24) and pledged deposits as at 31 December 2014 also included HK$4,066,000 for guarantee of construction costs payments for certain leasehold buildings in Mainland China.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$362,858,000 (2014: HK$279,814,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and pledged deposits earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for approximately from one month to three months depending on the immediate cash requirement 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.

22. TRADE AND BILLS PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**1,049,275**	959,576
Bills payable	**522,946**	369,846
	1,572,221	1,329,422

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 2015, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**1,198,928**	993,691
4 to 6 months, inclusive	**349,159**	308,268
7 to 9 months, inclusive	**7,375**	10,417
10 to 12 months, inclusive	**2,521**	776
More than 1 year	**14,238**	16,270
	1,572,221	1,329,422

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

(a) As at 31 December 2014, the loan to Grand Prosper, a non-controlling shareholder of a subsidiary of HK$18,915,000 bear interest at 3.5% per annum, secured by the non-controlling shareholder's shares in that subsidiary, and was repayable by three equal annual instalments starting from the drawn-down date in March 2014 with HK$6,305,000 repayable within 12 months from the end of the reporting period of 31 December 2014. Upon completion of the Acquisition on the Completion Date as detailed in note 39 to the financial statements, Grand Prosper became a wholly-owned subsidiary of the Company and the loan of HK$18,915,000 was eliminated in full on consolidation as at 31 December 2015.

As at 31 December 2015, a loan to a non-controlling shareholder of a subsidiary of HK$1,500,000 bears interest at 3.0% per annum for a period of five years commencing from the agreement date, and secured by a personal guarantee provided by the non-controlling shareholder in favour to the Group which shall only be discharged upon full repayment of the loan and interest thereon the Group. 70% of any dividend income payable by the Group to the non-controlling shareholder shall be used to repay the Group for the loan and interest or part thereof until the loan and interest thereto have been fully repaid.

23. BALANCES WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND A RELATED COMPANY *(continued)*

(b) The amount due from a related company controlled by a director, Mr. Wong Ah Yeung, is unsecured, interest-free and has no fixed terms of repayment. The maximum amount outstanding during the year was HK$9,848,000 (2014: HK$9,848,000).

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans, unsecured	**4.5%**	**2016**	**5,674**	5.04% – 5.88%	2015	11,323
Current portion of long term bank loans, secured	**HIBOR + 1.85%**	**2016**	**144,842**	HIBOR + 1.85%	2015	180,653
Current portion of long term bank loans, unsecured	**HIBOR + 1.5%/ HIBOR + 1.75%/ 2.65%/ HIBOR + 1.9%**	**2016**	**211,430**	–	N/A	–
Bank loans, unsecured	**2.6% – 7.28%**	**2016**	**614,410**	2.47% – 7.28%/ HIBOR + 2.0%/ LIBOR + 2.5%	2015	437,167
			976,356			629,143
Non-current						
Bank loans, secured	**HIBOR + 1.85%**	**2017**	**106,487**	HIBOR + 1.85%	2016 to 2017	251,329
Bank loans, unsecured	**HIBOR + 1.75%/ HIBOR + 1.5%/ 2.65%/ HIBOR + 1.9%**	**2017 to 2018**	**412,834**	2.65%/ HIBOR + 1.75%	2016 to 2017	99,506
			519,321			350,835
Total			**1,495,677**			979,978

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

	2015 **HK$'000**	2014 HK$'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year	**976,356**	629,143
In the second year	**478,999**	174,848
In the third year	**40,322**	175,987
	1,495,677	979,978
Analysed into:		
HK$	**776,087**	541,488
EUR	**–**	5,047
RMB	**541,653**	373,481
US$	**177,937**	59,962
	1,495,677	979,978

Notes:

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

(a) the pledge of bank deposits of approximately HK$173,581,000 (2014: HK$113,397,000) (note 21);

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

(c) mortgages over the Group's leasehold building in Hong Kong with a carrying amount of approximately HK$40,500,000 (2014: HK$40,000,000) (note 12).

25. CONVERTIBLE BONDS

On 15 June 2015, the Company and Pa Macro Opportunity VIII Limited (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement") in relation to the issue and subscription of the Company's convertible bonds due in 2018 in an aggregate principal amount of HK$880,000,000.

On 25 June 2015 (the "Issue Date"), the Company issued 1% convertible bonds with an aggregate principal amount of HK$880,000,000. The conversion price of the convertible bonds has been adjusted from HK$1.88 to HK$1.85 in accordance with the terms and conditions of the convertible bonds with effect from 9 September 2015 as the Company declared the 2015 interim dividend of HK$1.6 cents per ordinary share on 18 August 2015. The bonds are convertible at the option of the bondholders into ordinary shares at any time during the conversion period from 5 August 2015 to 18 June 2018 on the basis of one ordinary share for each HK$1.85 bonds held. The convertible bonds shall mature on 25 August 2018 (the "Maturity Date").

Any convertible bonds not converted will be redeemed on the Maturity Date at 112.78% of their principal amount. An early redemption option is granted to the Company to redeem the convertible bonds in whole, but not in part at any time at a gross yield of 5% per annum of principal amount to the bondholders on the Maturity Date, if 90% or more in the principal amount of the convertible bonds are converted. The bonds carry interest at a rate of 1% per annum, which is payable half-yearly in arrears on 25 June and 25 December.

The proceeds from the issuance of the convertible bonds on the Issue Date of HK$880,000,000 have been split into liability and equity components. On the issuance of the convertible bonds, the fair value of the liability component was determined based on the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professionally qualified valuers, using a binomial option pricing model with the consideration of dilution impact. The residual amount is assigned as the equity component and is included in shareholders' equity.

There was no movement in the number of these convertible bonds during the year.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2015 **HK$'000**	2014 HK$'000
Principal amount of convertible bonds issued during the year	**880,000**	–
Equity component	**(6,972)**	–
Liability component at the issuance date	**873,028**	–
Interest expense	**4,340**	–
Interest paid	**(4,340)**	–
Liability component at 31 December (note 35)	**873,028**	–

25. CONVERTIBLE BONDS *(continued)*

Pursuant to the terms and conditions of the convertible bonds, so long as any convertible bonds remain outstanding, the Company will not, and will ensure that none of its subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any relevant indebtedness, without at the same time or before according to the convertible bonds the same security as is created or is outstanding to secure any such relevant indebtedness, guarantee or indemnity equally and rateably or such other security as either:

– The trustee shall in its absolute discretion deem not materially less beneficial to the interests of the bondholders, or

– Shall be approved by an extraordinary resolution of the bondholders.

26. DEFERRED TAX

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

Deferred tax liabilities

	Withholding taxes HK$'000	**Revaluation of properties** HK$'000	**Total** HK$'000
At 1 January 2014	19,810	15,744	35,554
Debited to the income statement during the year (note 9)	12,324	191	12,515
Deferred tax debited to equity during the year	–	143	143
Exchange realignment	–	(40)	(40)
At 31 December 2014 and 1 January 2015	32,134	16,038	48,172
Debited to the income statement during the year (note 9)	13,737	306	14,043
Deferred tax debited to equity during the year	–	230	230
Exchange realignment	–	(363)	(363)
At 31 December 2015	45,871	16,211	62,082

Deferred tax assets

	Accelerated tax depreciation HK$'000
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	3,703

26. DEFERRED TAX *(continued)*

The Group and the Company have estimated tax losses arising in Hong Kong of approximately HK$13,152,000 (2014: HK$9,080,000) and HK$8,323,000 (2014: HK$8,323,000) respectively that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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

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

However, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and associates of the Group established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and associates will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,785,829,000 at 31 December 2015 (2014: HK$1,252,365,000).

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

27. SHARE CAPITAL

	2015 **HK$'000**	2014 HK$'000
Issued and fully paid:		
5,725,650,000 (2014: 5,469,150,000) ordinary shares	**57,257**	54,692

27. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
Issued:					
As at 1 January 2014		4,858,850,000	48,589	693,156	741,745
Issue of shares	(i)	600,000,000	6,000	666,000	672,000
Shares issued upon exercise of share options	(ii)	10,300,000	103	5,189	5,292
		610,300,000	6,103	671,189	677,292
Share issue expenses		–	–	(14,494)	(14,494)
Interim 2014 dividend (note 10)		–	–	(54,652)	(54,652)
As at 31 December 2014 and 1 January 2015		5,469,150,000	54,692	1,295,199	1,349,891
Issue of shares (note 39)	(iii)	190,000,000	1,900	304,000	305,900
Shares issued upon exercise of share options	(iv)	66,500,000	665	27,321	27,986
		256,500,000	2,565	331,321	333,886
Final 2014 dividend (note 10)		–	–	(109,383)	(109,383)
Interim 2015 dividend (note 10)		–	–	(91,610)	(91,610)
As at 31 December 2015		5,725,650,000	57,257	1,425,527	1,482,784

Notes:

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

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

27. SHARE CAPITAL *(continued)*

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

(iii) On 20 July 2015, the Group issued 190,000,000 ordinary shares as a settlement of the Consideration Shares for acquiring Grand Prosper and the details of the Acquisition were set out in note 39 to the financial statements.

(iv) During the year ended 31 December 2015, an aggregate of 66,500,000 share options has been exercised at a weighted average subscription price of HK$0.3275 per share resulting in the issue of 66,500,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$21,781,000. An amount of HK$6,205,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

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

Share option schemes

Details of the Company's share option schemes and the share options issued under the schemes are included in note 28 to the financial statements.

28. SHARE OPTION SCHEMES

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

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

28. SHARE OPTION SCHEMES *(continued)*

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

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

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

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

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

28. SHARE OPTION SCHEMES *(continued)*

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

	2015		2014	
	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	**0.6096**	**211,700**	0.4079	129,000
Granted during the year	**–**	**–**	0.87	93,000
Exercised during the year	**0.3275**	**(66,500)**	0.4364	(10,300)
At 31 December	**0.7388**	**145,200**	0.6096	211,700

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.1711 (2014: HK$1.068) per share.

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

2015

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
10,000	**0.4850**	**10 March 2007 to 9 March 2017**
34,000	**0.5860**	**4 July 2007 to 3 July 2017**
10,000	**0.3150**	**16 February 2008 to 15 February 2018**
8,400	**0.8700**	**12 May 2014 to 11 May 2019**
8,400	**0.8700**	**12 May 2015 to 11 May 2019**
74,400	**0.8700**	**12 May 2016 to 11 May 2019**
145,200		

2014

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

* 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.

28. SHARE OPTION SCHEMES *(continued)*

The fair value of the share options under the New Scheme granted during the year ended 31 December 2014 was HK$30,115,000 (approximately HK$0.32 each), of which the Group recognised a share option expense of HK$13,315,000 (2014: HK$12,320,000) during the year ended 31 December 2015.

The fair value of equity-settled share options under the New Scheme granted during the year ended 31 December 2014 was estimated as at the date of grant using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

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

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

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

The 65,000,000 share options under the Old Scheme and 1,500,000 share options under the New Scheme exercised during the year resulted in the issue of 66,500,000 ordinary shares of the Company and new share capital of HK$665,000 and share premium of HK$27,321,000 (before share issue expenses), as further detailed in note 27 to the financial statements.

At the end of the reporting period and date of approval of these financial statements, the Company had 54,000,000 (2014: 119,000,000) share options and 91,200,000 (2014: 92,700,000) share options outstanding under the Old Scheme and the New Scheme, respectively, which represented approximately 0.9% and 1.6% of the Company's shares in issue as at these dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 145,200,000 additional ordinary shares of the Company and additional share capital of HK$1,452,000 and share premium of HK$105,816,000 (before issue expenses).

29. RESERVES

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

(i) Capital reserve

The capital reserve of the Group represents principally (1) the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group's reorganisation completed on 7 December 2000 in preparation for the listing of the Company's shares, over the purchase consideration paid therefor; (2) the difference between the consideration paid and the net assets acquired for the further acquisition of Xiamen Optic Conduct Cable Company Limited during the year ended 31 December 2010; (3) the difference between the consideration received and the net liabilities disposed of for the partial disposal of Tongda Optical during the year ended 31 December 2010; (4) the difference between the net consideration paid and the net assets acquired arose from the acquisition of Tongda Optical during the year ended 31 December 2013; and (5) the difference between the net consideration and the net assets acquired for the acquisition of Grand Prosper during the year ended 31 December 2015.

(ii) Statutory reserve

In accordance with the Macau Commercial Codes, Tongda Overseas Macao Commercial Offshore Limited ("Tongda Macao"), a wholly-owned subsidiary of the Company, whose principal operation is conducted in Macau, is required to appropriate annually not less than 25% of its profit after tax to the statutory reserve, until the balance of the reserve reaches 50% of the entity's capital fund. The statutory reserve may be utilised by the entity for certain restricted purposes including the set-off against accumulated losses, if any, arising under certain specified circumstances. As the reserve has already reached 50% of Tongda Macao's capital fund, no transfer was made in the current year (2014: Nil).

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

30. CONTINGENT LIABILITIES

At 31 December 2015, the Company had provided corporate guarantees for banking facilities granted to certain subsidiaries, which were utilised to the extent of approximately HK$530,978,000 (2014: HK$245,056,000) at the end of the reporting period.

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

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

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

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

Immediately before the completion of the Step Acquisition, Meijitsu HK then had four subsidiaries, namely (1) Meijitsu Science, a wholly-owned subsidiary of Meijitsu HK established in the PRC, (2) Meijitsu Vietnam, a wholly-owned subsidiary of Meijitsu HK established in Vietnam, (3) Fuso (HK), a 60%-owned subsidiary of Meijitsu HK incorporated in Hong Kong and (4) Fuso (Shanghai), a wholly-owned subsidiary of Fuso (HK) established in the PRC. Meijitsu HK, Meijitsu Science, Fuso (HK) and Fuso (Shanghai) collectively are known as "Meijitsu HK sub-group". Since the other 40% shareholder of Fuso (HK) is a wholly-owned subsidiary of the Group, Fuso (HK) and Fuso (Shanghai) (collectively known as "Fuso Group") were effectively held as to 70% by the Company immediately before the completion of the Step Acquisition.

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

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

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

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

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

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

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

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

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

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

	Notes	**Fair value recognised on the Step Acquisition** HK$'000
Property, plant and equipment	12	5,054
Inventories		12,020
Trade and bills receivables		8,692
Prepayments, deposits and other receivables		5,215
An amount due from a related company		3,374
Cash and cash equivalents		23,972
Trade payables		(5,894)
Accrued liabilities and other payables		(3,426)
Amounts due to group companies, net		(26,783)
Tax payables		(13,596)
Total identifiable net assets at fair value		8,628
Goodwill	15	3,042
Total consideration		11,670
Satisfied by:		
Fair value of the Group's then interest in Meijitsu Vietnam		4,450
Fair value of the Existing Shareholdings		7,220
Total consideration		11,670

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

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

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

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

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

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

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

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one to three years (2014: one to three years). The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	280	3,485
In the second to fifth years, inclusive	–	1,452
	280	4,937

(b) As lessee

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

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	41,594	29,059
In the second to fifth years, inclusive	78,606	37,477
After five years	19,993	13,348
	140,193	79,884

33. COMMITMENTS

In addition to the operating lease commitments set out in note 32(b) above, the Group had the following capital commitments contracted, but not provided for, at the end of the reporting period:

	2015	2014
	HK$'000	HK$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	**85,694**	152,084
– Construction of plant and leasehold buildings in Mainland China	**3,325**	14,991
	89,019	167,075

The Company had no significant commitments at the end of the reporting period (2014: Nil).

34. 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:

	Notes	**2015**	2014
		HK$'000	HK$'000
A related company controlled by a director of the Company:			
Subcontracting fee	(i)	**3,866**	3,590
Rental income	(ii)	**3,366**	3,485

Notes:

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

(ii) The rental income from a related company controlled by a director of the Company was charged at a monthly rate of RMB230,000 for the year ended 31 December 2015 (2014: RMB230,000).

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

34. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

Details of the Group's balances with its associates, non-controlling shareholders of subsidiaries and the related companies as at the end of the reporting period are disclosed in notes 16 and 23 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	7,532	8,126
Post-employment benefits	163	141
Equity-settled share option expense	859	795
Total compensation paid to key management personnel	8,554	9,062

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

Major non-cash transactions

Same as disclosed elsewhere in the financial statements, during the year ended 31 December 2015, a deposit for the acquisition of property, plant and equipment of HK$147,119,000 (2014: HK$78,832,000) was utilised as additions to property, plant and equipment (note 18).

During the year ended 31 December 2014, a long term deposit of HK$30,059,000 was transferred from "Long term deposits" to "Prepaid land lease payments".

35. 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:

Financial assets – loans and receivables

	2015	2014
	HK$'000	HK$'000
Due from associates (note 16)	**9**	9
Trade and bills receivables	**2,682,939**	2,166,186
Financial assets included in prepayments, deposits and other receivables	**26,405**	20,034
Loan to a non-controlling shareholder of a subsidiary	**1,500**	18,915
Due from a related company	**8,922**	9,848
Pledged deposits	**173,581**	117,463
Cash and cash equivalents	**762,392**	360,161
	3,655,748	2,692,616

Financial liabilities – Financial liabilities at amortised cost

	2015	2014
	HK$'000	HK$'000
Trade and bills payables	**1,572,221**	1,392,422
Financial liabilities included in accrued liabilities and other payables	**176,945**	132,451
Due to a former non-controlling shareholder of a subsidiary	**30,034**	–
Interest-bearing bank and other borrowings	**1,495,677**	979,978
Due to a non-controlling shareholder of a subsidiary	**54**	54
Due to associates (note 16)	**3,766**	3,766
Convertible bonds	**873,028**	–
	4,151,725	2,508,671

36. TRANSFERRED FINANCIAL ASSETS

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

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

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

	2015	2014
	HK$'000	HK$'000
Carrying amount of assets that continued to be recognised	**72,104**	28,646
Carrying amount of associated liabilities	**72,104**	28,646

Notes:

(a) Discounting of bills receivable

At 31 December 2015, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of HK$61,363,000 (2014: HK$11,323,000) to certain local banks and certain local financial institutions in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loans recognised due to the Discounted Bills was HK$61,363,000 (2014: HK$11,323,000) as at 31 December 2015.

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

At 31 December 2015, the Group endorsed certain bills receivable issued by certain local banks and certain local financial institutions in the PRC (the "Endorsed Bills") with a carrying amount of HK$10,741,000 (2014: HK$17,323,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was HK$10,741,000 (2014: HK$17,323,000) as at 31 December 2015.

36. TRANSFERRED FINANCIAL ASSETS *(continued)*

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

(a) Discounting of bills receivable

At 31 December 2015, the Group discounted certain bills receivable (the "Derecognised Discounted Bills") with a carrying amount of HK$200,789,000 (2014: HK$309,765,000) to certain reputable banks and a financial institution in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills is equal to their carrying amounts of HK$200,789,000 (2014: HK$309,765,000). In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have a maturity period from three to six months.

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

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

At 31 December 2015, the Group endorsed certain bills receivable issued by certain reputable banks in the PRC (the "Derecognised Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$50,608,000 (2014: HK$179,000,000). The Derecognised Endorsed Bills have a maturity from one to six months at the end of the reporting period. The Group has the Continuing Involvement in relation to the endorsed bills (the "Endorsement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Endorsed Bills are not significant.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The interest rates of the interest-bearing bank and other borrowings of the Group are disclosed in note 24 to the financial statements.

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

	Increase/ (decrease) in percentage points	Group Increase/ (decrease) in profit after tax HK$'000
2015		
Hong Kong dollars	**0.5%**	**(4,484)**
Hong Kong dollars	**(0.5%)**	**4,484**
2014		
Hong Kong dollars	0.5%	(2,784)
Hong Kong dollars	(0.5%)	2,784

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

Commodity price risk

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

Foreign currency risk

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

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

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

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

Foreign currency risk *(continued)*

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in the Group's net profit HK$'000
2015		
If the Hong Kong dollar weakens against RMB	**5**	**36,507**
If the Hong Kong dollar strengthens against RMB	**(5)**	**(36,507)**
2014		
If the Hong Kong dollar weakens against RMB	5	27,087
If the Hong Kong dollar strengthens against RMB	(5)	(27,087)

Credit risk

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

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

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

Liquidity risk

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

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

	2015				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	–	1,572,221	–	–	1,572,221
Financial liabilities included in accrued liabilities and other payables	176,945	–	–	–	176,945
Due to a former non-controlling shareholder of a subsidiary	–	–	–	30,034	30,034
Interest-bearing bank and other borrowings	–	303,539	674,408	545,334	1,523,281
Due to a non-controlling shareholder of a subsidiary	54	–	–	–	54
Convertible bonds	–	4,267	9,041	1,005,556	1,018,864
	176,999	1,880,027	683,449	1,580,924	4,321,399

	2014				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade and bills payables	–	1,329,422	–	–	1,329,422
Financial liabilities included in accrued liabilities and other payables	132,451	–	–	–	132,451
Interest-bearing bank and other borrowings	–	252,338	385,778	364,006	1,002,122
Due to a non-controlling shareholder of a subsidiary	54	–	–	–	54
	132,505	1,581,760	385,778	364,006	2,464,049

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

Capital management

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

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

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

	2015	2014
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**1,495,677**	979,978
Add: Convertible bonds	**873,028**	–
Less: Cash and cash equivalents	**(762,392)**	(360,161)
Less: Pledged deposits	**(173,581)**	(117,463)
Net debt	**1,432,732**	502,354
Total equity	**4,039,318**	3,636,469
Gearing ratio	**35%**	14%

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**117,862**	117,862
Loan to a subsidiary (note 39)	**12,610**	–
Loan to a non-controlling shareholder of a subsidiary (note 39)	**–**	12,610
Total non-current assets	**130,472**	130,472
CURRENT ASSETS		
Due from subsidiaries	**2,940,384**	1,833,880
Prepayments, deposits and other receivables	**8,742**	8,552
Loan to a subsidiary (note 39)	**7,495**	–
Loan to a non-controlling shareholder of a subsidiary	**–**	6,305
Cash and cash equivalents	**41,358**	5,424
Total current assets	**2,997,979**	1,854,161
CURRENT LIABILITIES		
Accrued liabilities and other payables	**1,720**	1,705
Interest-bearing bank borrowings	**322,199**	180,653
Total current liabilities	**323,919**	182,358
NET CURRENT ASSETS	**2,674,060**	1,671,803
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,804,532**	1,802,275
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**373,779**	350,835
Convertible bonds	**873,028**	–
Total non-current liabilities	**1,246,807**	350,835
Net assets	**1,557,725**	1,451,440
EQUITY		
Issued capital	**57,257**	54,692
Reserves (Note)	**1,500,468**	1,396,748
Total equity	**1,557,725**	1,451,440

Wang Ya Nan
Director

Wang Ya Hua
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2014	693,156	9,173	-	79,179	287	120,260	902,055
Loss for the year	-	-	-	-	-	(31,431)	(31,431)
Issue of shares (note 27(i))	666,000	-	-	-	-	-	666,000
Share issue expenses	(14,494)	-	-	-	-	-	(14,494)
Shares issued upon exercise of share options (notes 27(ii) and 28)	5,189	(797)	-	-	-	-	4,392
Equity-settle share option arrangements (note 28)	-	12,320	-	-	-	-	12,320
Final 2013 dividend declared and paid (note 10)	-	-	-	-	-	(87,442)	(87,442)
Interim 2014 dividend declared and paid (note 10)	(54,652)	-	-	-	-	-	(54,652)
At 31 December 2014 and 1 January 2015	1,295,199	20,696	-	79,179	287	1,387	1,396,748
Loss for the year	-	-	-	-	-	(40,690)	(40,690)
Issue of shares (note 27(iii))	304,000	-	-	-	-	-	304,000
Issue of convertible bonds	-	-	6,972	-	-	-	6,972
Shares issued upon exercise of share options (notes 27(iv) and 28)	27,321	(6,205)	-	-	-	-	21,116
Equity-settled share option arrangements (note 28)	-	13,315	-	-	-	-	13,315
Final 2014 dividend declared and paid (note 10)	(109,383)	-	-	-	-	-	(109,383)
Interim 2015 dividend declared and paid (note 10)	(91,610)	-	-	-	-	-	(91,610)
At 31 December 2015	1,425,527	27,806	6,972	79,179	287	(39,303)	1,500,468

(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 2015, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$1,465,403,000 (2014: HK$1,375,765,000) subject to the restriction stated in note (i) above.

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

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

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
Directly held					
Tong Da Holdings (BVI) Limited [3]	British Virgin Islands ("BVI")	Ordinary US$10,000	**100**	100	Investment holding
Indirectly held					
Tong Da General Holdings (H.K.) Limited ("TDGHL")	Hong Kong	Ordinary HK$880,000	**100**	100	Investment holding, raw materials sourcing and trading of electrical appliance and ironware products
Ever Target Limited	Hong Kong	Ordinary HK$4	**100**	100	Investment holding
Tongda Group International Limited	Hong Kong	Ordinary HK$2	**100**	100	Property holding and investment holding
福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) [1, 3]	PRC/Mainland China	Registered HK$340,000,000 (2014: HK$240,000,000)	**100**	100	Manufacture and sale of accessories for electrical appliance products
廈門通達光纜有限公司 (Xiamen Optic Conduct Cable Company Limited) [1, 3]	PRC/Mainland China	Registered US$8,903,723	**100**	100	Property holding
福建省石獅市通達電子有限公司 (Tongda Electronic Company Limited, Shishi, Fujian) [1, 3]	PRC/Mainland China	Registered Renminbi ("RMB") 32,000,000	**100**	100	Manufacture and sale of resistors and other electronic products
通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited) [1, 3]	PRC/Mainland China	Registered HK$50,000,000	**100**	100	Manufacture and sale of ironware products

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
Indirectly held *(continued)*					
Tongda (Shenzhen) Company Limited	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Tongda Overseas Macao Commercial Offshore Limited [3]	Macau	Ordinary MOP100,000	**100**	100	Trading of electrical appliance products
Tongda (Xiamen) Company Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
Tongda General (H.K.) Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding and machinery sourcing
Tongda Smart Technology Company Limited	Hong Kong	Ordinary HK$300,000	**100**	100	Investment holding
通達(廈門)電器有限公司 (Tongda (Xiamen) Electric Company Limited) [1, 3]	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products
通達精密組件(深圳)有限公司 (Tongda Precision Component (Shenzhen) Company Limited) [1, 3]	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Manufacture and sale of ironware products
石獅市通達光電科技有限公司 (Tongda Light Electricity Technology Company Limited, Shishi) [1, 3]	PRC/Mainland China	Registered HK$18,000,000	**100**	100	Manufacture of accessories of electrical appliance products
石獅市通達通訊器材有限公司 (Tongda Communications Equipment Company Limited, Shishi) [1, 3]	PRC/Mainland China	Registered HK$28,000,000	**100**	100	Manufacture of accessories for electrical appliance products

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
Indirectly held *(continued)*					
Tongda Optical Fiber Technology Limited	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
Evertarget (Hong Kong) Limited	Hong Kong	Ordinary HK$500,000	**51**	51	Trading of lifestyle consumer products
通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) [2, 3, 5] ("Xiamen Technology")	PRC/Mainland China	Registered RMB113,776,300	**100**	75	Manufacture and sale of precise injection and printing parts
深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited) [2, 3, 5] ("Shenzhen Electronic")	PRC/Mainland China	Registered HK$45,000,000	**100**	75	Manufacture and sale of plastic injection and printing parts
Tongda (Shanghai) Company Limited [3]	Hong Kong	Ordinary HK$100,000	**100**	100	Investment holding
通達(上海)電器裝飾件有限公司 [1, 3]	PRC/Mainland China	Registered HK$10,000,000	**100**	100	Property holding
通達光電有限公司 (Tongda Optical Company Limited)	Hong Kong	Ordinary HK$800,000	**100**	100	Investment holding
通達(廈門)光電科技有限公司 (Tong Da (Xiamen) Optical Technology Company Limited) [1, 3]	PRC/Mainland China	Registered HK$50,000,000	**100**	100	Manufacture and sale of accessories for electrical appliance products

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
Indirectly held *(continued)*					
通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited) [1, 3]	PRC/Mainland China	Registered HK$200,000,000 (2014: HK$80,000,000)	**100**	100	Manufacture and sale of accessories for electrical appliance products
通達(廈門)通訊有限公司 (Tongda (Xiamen) Communications Company Limited) [2, 3, 5] ("Xiamen Communications")	PRC/Mainland China	Registered RMB20,000,000	**80**	60	Manufacture of electronics and communication facilities
南安展達電路有限公司 [1, 3, 5] ("Nam On")	PRC/Mainland China	Registered RMB10,000,000	**80**	60	Manufacture and sale of circuit board and plastic and ironware products
台灣通達通訊有限公司 [3, 5] ("Taiwan Communications")	Taiwan	Registered TWD24,000,000	**80**	60	Manufacture of electronics and communication facilities
Meijitsu HK[4]	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
通達名科技(深圳)有限公司 ("Meijitsu Science") [1, 3, 4]	PRC/Mainland China	Registered HK$26,000,000	**100**	100	Manufacture and sale of silk-screen printing products
Tongda Fuso (HK) Company Limited ("Fuso (HK)") [3, 4]	Hong Kong	Ordinary HK$7,625,630	**100**	100	Investment holding
Tongda Fuso Printing (Shanghai) Company Limited ("Fuso (Shanghai)") [1, 3, 4]	PRC/Mainland China	Registered US$1,300,000	**100**	100	Manufacture and sale of silk-screen printing products

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2015	2014	Principal activities
鴻盛投資有限公司 (Grand Prosper Investments Limited) [3,5] ("Grand Prosper")	Hong Kong	Ordinary HK$10,000	**100**	–	Investment holding
廣東通達精密組件有限公司 [1, 3]	PRC/Mainland China	Registered RMB50,000,000	**100**	–	Manufacture and sale of accessories for electrical appliance products
Tongda Modern Home International Limited [3]	BVI	Ordinary US$50,000	**100**	–	Investment holding
通達現代家居(香港)有限公司 (Tongda Modern Home (Hong Kong) Limited)	Hong Kong	Ordinary HK$10,000	**100**	–	Investment holding

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

Notes:

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

2. Registered as foreign-invested enterprises under PRC law.

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

4. Pursuant to a sale and purchase agreement entered into between the Group and the Other shareholder on 23 January 2014, the remaining 50% equity interest of Meijitsu HK was acquired by the Group (the "Step Acquisition"). Thereafter, Meijitsu HK, together with its subsidiaries, namely Meijitsu Science, Fuso (HK), and Fuso (Shanghai), became wholly-owned subsidiaries of the Group upon completion of the Step Acquisition. Further details of the Step Acquisition were set out in note 31 to the financial statements.

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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

Notes: *(continued)*

5. Pursuant to a sale and purchase agreement entered into between the Group and the sole shareholder ("the Sole Shareholder") of Grand Prosper on 28 April 2015 (the "Agreement"), the Group acquired the entire issued share capital of Grand Prosper of 10,000 shares from the sole shareholder (the "Acquisition") for a cash consideration of HK$30,357,000 and 190,000,000 ordinary shares of the Company (the "Consideration Shares") at an issue price of HK$1.288 per share.

    Grand Prosper is a private company set up in Hong Kong and acts as an investment holding company. Its principal assets were its interests in 25% of the equity interest of Xiamen Technology and Shenzhen Electronic, two indirectly held subsidiaries of the Group established in the PRC engaging in the manufacture and sale of accessories for electrical appliance products and ironware products. Xiamen Technology had an 80%-owned subsidiary, namely Xiamen Communication, established in the PRC and Xiamen Communication then had two wholly-owned subsidiaries, namely Nam On and Taiwan Communication, established in the PRC (collectively known as "Xiamen Group").

    On 13 May 2015, the Group entered into a deed of transfer (the "Deed of Transfer") with the Sole Shareholder for transferring and assigning a loan of HK$25,305,000 between Grand Prosper and the Sole Shareholder. Pursuant to the Deed of Transfer, the loan of HK$25,305,000 originally due from Grand Prosper to the Shareholder was transferred to the Group.

    On 20 July 2015, the Group issued 190,000,000 ordinary shares at the then market price of HK$1.61 each to the Sole Shareholder to settle the Consideration Shares, resulted in additional share capital of HK$1,900,000 and share premium of HK$304,000,000 (before issue expense). Management considered the closing market price of HK$1.61 per share as at the date of issue was the fair value of the Consideration Shares. Pursuant to the Agreement, the Sole Shareholder will be able to dispose of 30%, 60% and 100% of the Consideration Shares during the first, second, and third anniversaries of the completion date, respectively, and thereafter. The purchase of Grand Prosper was completed upon fulfillment of certain conditions set out in the Agreement on 20 July 2015 (the "Completion Date").

    As at 31 December 2015, the cash consideration remained unsettled. The Group will settle the cash consideration upon at the earlier of i) the Sole Shareholder paying all tax required by competent tax authorities arising from the Acquisition and disposal of the Considerations Shares after the lock up period of three years or ii) five years from the Completion Date if no demand for payment of tax from tax authorities. Hence, the cash consideration of HK$30,357,000, net of miscellaneous expenses of HK$323,000 settled for the Sole Shareholder, was recorded as "Due to a former non-controlling shareholder of a subsidiary" under non-current liabilities on the face of the consolidated statement of financial position.

    The net assets of Grand Prosper of HK$193,592,000, including a loan previously due to the Sole Shareholder and now due to the Group of HK$25,305,000, as at Completion Date comprised of i) share of equity interests of HK$212,341,000, ii) a loan due to the Group of HK$18,915,000, and iii) other miscellaneous assets of HK$166,000. Taking into account the above total consideration, the then share of net assets of Grand Prosper of HK$193,592,000 acquired, a net difference of HK$142,665,000 was resulted and debited to the capital reserve upon the completion of the Acquisition. Thereafter, Grand Prosper, the former non-controlling shareholder of Xiamen Technology, Xiamen Technology and Shenzhen Electronic, the former 75%-owned subsidiaries of the Company, became wholly-owned subsidiaries of the Company. Besides, the Group's effective interest in Xiamen Group was then increased from 60% to 80%.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2016.

Five-Year Financial Summary

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

RESULTS

	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**6,074,061**	4,791,346	3,627,101	3,408,091	3,147,119
Gross profit	**1,512,029**	1,143,635	798,013	730,647	605,343
Profit for the year attributable to:					
Owners of the Company	**702,839**	501,701	360,102	300,005	250,308
Non-controlling interests	**35,136**	46,509	8,876	33,509	9,207

EARNINGS PER SHARE

	2015	2014	2013	2012	2011
Basic	**HK12.60 cents**	HK9.44 cents	HK7.47 cents	HK6.37 cents	HK5.36 cents
Diluted	**HK11.97 cents**	HK9.30 cents	HK7.36 cents	HK6.36 cents	HK5.30 cents

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**3,053,854**	2,101,461	1,608,520	1,478,120	1,327,175
Current assets	**5,535,008**	4,265,649	3,048,347	2,725,848	2,411,457
Total assets	**8,588,862**	6,367,110	4,656,867	4,203,968	3,738,632
Non-current liabilities	**(1,484,465)**	(399,007)	(293,460)	(145,116)	(278,418)
Current liabilities	**(3,065,079)**	(2,331,634)	(1,814,237)	(1,865,975)	(1,545,074)
Total liabilities	**(4,549,544)**	(2,730,641)	(2,107,697)	(2,011,091)	(1,823,492)
Net assets	**4,039,318**	3,636,469	2,549,170	2,192,877	1,915,140
Total assets less current liabilities	**5,523,783**	4,035,476	2,842,630	2,337,993	2,193,558
Equity attributable to owners of the Company	**(4,057,186)**	(3,477,194)	(2,454,877)	(2,102,106)	(1,858,247)
Non-controlling interests	**17,868**	(159,275)	(94,293)	(90,771)	(56,893)