至卓 TOPSEARCH

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

ANNUAL REPORT 2012

*For identification purposes only

Contents

Corporate Information and Financial Calendar

EXECUTIVE DIRECTORS

Mr. Cheok Ho Fung *(Chairman and Chief Executive Officer)*
Mr. Liu Wai On *(resigned on 30 April 2012)*

NON-EXECUTIVE DIRECTORS

Mr. Tang Yok Lam, Andy
Mr. Ng Kwok Ying, Alvin
Mr. Xiang Dong *(resigned on 30 April 2012)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin

COMPANY SECRETARY

Mr. Fong Ching Kong, Tony

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR

PHILLIPS SOLICITORS
3506, Tower 1, Lippo Centre
89 Queensway, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3406 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Shaoguan Subbranch
No. 6 Guangxiao Road
Shaoguan, Guangdong
The People's Republic of China

Industrial and Commercial Bank of China Shaoguan Branch
No. 2 Jiangguo Road
Shaoguan
The People's Republic of China

FINANCIAL CALENDAR

Half year results
Announced on 16 August 2012

Full year results
Announced on 26 March 2013

REGISTER OF MEMBERS

To be closed from 4 June 2013 (Tuesday) to 6 June 2013 (Thursday)

ANNUAL GENERAL MEETING

To be held on 6 June 2013 (Thursday)

DIVIDENDS

Interim	:	Nil
Final	:	Nil

COMPANY WEBSITE

www.topsearch.com.hk

Business Profile

Topsearch International (Holdings) Limited ("Topsearch" or "Company") and its subsidiaries ("Group") are principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCBs"). The Group has a global customer base comprising principally Electronics Manufacturing Services ("EMS") companies and Original Equipment Manufacturer ("OEM") which are engaged in the production of a diverse range of products for personal computers ("PC") and PC-related industries, as well as the telecommunications, office components, security, instrumentation equipment and consumer products industries.

Chairman's Statement

FINANCIAL PERFORMANCE

The reduction in world-wide demand for personal computers led to reduction in the demand for their ancillary parts and equipment including Hard Disk Drives, which has been the Group's major products supplied to our customers, leading to a substantial reduction of our revenue for the year ended 31 December 2012. Therefore, the Group had just been able to achieve sales turnover of about HK$817 million for the year ended 31 December 2012, representing a decrease of approximately 28% as compared to the same of last year. Operating profit before interest and tax was approximately HK$129 million after taking into account of the special gain attributable to the disposal of 70% equity interest in Topsearch Printed Circuits (Shenzhen) Ltd ("Topsearch Shenzhen"), a subsidiary of the Company, during the year of 2012, as compared to operating loss before interest and tax of approximately HK$390 million in 2011. Profit attributable to shareholders amounted to approximately HK$94 million, as compared to loss of approximately HK$440 million in 2011. Basic earnings per share was 10.21 Hong Kong cents, as compared to a loss per share of 48.42 Hong Kong cents in 2011.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCB") during the year of 2012.

The Group's sales turnover has been further decreased by approximately 28% from about HK$1,135 million in 2011 to about HK$817 million in 2012. However, the gross profit has been increased from about HK$2.3 million in 2011 to about HK$12.2 million in 2012 with the gross profit margin increased from approximately 0.2% in 2011 to approximately 1.5% in 2012.

Reference is made to the announcement of the Company dated 16 November 2012 and the circular dated 29 November 2012 (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcement and circular) announcing that on 13 November 2012, Topsearch Printed Circuits (HK) Limited ("Topsearch HK"), a wholly-owned subsidiary of the Company entered into the Framework Agreement with Shenzhen Fantasia and Shanghai Yuxing ("Transferees"), pursuant to which Topsearch HK had conditionally agreed to sell and transfer an aggregate of 70% equity interest in Topsearch Shenzhen to the Transferees for a consideration of RMB244,910,000 (approximately HK$301,239,000). In the meantime, Topsearch HK and the Transferees entered into (i) an equity transfer agreement to implement the Disposal ("Equity Transfer Agreement") and (ii) a joint venture contract regarding the governance of Topsearch Shenzhen after Completion ("JV Contract"). After Completion, the Group will continue to hold a 30% interest in Topsearch Shenzhen, which will be accounted for as an associate. Subsequently, on 18 December 2012, a special general meeting ("SGM") of the Company had been held where an ordinary resolution which had been proposed and contained in the SGM notice had been unanimously passed by the Company's shareholders who attended the SGM to confirm, approve and ratify the terms of the Framework Agreement and the transactions and agreements contemplated therein, and all acts done and things executed in relation thereto.

The abovesaid relevant transfer of equity interest in Topsearch Shenzhen had been duly approved by the governing authorities in Shenzhen before the end of year 2012 whilst the cash consideration in relation thereto has been fully received by the Group in March 2013.

In addition, reference is also made to the announcements dated 13, 16 and 17 July 2012 and 8 August 2012 (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements) concerning the placement of new shares of the Company. On 12 July 2012 (after trading hours) and 17 July 2012, the Company entered into the Subscription Agreement and Supplemental Agreement with Subscribers A and B respectively, pursuant to which the Company as the Issuer had conditionally agreed to allot and issue and the Subscribers had conditionally agreed to subscribe for an aggregate of 93,400,000 Subscription Shares, for which each of Subscriber A and Subscriber B had conditionally agreed to subscribe for 48,400,000 and 45,000,000 Subscription Shares respectively, at the revised Subscription Price of HK$0.1023 per Subscription Share. All the conditions of the Subscription had been fulfilled and Completion took place on 8 August 2012 in accordance with the terms and conditions of the Subscription Agreement and the Supplemental Agreement.

An aggregate of 93,400,000 Subscription Shares had been successfully allotted and issued by the Company to the Subscribers at the Subscription Price of HK$0.1023 per Subscription Share under the General Mandate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of the Subscribers and their ultimate owners are Independent Third Parties; and (ii) Subscriber A and Subscriber B are independent of and not connected with each other. Meanwhile, none of the Subscribers and their respective associates should become a substantial Shareholder (as defined in the Listing Rules) after Completion.

Furthermore, reference is also made to the announcements of the Company dated 31 December 2010, 4 January 2012 and 23 August 2012 respectively (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements). On 21 March 2012, the Supervisor (Tongliao Economic Technology Development Regional Management Committee) issued a letter of commitment to the Vendor (Topsearch Printed Circuits (Tongliao) Limited), pursuant to which the Supervisor had committed to provide RMB31 million to the Purchaser (Tongliao Xutong Solar Technology Company Limited) for the settlement of the Remaining Balance in three installments before the end of year 2012. Subsequently, on 26 April 2012, the Vendor entered into the Chinese Supplement Agreement with both the Purchaser and the Supervisor. Though a further sum of RMB10 million had been received from the Supervisor after the signing of the afore-mentioned Chinese Supplement Agreement, the Remaining Balance amounting to RMB21 million had not yet been settled by the Purchaser as per what the Supervisor had committed and was still outstanding as at 31 December 2012.

Chairman's Statement

During the first quarter of the year 2013 and prior to the publication of this annual report, the management of the Company had approached both the Supervisor and the Purchaser again and tried to obtain a fairly firm payment schedule in respect of such Remaining Balance from the parties concerned. Though there was no new commitment agreed by the relevant parties during the aforesaid period on the relevant timeline for the ultimate settlement of such Remaining Balance to be made by this current year of 2013, the Company had not received any indication from either party that the original Property Assignment Agreement signed on 31 December 2010 should be terminated or revoked. In the meantime, the Company does not have the intention of terminating the abovesaid transaction and forfeiting the deposit of RMB5 million as provided under the Property Assignment Agreement should the Purchaser fail to pay the Remaining Balance according to the stipulated time frame. The Company's bargain dialogue with both the Supervisor and the Purchaser will be continued in the next few months and the management of the Company still has confidence that the completion of this property disposal in respect of the abovesaid transaction can be accomplished eventually though a fixed deadline is still not available. Further announcement will be made for any results of the said negotiation with both the Supervisor and the Purchaser or further progress on the transaction.

To improve the Group's financial position progressively, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix and plan to develop new products so as to widen its market coverage. The relocation of the production facilities and headcount from the Shenzhen plant to Shaoguan plant of the Group is expected to be wholly completed by the second quarter of year 2013. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditure.

The Group had repaid a total of RMB180 million to China Construction Bank Shaoguan Branch ("CCB-SG") in March 2013 following the receipt of cash consideration attributable to the disposal of 70% equity interest in Topsearch Shenzhen. CCB-SG has committed to provide the same facility amount of totally RMB300 million to the Group's Shaoguan subsidiary providing that the Group should have adequate security charges in place for securing both the existing facility and the new facility (which will become effective in the next 12 months starting from June 2013).

Same as previous years, a controlling shareholder of the Company has continued to maintain a total advance of approximately HK$105 million to the Group and would promise to continue providing additional financial support throughout the whole year of 2013 for financing the working capital of the Group when needed.

Chairman's Statement

PROSPECTS

The disposal of 70% interest in our Shekou, Shenzhen facility at the end of last year has a two-folded benefit, one in the substantial improvement in our working capital thus allowing us to repay a large portion of our borrowings with the bank and two, in further allowing us to eliminate all the expenses to maintain a dormant factory since almost all of our production has moved to our Shaoguan facility.

Although the shift of production from Shekou to Shaoguan has resulted in loss of business as certain customers need to re-qualify our Shaoguan plant, such process has completed in the last 12 months and we are ready to gradually regain some of our lost business in the fore-seeable future.

The improvement of our financial ratios in our Balance Sheet would also allow our customers to further solidify their confidence in our overall capability to service them and therefore it is reasonable to forecast we would be on the AVL (Approved Vendor List) of more customers, whom we have been working very hard to pass their audit in the last 2 years.

Lastly, our remaining 30% interest in the Shekou, Shenzhen land and property will also allow us to continuously benefit from the cashflow when the site is to be further developed for applications other than manufacturing, in the coming two to three years.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

On behalf of the Board
Cheok Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 26 March 2013

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company are of the opinion that during the year 2012, the Company has properly operated in accordance with the "Code on Corporate Governance Practices" ("CG Code") which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company has complied with the code provisions and some of the recommended best practices of the former CG Code for the period from 1 January to 31 March 2012 and the revised CG Code during the period from 1 April to 31 December 2012 except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance the Company's shareholders' value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;

2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and

3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

COMPLIANCE WITH CG CODE

The Directors confirm that, for the financial year ended 31 December 2012, the Company has complied with the code provisions set out in the former CG Code during the period from 1 January to 31 March 2012 and the revised CG Code during the period from 1 April to 31 December 2012 contained in Appendix 14 of the Listing Rules save for the deviation mentioned below:

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from the provision of A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Corporate Governance Report

The Directors are of the opinion that the current arrangement will provide stronger leadership of the management for the Group and enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted its own code of conduct ("Own Code") regarding securities transactions by Directors on 7 April 2005 and was revised by the Directors on 10 September 2009 and 26 March 2013 on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the year 2012. Members of the Company's senior management, who, due to their positions in the Company, are likely to be in possession of inside information, have also complied with the provisions of the Own Code.

The updated Own Code has been uploaded on the website of the Company.

THE BOARD OF DIRECTORS

As at the date of the publication of this annual report, the Board consists of six Directors, with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. Their brief biographical particulars are set out on pages 41 to 48 of this annual report. List of Directors and Their Role and Function which sets out the members and composition of the Board has been uploaded on the Stock Exchange's website and the Company's website.

Members of the Board and their respective attendance to Board meetings and general meetings held during the year ended 31 December 2012 are as follows:

Name of Directors	**Number of attendance at Board meetings**	**Number of attendance at general meetings**
Executive Directors		
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	6/6	2/2
Mr. Liu Wai On *(resigned on 30 April 2012)*	0/2	0/0

Name of Directors	Number of attendance at Board meetings	Number of attendance at general meetings
Non-executive Directors		
Mr. Tang Yok Lam, Andy	5/6	2/2
Mr. Ng Kwok Ying, Alvin	6/6	2/2
Mr. Xiang Dong *(resigned on 30 April 2012)*	0/2	0/0
Independent Non-executive Directors		
Mr. Leung Shu Kin, Alfred	6/6	2/2
Mr. Wong Wing Kee	6/6	2/2
Mr. Ng Kee Sin	6/6	2/2

The number of Board meetings held during the year ended 31 December 2012 was six.

The number of general meetings held during the year ended 31 December 2012 was two.

The Company has maintained the minimum requirements of the Listing Rules as to the number of Independent Non-executive Directors as three and, one of whom has accounting and related financial management expertise. They have dedicated to provide the Company with professional advice with respect to the steady operation and development of the Company. They also exercised supervision and coordination to safeguard interests of the Company and its shareholders. The existing Independent Non-executive Directors represent at least one-third of the Board.

All of the Independent Non-executive Directors are considered to be independent for the purpose of Rule 3.13 of the Listing Rules. Each Independent Non-executive Director has provided an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such annual confirmation received from each of the Independent Non-executive Directors, the Company considers that all Independent Non-executive Directors are independent for the purpose of Rule 3.13 of the Listing Rules.

Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company. Mr. Leung was and is considered to be independent by the Company because his business dealings with the Group was considered not to be material.

Corporate Governance Report

There is no relationship (including financial, business, family or other material/relevant relationship(s)), between members of the Board and in particular, between the Chairman and the Chief Executive Officer save as disclosed below:

1. Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. The role of the Chairman and Chief Executive Officer are not segregated and are exercised by the same individual. The reason had been explained under the section headed "Compliance with CG Code" in this annual report. He is the father of Mr. Cheok Lup Yin, Eric, an assistant to the Chief Executive Officer of the Company and directors of various subsidiaries of the Company;

2. Mr. Leung Shu Kin, Alfred, an Independent Non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company as mentioned above;

3. Mr. Ng Kwok Ying, Alvin, a Non-executive Director, who is currently a senior partner of Ng and Partners, Solicitors, who has business relationship with the Company. The Board considers that the Group's business dealings with Ng and Partners, solicitors was not material;

4. Mr. Xiang Dong, who resigned as Non-executive Director on 30 April 2012, whose spouse also resigned on 14 April 2012 as information technology manager of Topsearch Printed Circuits (Shenzhen) Limited, an indirect wholly-owned subsidiary of the Company as at 30 April 2012. Mr. Xiang was considered not to be connected by the Directors because his spouse was not a director, the chief executive or a substantial shareholder of the Company during his tenure in the office as the Non-executive Director.

All existing Non-executive Directors have signed letters of appointment with the Company for a term of not more than three years, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company and the requirements of the Listing Rules. The remuneration of Non-executive Directors will be reviewed by the Remuneration Committee of the Company and fixed from time to time by the Board subject to the authority granted pursuant to the Company's Bye-laws by the shareholders at the Company's general meetings.

Corporate Governance Report

THE OPERATION OF THE BOARD

The Board's main task is to supervise and direct the management of the Company to operate under good corporate governance in order to maximise value of the Company's shareholders while balancing the interest of its various stakeholders. The Board holds meetings at around quarterly interval to monitor the performance of the Company as against the budget and to be briefed with market developments, to discuss and decide on major corporate, strategic and operational issues, and to appraise any good investment opportunities available.

The major duties performed by the Board are as follows:

1. setting the Company's values and standards;

2. setting the objectives of the Company and responsibilities of the Board and its various committees;

3. establishing the strategic direction for the Company;

4. setting targets for the management of the Group;

5. monitoring the performance of the management of the Group;

6. supervising the annual and interim results of the Group;

7. ensuring that a framework of prudent and effective internal control is in place to assess and manage the risk of the Group and implementing appropriate systems to manage these risks;

8. overseeing the management of the Company's relationships with its shareholders, customers, the community, various Government Authorities, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;

9. identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a Director;

10. determining material acquisitions and disposals of assets, investments, capital, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and

11. considering and determining issues which are the responsibilities of the Board pursuant to the Company's Memorandum of Association and Bye-laws and the relevant laws and regulations in force by which the Company is governed from time to time.

Following the enactment of the revised CG Code, the Board is responsible for the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations on any amendment or updating (if any);

2. to review and monitor the training and continuous professional development of Directors and the Company's senior management (as defined under the Listing Rules);

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors;

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under the CG Code; and

6. to be responsible for performing any other corporate governance duties and functions set out in the CG Code and the Listing Rules (as amended from time to time), or delegating the responsibility to a committee or committees (if applicable).

During the year of 2012, the Company has preliminary determined its corporate governance policy and on 26 March 2013, the Board has formally adopted corporate governance policy in writing which reflects the Company's commitment in achieving high standards of corporate governance. The Board will develop and review this policy regularly and at least annually so as to make recommendations on any amendment or updating (if any).

The Board delegates to the management of the Company in respect of the major corporate matters as stated below:

1. preparation of the annual and interim results of the Group to be approved by the Board;

2. execution of the corporate strategies and directions of the Group adopted by the Board;

3. implementation of sufficient systems of internal controls and risk management procedures of the Group; and

4. carrying out daily business operations and decision-making regarding the daily ordinary business of the Company, etc.

Corporate Governance Report

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established various Board Committees to oversee particular aspects of the Company's affairs. The Board Committees are governed by their respective terms of reference, which describe the authority and duties of the Board Committees and will be regularly reviewed and updated by the Board. The Board Committees include Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee whose terms of reference (if any) had been updated respectively.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") is composed of three Independent Non-executive Directors and two Non-executive Directors during the year of 2012 (whereas one of whom, Mr. Xiang Dong, resigned as member of Audit Committee following his resignation as Non-executive Director on 30 April 2012). The chairman of the Audit Committee is an Independent Non-executive Director who has the appropriate professional qualifications and experience in accounting or related financial management expertise as required by the Listing Rules. The Audit Committee discharges its responsibilities as follows and in accordance with its terms of reference being adopted by the Board:

1. reviewing and monitoring the integrity of the interim and annual results and financial statements of the Company and of the Group and reviewing significant financial reporting judgements;

2. reviewing and monitoring the reporting, accounting and financial policies and practices of the Company;

3. reviewing and primarily responsible for making recommendation to the Board on the appointment, re-appointment, retirement, resignation or removal of the Company's external auditor and reviewing their remuneration and terms of engagement, discussing their audit plan and scope of audit, and monitoring the external auditor's independence, objectivity and effectiveness of the audit process up to applicable standard, and also reporting the issues raised by the external auditor, including but not limited to those stated in their management letter addressed to the Board, implementing policy on engaging external auditor to supply non-audit services;

4. reviewing the fairness and reasonableness of connected transaction(s) or continuing connected transaction(s);

5. ensuring full access by the respective responsible teams of the Group under corporate governance function of any concerns that may have arisen during the course of their corporate governance works;

6. conducting annual review of the effectiveness of the Group's internal control and risk management systems as delegated by the Board and considering any findings of major investigation of internal control matters; and ensuring the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff from the Group.

Following the enactment of the revised CG Code, the Audit Committee had revised its existing terms of reference and a revised terms of reference has been adopted by the Board on 27 March 2012 whereas the Audit Committee should further discharges its duties as follows:

1. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;

2. to act as the key representative body for overseeing the Company's relations with the external auditor; and

3. to recommend the establishment of a whistleblowing policy and system for employees which has been adopted by the Board on 27 March 2012 to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

As at the date hereof, the members of the Audit Committee are Mr. Ng Kee Sin (Chairman) (Independent Non-executive Director), Mr. Ng Kwok Ying, Alvin (Non-executive Director), Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) and Mr. Wong Wing Kee (Independent Non-executive Director). All members are Non-executive Directors and the majority of whom are Independent Non-executive Directors.

During the year ended 31 December 2012, three Audit Committee meetings were held (whereas two of which had been held with the attendance of the Company's external auditor in compliance with the revised CG Code and the Audit Committee's terms of reference) to review the financial results and reports for the year ended 31 December 2011 and for the six months ended 30 June 2012, the budget for the year of 2013, risk management and internal control processes, related party transactions, continuing connected transactions and discloseable transactions, roles and responsibilities as well as works performed by the teams under corporate governance function, and the re-election of the external auditor.

The Audit Committee has reviewed consolidated annual results and financial statements of the Group for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group, in conjunction with Deloitte Touche Tohmatsu, the Group's external auditor, whose agreement to the aforesaid has been obtained.

The updated terms of reference of the Audit Committee has been uploaded on the Stock Exchange's website and the Company's website.

Corporate Governance Report

This annual report has been reviewed by the Audit Committee.

The attendance record of each member of the Audit Committee at its meeting is set out below:

Members of Audit Committee	Attendance
Mr. Ng Kee Sin *(Chairman) (Independent Non-executive Director)*	3/3
Mr. Ng Kwok Ying, Alvin *(Member) (Non-executive Director)*	2/3
Mr. Xiang Dong *(Member) (Non-executive Director) (resigned on 30 April 2012)*	0/1
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	2/3
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	3/3

Auditor's Remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the year under review, the Group is required to pay to the external auditor, Deloitte Touche Tohmatsu, the following fees:

Type of services provided by the external auditor	Fee paid/payable *(HK$'000)*
Audit services:	
Audit of the annual financial statements for the year ended 31 December 2012	1,956
Non-audit services:	
Tax compliance	—
Review of continuing connected transaction(s)	20
	1,976

REMUNERATION COMMITTEE

The Company's Remuneration Committee performs the following roles and functions in accordance with its terms of reference and its written remuneration policy adopted by the Board:

1. ensuring formal and transparent procedures for overseeing, developing and determining policies on the remuneration packages of Directors and the Company's senior management;

2. assessing the achievement and performance and reviewing the performance-based remuneration of Executive Directors and the Company's senior management by reference to the Company's corporate goals;

3. approving the terms of Executive Directors' service agreements or letters of appointment (as appropriate);

4. providing effective supervision and administration of the Company's share option schemes and other share incentive schemes (if any); and

5. determining with delegated responsibility on the remuneration packages of individual Executive Directors and the Company's senior management and reviewing the remuneration of Non-executive Directors.

Following the enactment of the revised CG Code, the Remuneration Committee had revised its existing terms of reference and a revised terms of reference has been adopted by the Board on 27 March 2012 (which has been uploaded on the Stock Exchange's website and the Company's website) whereas the Remuneration Committee has discharged its duties in accordance with its terms of reference and the Listing Rules.

During the year of 2012, the Remuneration Committee had reviewed a remuneration policy for the Company and the Group (with reference to its terms of reference and Listing Rules) which had been adopted by the Board on 24 March 2011 and had been further reviewed and revised by the Board on 26 March 2013.

As at the date hereof, the Remuneration Committee comprises three members, namely Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) (Chairman), Mr. Tang Yok Lam, Andy (Non-executive Director) and Mr. Wong Wing Kee (Independent Non-executive Director). All members are Non-executive Directors and the majority of whom are Independent Non-executive Directors.

During the year ended 31 December 2012, one Remuneration Committee meeting was held to discuss and review the remuneration packages and bonus (if any) of Executive Directors and the Company's senior management and the terms of their service agreement and letters of appointment, and the revised terms of reference of the Remuneration Committee.

The attendance record of each member of the Remuneration Committee at its meeting is set out below:

Members of Remuneration Committee	Attendance
Mr. Leung Shu Kin, Alfred *(Chairman) (Independent Non-executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	1/1
Mr. Wong Wing Kee *(Member) (Independent Non-executive Director)*	1/1

NOMINATION COMMITTEE

The Company's Nomination Committee performs the following roles and functions in accordance with its nomination procedures and criteria as follows and in accordance with its terms of reference and its written nomination policy adopted by the Board:

1. determining the policy for the nomination of Directors during the year;

2. adopting the nomination procedures and the process and criteria to select and recommend candidates for directorship by considering the candidates' past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the Company's Bye-laws so as to make the composition of the Board filled with a variety and a balance of skills and experience;

3. reviewing regularly the roles of Directors by considering the issues of conflict of interest, their performance and conduct; and

4. assessing the independence of Independent Non-executive Directors.

Following the enactment of the revised CG Code, the Nomination Committee had revised its existing terms of reference and a revised terms of reference has been adopted by the Board on 27 March 2012 (which has been uploaded on the Stock Exchange's website and the Company's website) whereas the Nomination Committee has discharged its duties in accordance with its terms of reference and the Listing Rules.

During the year of 2012, the Nomination Committee had reviewed a nomination policy for the Company and the Group (with reference to its terms of reference and Listing Rules) which had been adopted by the Board on 24 March 2011 and had been further reviewed and revised by the Board on 26 March 2013.

As at the date hereof, the members of the Nomination Committee are Mr. Wong Wing Kee (Independent Non-executive Director) (Chairman), Mr. Leung Shu Kin, Alfred (Independent Non-executive Director) and Mr. Tang Yok Lam, Andy (Non-executive Director). All members are Non-executive Directors and the majority of whom are Independent Non-executive Directors.

During the year ended 31 December 2012, the Nomination Committee had met once and discussed and reviewed (i) the retiring Directors to be re-elected at the 2012 annual general meeting of the Company; (ii) the independence of the Independent Non-executive Directors; (iii) the terms of appointment of Directors; (iv) the structure, size and composition (including the skills, knowledge and experience) of the Board; (v) the role, performance and conduct of the existing Directors (including but not limited to the issues on any conflict of interest) and; (vi) any nomination of potential candidate in place of the resigned Director(s) to the Board.

The attendance record of each member of the Nomination Committee at its meeting is set out below:

Members of Nomination Committee	**Attendance**
Mr. Wong Wing Kee *(Chairman) (Independent Non-executive Director)*	1/1
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-executive Director)*	1/1

Under the CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company has provided that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

EXECUTIVE COMMITTEE

The Executive Committee of the Board meets regularly and operates with overall delegated authority from the Board. The Executive Committee reports through the Chairman to the Board. The Executive Committee carries out the following tasks for the purposes of dealing with the affairs relating to the day-to-day operations of the Group:

1. determining group strategy;
2. setting targets for the management;
3. reviewing business performance;
4. ensuring adequate funding; and
5. examining major investments.

As at the date hereof, the member of the Executive Committee is Mr. Cheok Ho Fung. The attendance record of each member of the Executive Committee at its meeting is set out below:

Members of the Executive Committee	**Attendance**
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	2/2
Mr. Liu Wai On *(resigned on 30 April 2012)*	0/0

During the year ended 31 December 2012, two Executive Committee meetings were held to consider and approve the affairs regarding some daily transactions and business operations of the Group.

TRAINING AND SUPPORT FOR DIRECTORS

The Group provides briefings, reading materials and other training opportunities to develop and refresh the Directors' knowledge and skills so as to keep abreast of their collective responsibilities and to emphasis on the roles, functions and duties of a listed company director.

The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices, and to ensure that their contribution to the Board remains informed and relevant.

During the period from 1 April 2012 to 31 December 2012 as required by revised CG Code, the Directors had participated in the following trainings:

Name of Directors	Types of Training		
Executive Directors			
Mr. Cheok Ho Fung *(Chairman of the Board, Chief Executive Officer)*	A	—	C
Mr. Liu Wai On *(resigned on 30 April 2012)*	—	—	—
Non-executive Directors			
Mr. Tang Yok Lam, Andy	—	—	C
Mr. Ng Kwok Ying, Alvin	A	—	C
Mr. Xiang Dong *(resigned on 30 April 2012)*	—	—	—
Independent Non-executive Directors			
Mr. Leung Shu Kin, Alfred	A	—	C
Mr. Wong Wing Kee	A	—	C
Mr. Ng Kee Sin	A	—	C

A : *attending seminars and/or conferences and/or forums (via different means)*

B : *giving talks at seminars and/or conferences and/or forums*

C : *self-reading on newspapers, journals and updates relating to the global and Hong Kong economy, general business of PCBs or other related business of the Group, updates on the Listing Rules or other relevant statutory requirements, director's duties and responsibilities etc.*

CORPORATE MANAGEMENT AND INTERNAL CONTROL

The Board established a Whistleblowing Policy on 27 March 2012 which deals with and governs properly and fairly concerns raised by the Company's employees about any suspected malpractice or misconduct regarding financial reporting, internal control or other matters within the Company and the Group. The Company's Audit Committee shall review regularly this Policy and ensure that arrangements are in place for independent and fair investigation of these matters and for appropriate following-up action.

The responsible teams of different sections or departments within the Group under corporate governance function play a major role in monitoring the internal corporate governance of the Group. They have unrestricted access to the information that allow them to review all aspects of the Group's risk management and governance processes in connection with nature of compliance and legal requirements. It also has the power to consult the Audit Committee without reference to the Company's management.

Internal Audit Activities:

Internal audit activities are undertaken by the responsible teams under corporate governance function. Under the cross-functional work relationship, the teams conduct periodic review of the practices, procedures and internal controls of all business and support units within the Group. The relevant Board Committees may request the responsible teams to conduct ad-hoc reviews or investigation in relation to all types of business operations of the Group if needed, and to report back the review or investigation results to the Board Committees.

The management systems for occupational health, safe environment and quality standards are set up. The perfection of the internal control system is properly established and the Board and the Company's senior management have paid significant attention to it. The aim of undertaking the internal audit activities by the responsible teams is to govern the overall system establishment and comprehensive perfection in corporate internal control. Key tasks of the responsible teams in this internal audit function include:

1. unlimited authority of access to review different aspects of the Group's business activities and internal control procedures;

2. regular performance of the comprehensive audit of the working procedures, practices, expenses, investment, asset management of the special business unit and the Group;

3. special reviews and investigations for ad-hoc projects; and

4. liaison with the Company's senior management and reporting to the Company's Audit Committee and the Board on the effectiveness and efficiency of the Group's management and the assurance against material financial misstatements.

Internal Control:

The Board holds full responsibility for the system of internal control of the Group and continuously reviews its effectiveness from time to time. The responsible teams participating into the internal audit activities as aforementioned perform investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Company's Audit Committee. The Board, through the Audit Committee, has at least annually reviewed the effectiveness of the system of internal control of the Group for the year ended 31 December 2012. The review had covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board via annual review considers the internal control systems (including but not limited to the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, its training programmes and budget) is effective and adequate.

Corporate Governance Report

The Board has implemented procedures and internal controls for the handling and dissemination of inside information. During the year of 2013, the Company has adopted the inside information policy which aims to set out guidelines to the Group's directors, officers and all relevant employees to ensure inside information (as defined below) of the Company is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The term "relevant employee" refers to employee of the Group, because of his office or employment, who is likely to be in possession of the unpublished inside information (as defined below). The above mentioned persons are also recommended to make reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission ("SFC") in June 2012.

Under the new Part XIVA of the Securities and Future Ordinance ("SFO"), Chapter 571 ("Part XIVA") which has been effective from 1 January 2013, inside information is the specific information about the Company, its shareholder or officer or its listed securities or derivatives, which is not generally known to the persons who are accustomed, or would be likely, to deal in the Company's listed securities but would, if generally known to them, be likely to materially affect the price of the Company's listed securities.

OPERATION RISKS

The Group has implemented appropriate policies and procedures for all major operations. In particular, the Company's management closely monitors the procurement process and performs due diligence check on the vendors. The In Process Quality Assurance Department and Reliability Department ensure the stability of the manufacturing process and control products quality. The Group also strives to promote human resources reforms and comprehensively enhances cost management. By establishing clear policies and requiring well-documented business process, the exposure to operation risks is considered minimal.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company is committed to our society on the impact of our business to the environment and wishes to create value to the community in which we operate. We have done the following in this area:

Environmental Policy

Traditionally, the manufacture of PCBs is classified as a pollution industry. In view of it, the Company pledges to uphold quality management and implement policies for conserving resources and managing waste. The Company has established the following policies in compliance with environmental regulations:

1. During the stage of design, research and development, environmental impact assessment for each material or machinery is conducted prior to any purchase decision. Accordingly, such impact assessment data is considered as one of the key criteria for procurement decisions.

2. During production, consumption, delivery and waste disposal, the Company undertakes environmental protection measures through technological enhancement, usage of recycling materials and conservation of resources. Besides, minimum environmental impact approach and systematic recycling methods are employed to best protection to the environment as well as the ecosystem.

3. The Company commits to fulfill and comply with national and regional environmental protection regulations and establishes self-regulating frameworks and standards accordingly.

4. Awareness for environmental protection of all staff is enhanced through environmental protection activities, training program and promotion. The concept of "Reduce", "Reuse", "Recycle" are heavily promoted. By promoting them, the Company is striving to protect the environment as well as contributing back to the society.

5. Top management of the Group is acting as a core for establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy. Besides, this environmental protection policy is always given first priority, overriding production needs wherever necessary.

6. The Company always keeps track of the development of international environmental protection legislation and ensures its environmental policy is implemented not only to comply with international standards, but also to ensure it is at the same pace as worldwide counterparts.

ENVIRONMENTAL RESEARCH PROJECTS

Since 2001, the Company started sponsoring Tsinghua University (one of the top research and education institutions in China) for the establishment of the "Tsinghua Topsearch R&D Centre of Green Manufacturing" to achieve the following:

1. conduct Green Manufacturing Research; and

2. organise and promote Green Education.

Major subjects for research include:

1. Green Assessment System;

2. Green Design Theory and Methods;

3. Recycle and Reuse Technology of PCBs;

4. Energy Consumption Management;

5. Green Education for Manufacturing and Industrial Ecology; and

6. Green Manufacturing Website.

The Company has been playing a significant role in taking the Green Technologies on to the next level. It is looking forward to sharing these future technologies and is confident that a better and healthier environment can be built.

ROHS STANDARD AND LEAD — FREE PRODUCTION

As one of the leading companies in the PCBs industry, environmental protection is always one of the focused areas of the Company. The Company has been complying with "Restriction of the use of certain Hazardous Substances" ("RoHS Standard"). The RoHS Standard requires electronic manufacturing companies to use the minimum hazardous substances, such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ethers, which are dangerous to our environment. The RoHS Standard enables our products which are produced under environmental friendly. Apart from meeting the RoHS Standard, the Company is also using halogen-free materials because halogen compound is dangerous to the ozone.

The Company has already used lead-free surface finishing production such as Organic Solderability Preservative (OSP) and Electroless Nickel Immersion Gold (ENIG), which enable our product surfaces to be lead-free. As one of the Company's long term strategies, we will continue to invest on new lead-free technology. Recently, we have invested on Immersion Silver and Immersion Tin machines, which provide better lead-free finishing production along the manufacturing lines.

In future, the Company will keep sourcing new RoHS compliance materials and lead-free surface finishing alternatives to achieve better environmental protection and provide more choices for customers.

EDUCATION

Apart from the work on environmental issues, the Company has already financed over 120 staff members for attending university studies since 1999. It believes that staff are the most valuable asset of the Company. It also invests heavily in training because it believes that training and further education will not only benefit the individual staff member but also provide them more opportunities to make greater contributions to the Company.

Financing for education is not limited to staff. The Company extends it to talented young students. Since 1995, the Company has sponsored over 50 students in their Doctor's and Master's studies in South China Agricultural University and Tsinghua University respectively. The Company may not directly benefit from it, but the Board believes that these students can contribute more to the society if they have opportunities to further their studies.

The Company is willing to take more responsibilities for the society but with a view to balancing the shareholders' interests and the society's benefits.

INVESTOR RELATIONS AND COMMUNICATION

The Board established a shareholders' communication policy on 27 March 2012 for maintaining an on-going dialogue with the Company's shareholders and other stakeholders and encouraging them to communicate actively with the Company. This policy sets out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communications with the Company's shareholders and other stakeholders (including potential investors) with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Company's shareholders and other stakeholders to exercise their rights in an informed manner mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars, notices of meetings, proxy forms and listing documents), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars and associated explanatory documents etc are sent to the Company's shareholders and are also posted on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.topsearch.com.hk) under a dedicated "Investor Relations" section as soon as practicable in plain language and in both English and Chinese versions or where permitted, in single language, and will be updated on a regular basis and in a timely manner. The Company's website provides its shareholders with the corporate information, such as principal business activities, the development of corporate governance and the corporate social responsibilities of the Group such as environmental protection, etc.

The Company's shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address (as indicated below), in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, the Company's registered shareholders can contact Tricor Tengis Limited, the Company's Hong Kong Branch Share Registrar, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company will not normally deal with verbal or anonymous enquiries. However, its shareholders may send their enquiries to the following in respect of the Company:

Principle place of business in Hong Kong	:	3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong For the attention of Chairman of the Board/Chief Executive Officer/ Company Secretary
Telephone	:	(852) 2271 2299
Fax	:	(852) 2858 8778
Email	:	investor.relations@topsearch.com.hk

The Company's registered shareholders should direct their enquiries about their shareholdings and entitlement to dividend to the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, through the online holding enquiry service at www.tricoris.com or by email to is-enquiries@hk.tricorglobal.com or hotline at (852) 2980 1333 or in person at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

The Company's general meeting allows the Directors, members of the Audit, Remuneration and Nomination Committees and the external auditor to meet and communicate with its shareholders and to answer shareholders' questions. The Company will ensure that its shareholders' views can be communicated to the Board. For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting, for instances, nomination of persons as Directors by means of a separate resolution. The Procedures for Shareholders to Propose a Person for Election as a Director of the Company has been uploaded on the website of the Company in the section "Corporate Governance" under "Investor Relations" section.

The proceedings of general meeting are reviewed from time to time to ensure that the Company follows good corporate governance practices. Notice of an annual general meeting (whether for the passing of a special resolution and/or an ordinary resolution) shall be called by not less than twenty business days' notice or twenty-one days' notice (whichever is longer) in writing at the least and a special general meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a general meeting of the Company (other than an annual general meeting or a meeting for the passing of a special resolution) shall be called by ten business days' notice or fourteen days' notice (whichever is longer) in writing at the least (whereas the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given), and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

The chairman of the general meeting exercises his power under the Company's Bye-laws to put each proposed resolution to the vote by way of a poll, save for the resolutions (if any) proposed by the chairman of the meeting regarding the approval on the procedural and administrative matters as defined in the Listing Rules. The procedures for demanding and conducting a poll are explained at the general meeting prior to the polls being taken. The Company's shareholders who are entitled to attend and vote at a general meeting are entitled to ask about the poll voting procedures and details of the proposed resolutions at the general meeting whose questions should be answered during the general meeting prior to the conduction of poll voting. Announcement on poll voting results of general meeting will be posted on the Stock Exchange's website and the Company's website.

During the year of 2012, there was no significant change in the Company's Memorandum of Association and Bye-laws, whereas both of which have been uploaded on the Stock Exchange's website and the Company's website.

How the Company's shareholders can convene a special general meeting

The Directors, pursuant to Bermuda Companies Act and notwithstanding anything in the Company's Bye-laws shall, on the requisition of the Company's shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company's principle place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionists by the Company.

The Company continues to commit to a proactive policy of promoting investor relations and effective communication with the Company's shareholders and analysts by maximizing the use of the Company's website (www.topsearch.com.hk) as a channel to disclose the Company's updated information and corporate communications to the Company's shareholders, stakeholders and the public on a timely basis.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period which give a true and fair view of the financial affairs of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Reference was made to the announcements dated 13, 16 and 17 July 2012 and 8 August 2012 published at the websites of the Stock Exchange and of the Company respectively (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements), the Board had approved the following and announced that:

On 12 July 2012 (after trading hours) and 17 July 2012, the Company entered into the Subscription Agreement and Supplemental Agreement with Subscribers respectively, pursuant to which the Company, as the Issuer, had conditionally agreed to allot and issue and the Subscribers had conditionally agreed to subscribe for an aggregate of 93,400,000 Subscription Shares, for which each of Subscriber A and Subscriber B had conditionally agreed to subscribe for 48,400,000 and 45,000,000 Subscription Shares respectively, at the Revised Subscription Price of HK$0.1023 per Subscription Share.

All the conditions of the Subscription had been fulfilled and Completion took place on 8 August 2012 in accordance with the terms and conditions of the Subscription Agreement dated 12 July 2012 and the Supplemental Agreement dated 17 July 2012.

An aggregate of 93,400,000 Subscription Shares have been successfully allotted and issued by the Company to the Subscribers at the Revised Subscription Price of HK$0.1023 per Subscription Share under the General Mandate.

Immediately before Completion, the public Shareholders held 189,358,000 Shares, representing approximately 20.89% of the total issued share capital of the Company. Immediately after Completion on 8 August 2012, the public Shareholders held 282,758,000 Shares, representing approximately 28.28% of the total issued share capital of the Company. As such the public float of the Company has been restored to approximately 28.28% of the total issued share capital of the Company on 8 August 2012 in compliance with the minimum public float requirement under Rule 8.08(1) of the Listing Rules (i.e. at least 25% of the Company's total issued share capital be held at all times by the public).

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report (i.e. 15 April 2013), the Company has maintained a sufficient public float of its share capital in the Stock Exchange throughout the period from 8 August 2012 to 31 December 2012 and has continued to maintain such a public float as at 15 April 2013.

FINANCIAL REVIEW

During the year under review, the Group's turnover decreased by 28%. Overall, the gross margin increased from 0.2% in 2011 to 1.5% in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity and borrowings from banks.

As at 31 December 2012, the Group had total equity of HK$623 million (31 December 2011: HK$611 million) and net debt (trade payables, other payables and accruals, interest-bearing bank loans, amount due to an associate, provision, shareholder's loan less cash and cash equivalents) of HK$745 million (31 December 2011: HK$707 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 54% (31 December 2011: 54%).

The Group's net current liabilities of HK$6 million (31 December 2011: HK$242 million) consisted of current assets of HK$700 million (31 December 2011: HK$522 million) and current liabilities of HK$707 million (31 December 2011: HK$764 million), representing a current ratio of 0.99 (31 December 2011: 0.68).

As at 31 December 2012, the Group's current assets consisted of HK$64 million (31 December 2011: HK$107 million) held as cash and cash equivalents, of which 6% was in Hong Kong dollars ("HKD"), 53% was in US Dollars ("USD"), 38% was in Renminbi ("RMB") and 3% in other currencies.

The Group's current assets also consisted of HK$144 million (31 December 2011: HK$158 million) as trade receivables from its customers. Debtors turnover days increased to 67 days (31 December 2011: 63 days).

As at 31 December 2012, the Group's inventories decreased to HK$119 million (31 December 2011: HK$176 million). Inventory turnover days was 67 days (31 December 2011: 59 days). Trade payables increased to HK$179 million from HK$174 million in 2011. Creditors turnover days was approximately 80 days (31 December 2011: 64 days).

INTEREST-BEARING BORROWINGS

As at 31 December 2012, the Group had the interest-bearing borrowings as follows:

	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*
Amounts payable:		
Within one year	**385,174**	438,312
In the second year	**104,815**	52,149
	489,989	490,461
Less: Portion classified as current liabilities	**385,174**	438,312
Long term portion	**104,815**	52,149

Of the total interest-bearing borrowings, HKD denominated loans accounted for 19% (31 December 2011: 10%), USD denominated loans accounted for 34% (31 December 2011: 39%) and the 47% balance was RMB denominated loans (31 December 2011: 51%) as at 31 December 2012. All bank loans are charged with floating rates. The Board does not recognize a significant seasonality of borrowing requirements.

The bank loans and other banking facilities of the Group are secured by:

(i) certain buildings and leasehold land held by the Group and one associate; and

(ii) the assignment of trade receivables of a subsidiary of the Group.

There are shareholder's loans advanced by Mr. Cheok Ho Fung, an Executive Director, Chairman of the Board, Chief Executive Officer and a controlling shareholder of the Company at the effective interest rate of 7% per annum (2011: 7%). This financial assistance provided by Mr. Cheok Ho Fung as a connected person (defined in the Listing Rules) is a connected transaction. However, it is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to rule 14A.65(4) of the Listing Rules because this financial assistance provided by the abovesaid connected person is for the benefit of the Company on normal commercial terms (or better to the Company) where no security over the assets of the Company or its subsidiaries is granted in respect of the financial assistance.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 47% and 80% of the Group's purchases and expenses, respectively, are denominated in RMB. As the Group imported a substantial portion of its major and important raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the overall effects arising from RMB appreciation.

As at 31 December 2012, the Group has not entered into any financial instrument for hedging purpose. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimize exchange risk should the need arise.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in the paragraphs under the sub-section headed "Business Review" in the section headed "Chairman's Statement" on pages 4 to 6 of this annual report about various disposals by the Group, the Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the year of 2012.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2012, excluding the associate, the Group had approximately 2,984 employees (31 December 2011: 2,848). For the year ended 31 December 2012, total staff costs amounted to HK$217 million (31 December 2011: HK$247 million). Under the Group's remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates. Employees are also granted discretionary bonus subject to the individual's performance and business results of the Group.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants including any employees of the Group. As at 31 December 2012, no share options were outstanding under the scheme. The existing share option scheme, which life is 10 years from its date of adoption on 30 May 2002, had already expired on 30 May 2012. The Board considered that a new share option scheme may only be adopted in future at the time the Directors think favourable to the Company to do so.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

CAPITAL COMMITMENTS

As at 31 December 2012, the Group's capital commitments contracted but not provided for amounted to HK$3 million (31 December 2011: HK$8 million) and there is no capital commitment authorised but not contracted for (31 December 2011: Nil). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

OTHER COMMITMENTS

As at 31 December 2012, the Group's capital contribution committed to the wholly-owned subsidiary established in the PRC amounted to HK$287 million (31 December 2011: Nil), which represents an investment in a subsidiary in Shaoguan, Guangdong Province of the PRC, to be paid up by December 2014.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 4 June 2013 (Tuesday) to 6 June 2013 (Thursday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting of the Company to be held on 6 June 2013 (Thursday), share transfer forms accompanied by relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 3 June 2013 (Monday).

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Details of the analysis of the Group's revenue for the year by geographical location are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 58 to 127.

The Board does not recommend the payment of any dividend for the year ended 31 December 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 128. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the Company's issued share capital for the year ended 31 December 2012 are set out in note 28 to the consolidated financial statements.

There was no movement in the Company's share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders though there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 61.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution amounted to HK$481,550,000, comprising retained earnings of HK$14,781,000 and contributed surplus of HK$466,769,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders of the Company if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

SHARE OPTION SCHEME (EXPIRED ON 30 MAY 2012)

The Company operates a share option ("Option") scheme ("Scheme") during the financial period from 1 January 2012 to 29 May 2012 ("Scheme Period") because the Scheme's ten-year life had been expired on 30 May 2012. The Scheme is operated during the Scheme Period for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. Eligible participants of the Scheme include:

(i) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(ii) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(vii) for the purposes of the Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any Options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The Scheme was conditionally adopted and approved by the shareholders of the Company on 30 May 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from that date. The existing Scheme, whose life is 10 years from its date of adoption on 30 May 2002, had already expired on 30 May 2012.

During the Scheme Period, the maximum number of ordinary shares in respect of which options may be granted at any time under the Scheme and any other share option scheme of the Company cannot exceed 30% of the issued share capital of the Company from time to time. The total number of ordinary shares, which may be issued upon exercise of all options granted under the Scheme and any other share option scheme of the Group, must not in aggregate exceed 64,000,000 Shares, being 10% of the Shares in issue at the Listing Date. The Company may seek approval of its shareholders in general meeting to refresh the 10% limit provided that the total number of ordinary shares which may be issued upon exercise of all outstanding options granted under the Scheme and under any other share option scheme of the Group under the limit as "refreshed" must not exceed 10% of the ordinary shares in issue at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue, further grant in excess of this limit is subject to issue of a circular to the shareholders and shareholders' approval in a general meeting of the Company with the proposed grantees and their associates abstaining from voting.

During the Scheme Period, any Options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is a proposed grantee. In addition, any Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting in which the proposed grantees must abstain from voting.

The offer of a grant of Options may be accepted within 28 days from the date of the offer and upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the Options granted is determinable by the Directors, and will commence at any time on or after the date upon which the Option is deemed to be granted and accepted and will expire not later than the 10th anniversary of that date.

During the Scheme Period, the exercise price of the Options is determinable by the Directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date.

The Scheme, the life of which is 10 years from its date of adoption on 30 May 2002, expired on 30 May 2012. The Board considered at its meeting and resolved not to propose any new share option scheme for the Company at this moment until otherwise further determined by the Board in future.

Save as disclosed above and under the section headed "Directors' Interests in Shares and Underlying Shares" below, none of the Directors or their respective associates has any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) or has any right to subscribe for equity or debt securities of the Company, as recorded in the register required to be kept under SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2012, the sale of products to the largest and the five largest customers amounted to approximately 24% (2011: 15%) and 62% (2011: 51%) of the Company's revenue respectively.

For the financial year ended 31 December 2012, the purchase of materials from the largest and the five largest suppliers amounted to approximately 14% (2011: 18%) and approximately 46% (2011: 55%) of the Company's total purchases respectively.

None of the Directors, or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) has any beneficial interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2012.

CONTINUING CONNECTED TRANSACTION

The following is a continuing connected transaction that is not exempted under the Listing Rules and is statutorily required to be disclosed pursuant to Rules 14A.45 and 14A.46 of the Listing Rules in this annual report:

Tenancy Agreement

On 1 June 2011, Topsearch Printed Circuits (HK) Limited as tenant (an indirect wholly-owned subsidiary of the Company), entered into a tenancy agreement ("Tenancy Agreement") with Keentop Investment Limited as landlord (an investment holding company and a connected person defined under the Listing Rules, which is beneficially owned as to 50% by each of Mr. Cheok Ho Fung, an Executive Director and Chief Executive Officer and his spouse, Mrs. Cheok Chu Wai Min) in respect of the renting of the properties known as House 7 and the Garden appurtenant thereto and Car Parking Spaces Nos. 7A and 7B on Basement Floor, Las Pinadas, No. 33 Shouson Hill Road, Hong Kong for a lease term of three years commencing from 1 June 2011 to 31 May 2014 (both days inclusive) as director's quarters provided to Mr Cheok Ho Fung and his family.

Keentop Investment Limited will charge Topsearch Printed Circuits (HK) Limited for the monthly rental of HK$165,000 (exclusive of rates, management fee and other outgoings) and monthly management fee of HK$9,000 (subject to adjustment) from 1 June 2011 to 31 May 2014 (both days inclusive) based on the valuation report dated 6 May 2011 conducted by a professional property valuer (an independent third party). The terms of the Tenancy Agreement have been negotiated on an arm's length basis and are considered as fair and reasonable and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Details of the terms of and the annual caps under the Tenancy Agreement were announced by the Company on 1 June 2011 at the websites of the Stock Exchange and the Company respectively.

In respect of the Tenancy Agreement which constitutes a continuing connected transaction of the Company, the Independent Non-executive Directors have reviewed the said transaction and confirmed that the said transaction has been entered into:

(1) after arm's length negotiation;

(2) on normal commercial terms; and

(3) in accordance with the Tenancy Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction 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 Transitions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter continuing his findings and conclusions in respect of the continuing connected transaction disclosed by the Group on pages 38 and 39 of this annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSEABLE TRANSACTIONS

Save as disclosed in the paragraphs under the sub-section headed "Business Review" in the section headed "Chairman's Statement" on pages 4 to 6 of this Annual Report, the Group had not entered into any discloseable transactions (as defined under the Listing Rules).

Report of the Directors

DIRECTORS

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

Executive Directors:
Mr. Cheok Ho Fung
Mr. Liu Wai On *(resigned on 30 April 2012)*

Non-executive Directors:
Mr. Tang Yok Lam, Andy
Mr. Ng Kwok Ying, Alvin
Mr. Xiang Dong *(resigned on 30 April 2012)*

Independent Non-executive Directors:
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin

In accordance with Bye-law 99 of the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Tang Yok Lam, Andy (Non-executive Director) and Mr. Wong Wing Kee (Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting of the Company. None of the Directors offering themselves for re-election at the forthcoming annual general meeting of the Company has any service contract with the Company in respect of any unexpired period which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 61, is an Executive Director, the Chairman of the Board and the Executive Committee, and Chief Executive Officer of the Company and a director of most of the subsidiaries of the Company. He is the founder of the Group. Mr. Cheok is responsible for overall strategic planning and the direction of the Group. With over 20 years of experience in the PCBs industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities.

Prior to founding the Group, Mr. Cheok had held the positions of financial controller and various management positions in different multinational companies involved in computer related products, application systems, motor vehicles and agricultural equipment, ship repairing and oil-rig construction, business-form printing and PCBs manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, a member of the Chartered Institute of Management Accountants since 1981 and the Hong Kong Institute of Certified Public Accountants since 1990.

Mr. Cheok has entered into a service agreement with the Company on 30 May 2002 for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day immediately following the expiry of the then current terms of the service agreement. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. For the financial year ended 31 December 2012, Mr. Cheok received annual emoluments of HK$5,349,600, including the housing benefits in kind. His emoluments and performance bonus will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. Mr. Cheok's emolument package is subject to review by the Remuneration Committee of the Company and the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Mr. Cheok is one of the substantial shareholders (as defined in the Listing Rules) of the Company. He is also a director and a shareholder of Inni International Inc., which is also one of the substantial shareholders of the Company. Details of his interest in the shares and underlying shares of the Company have been disclosed in the section headed "Report of the Directors" under the sub-sections headed "Directors' Interests in Shares and Underlying Shares" and "Substantial Shareholders and Other Persons' Interests in Shares and Underlying Shares" of this Annual Report.

Save as disclosed above, Mr. Cheok has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being the Chairman of the Board and of the Executive Committee, Chief Executive Officer and an Executive Director, being the father of Mr. Cheok Lup Yin, Eric, an assistant to the Chief Executive Officer of the Company and a director of most of the subsidiaries of the Company, Mr. Cheok does not have any relationships with any other Directors and senior management (as defined in the Listing Rules), and there are no other matters concerning Mr. Cheok that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Liu Wai On (resigned on 30 April 2012)

Mr. Liu Wai On, aged 50, resigned as an Executive Director of the Company and a member of the Executive Committee of the Company on 30 April 2012.

Mr. Liu graduated from Industrial Management and Metal Finishing Technology in the Hong Kong Polytechnic University. During the period from 1 January to 29 April 2012, Mr. Liu was also the Marketing Director of Topsearch Printed Circuits Macao Commercial Offshore Company Limited ("Macao Subsidiary") which is a subsidiary of the Company mainly responsible for all internal administration, business development, planning and development of sales strategies relating to manufacturing and operations. Prior to joining the aforesaid subsidiary of the Company in 2004, Mr. Liu has more than 20 years of experience in various major PCBs manufacturers in technical and operation areas. Following his resignation, he will continue to work at the Macao Subsidiary as the Marketing Director.

Mr. Liu had been with the Group for more than seven years. For the four months ended 30 April 2012, Mr. Liu received monthly emoluments of HK$10,000 for being an Executive Director of the Company and other emoluments of HK$252,000.

Save as disclosed above, Mr. Liu has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Executive Director, Mr. Liu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Liu that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Non-executive Directors

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 65, was appointed as an Independent Non-executive Director on 3 April 2002 and has been re-designated as a Non-executive Director of the Company since 1 December 2004. He is also a member of the Remuneration Committee and Nomination Committee of the Company respectively.

Mr. Tang has over 30-years working experience globally in Hong Kong, Japan, London, USA and China in respect of engineering, shipping, energy, finance and investment banking areas. Mr. Tang had held various executive positions in multinational companies, including First Chicago, Fuji Bank, JP Morgan, Coastal Power, etc in Hong Kong, Japan, London, USA and China. Mr. Tang has been a pioneer in non-recourse project financing for sports stadium in USA and power plants in China. Mr. Tang currently resides in Beijing. Mr. Tang studied naval Architecture in Taiwan and subsequently production management at Cambridge and earned his MBA at Cranfield University in England in 1977.

Mr. Tang has been with the Company for over ten years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2012, Mr. Tang received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Tang are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Tang has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Tang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Tang that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Ng Kwok Ying, Alvin

Mr. Ng Kwok Ying, Alvin, aged 66, was appointed as an Independent Non-executive Director on 3 April 2002 and re-designated as a Non-executive Director of the Company since 22 February 2005. He is also a member of the Audit Committee of the Company.

Mr. Ng is the founder and currently a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng had worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Mr. Ng has been with the Company for over ten years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2012, Mr. Ng received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Ng are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Ng has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Ng that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Xiang Dong (resigned on 30 April 2012)

Mr. Xiang Dong, aged 40, resigned as a Non-executive Director and member of Audit Committee of the Company on 30 April 2012. Mr. Xiang had been an Independent Non-executive Director of the Company from 12 July 2007 prior to being re-designated as a Non-executive Director of the Company on 12 July 2010.

Mr. Xiang received a Ph.D. degree in Mechanical Engineering of Chongqing University since 2000 and accredited with an Education Award of Department of Precision Instruments & Mechanology, Tsinghua University in 2005. Mr. Xiang is engaged as an associate professor in the Manufacturing Engineering Institute, Department of Precision Instruments & Mechanology, Tsinghua University since 2005 and has several years of lecturing experience in the same school before 2005. Mr. Xiang has undertaken many research projects during the past seven years including Green Design Theory and Application for Electronmechanical Products, E-waste Recycling Technology, Green Manufacturing, Environmental Attribute Analysis of Home Appliances and Recycling Technique of PCBs and cathoderay tube research etc.

Mr. Xiang had been with the Company for nearly five years as Independent Non-executive Director with the Company on 12 July 2007 for an initial fixed term of one year which shall continue thereafter. For the four months ended 30 April 2012, Mr. Xiang received monthly emoluments of HK$10,000 for being a Non-executive Director.

Save as disclosed above, Mr. Xiang has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director and his spouse who worked and had resigned on 14 April 2012 as information technology manager of Topsearch Printed Circuits (Shenzhen) Limited as disclosed under the section headed "Corporate Governance Report" herein, Mr. Xiang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Xiang that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Independent Non-executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 60, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Company respectively.

Mr. Leung has had extensive working experience in the banking industry. For over 20 years, Mr. Leung had held various senior credit management positions in Bank of America and the First National Bank of Boston prior to becoming the Group General Manager of Seng Heng Bank in Macau. Currently he serves as an Executive Director for the Elegance Printing Group, the printer of the Company, which has business relationship with the Company. Mr. Leung holds a Bachelor's degree in Economics and a Bachelor's degree in Commerce from the University of Windsor, Canada, a Master's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Leung has been with the Company for over eight years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2012, Mr. Leung received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Leung are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Leung has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director and an executive director and equity partner of the Elegance Printing Group, the printer of the Company, Mr. Leung does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Leung that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 66, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Nomination Committee and also a member of the Audit Committee of the Company. He has been appointed as a member of the Remuneration Committee on 12 July 2010.

Mr. Wong holds a Bachelor of Science degree in Financial Services from The University of Manchester Institute of Science and Technology. He is also a Fellow of The London Chartered Institute of Bankers (FCIB), now known as IFS, School of Finance (UK). As a Singaporean, Mr. Wong has more than 30-year experience in operational risk management, internal audit and compliance. He has held various positions in senior operational risk, internal audit and compliance at Asian and US banks, and has served as advisor and provided strategic risk consultancy services to various banks in Indonesia.

Mr. Wong has been with the Company for over eight years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2012, Mr. Wong received annual emoluments of HK$120,000. The emoluments of Mr. Wong are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Wong has not held any positions with the Company or other members of the Group and he has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Wong does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Wong that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Ng Kee Sin

Mr. Ng Kee Sin, aged 61, has been an Independent Non-executive Director of the Company since 20 March 2007. He is the chairman of the Audit Committee of the Company.

Mr. Ng has more than 20 years of senior management experience in Asia Pacific countries with NCR, Digital Equipment Corporation, Compaq Computer Corporation and had been the managing director of Quantum Storage Greater China Region. He is currently an international associate of Golden Namsing Technology Shenzhen Co. Mr. Ng holds a Bachelor of Accountancy degree in the University of Singapore. He is a member of Institute of Certified Public Accountants of Singapore (ICPAS) and a fellow member of the Association of Certified Chartered Accountants (ACCA).

Mr. Ng has been with the Company for over six years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Company's shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2012, Mr. Ng received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Ng are subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Ng has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company, and there are no other matters concerning Mr. Ng that need to be brought to the attention of the Company's shareholders nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into a service agreement with Mr. Cheok Ho Fung as an Executive Director, the chairman of the Board and the Chief Executive Officer of the Company for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day immediately following the expiry of the then current terms of the service agreements, subject to the termination specified in the said service agreement and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Under the service agreement with Mr. Cheok, such agreement may be terminated by either party by giving not less than six months' written notice to the other party.

On 12 July 2007, a letter of appointment was issued by the Company and accepted by Mr. Liu Wai On as Executive Director for an initial fixed term of one year with effect from 12 July 2007 to 11 July 2008 and shall continue thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 12 July 2008 to 11 July 2009 and further from 12 July 2009 to 11 July 2010 and shall suppose to be continued thereafter. However, Mr. Liu tendered his resignation as Executive Director and member of Executive Committee with effect from 30 April 2012. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, separate letters of appointment were issued by the Company and accepted by Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin respectively. Mr. Tang and Mr. Ng served the Company as Non-executive Directors with terms of appointment effective on 3 June 2005 for an initial fixed term of three years and shall continue thereafter, subject to the termination specified in the said letters and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Their terms of appointment were renewed and approved by the Board for the further three years for the period from 3 June 2008 to 2 June 2011 and shall be continued thereafter. Under the letters of appointment, their appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Leung Shu Kin, Alfred. Mr. Leung serves the Company as an Independent Non-executive Director with effect from 3 June 2005 to 31 August 2007, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years for the further period from 1 September 2007 to 31 August 2010 and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Wong Wing Kee. Mr. Wong served the Company as an Independent Non-executive Director with effect from 3 June 2005 to 30 November 2007, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the fixed term of three years for the further period from 1 December 2007 to 30 November 2010 and shall be continued thereafter. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 16 March 2007, a letter of appointment was issued by the Company and accepted by Mr. Ng Kee Sin. Mr. Ng serves the Company as an Independent Non-executive Director with effect from 20 March 2007 for an initial fixed term of three years and shall be continued thereafter, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 12 July 2007, a letter of appointment was issued by the Company and accepted by Mr. Xiang Dong. Mr. Xiang serves the Company as an Independent Non-executive Director with effect from 12 July 2007 to 11 July 2008, subject to the termination specified in the said letter and the retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 12 July 2008 to 11 July 2009 and from 12 July 2009 to 11 July 2010 respectively. His terms of appointment as Independent Non-executive Director ceased on 12 July 2010 since he was re-designated from Independent Non-executive Director to Non-executive Director on the same date and accordingly, he signed a new letter of appointment as Non-executive Director on 12 July 2010 with the terms of appointment commencing from 12 July 2010 for an initial fixed term of one year which shall suppose to be continued thereafter. However, Mr. Xiang tendered his resignation as Non-executive Director and member of Audit Committee with effect from 30 April 2012. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries, which is not determined by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to the Company's shareholders' approval at general meetings. Other emoluments are determined by the Board subject to the authority granted by the Company's shareholders at general meeting with reference to directors' duties and skills, responsibilities and performance and the financial results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the financial statements, no Director had a material interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 31 December 2012, the interests and short positions of the Directors, the chief executive of the Company or their respective associates in the share capital, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("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 for Securities Transactions by Directors of Listed Companies, were as follows:

(a) The Company

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	Note	Deemed	Long position	432,000,000	43.20%
Total				510,250,000	51.03%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse Mrs. Cheok Chu Wai Min.

(b) *Associated Corporation — Inni International Inc.*

Name of director		Nature of interest	Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	12,250	49.00%
	Note	Deemed	12,750	51.00%
Total			25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

(c) *Subsidiary — Topsearch Industries (Holdings) Limited*

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok Ho Fung		Direct	2,000,100	10.00%
	Note	Deemed	17,999,900	90.00%
Total			20,000,000	100.00%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.

2. Directors' Interests in Share Options of the Company

As at 31 December 2012, none of the Company's directors held share options of the Company.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company or their respective associates had registered an interest or short positions 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 Companies.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

Long positions in Shares:

As at 31 December 2012, the interests or short positions of every person holding 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	*Notes*			**Number of ordinary shares held**	**Percentage of issued capital**
Inni International Inc.		Direct	Long position	432,000,000	43.20%
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	(i)	Deemed	Long position	432,000,000	43.20%
		Total		510,250,000	51.03%
Mrs. Cheok Chu Wai Min	*(ii)*	Deemed	Long position	510,250,000	51.03%
Hallgain Management Limited	*(iii)*	Deemed	Long position	206,992,000	20.70%
Kingboard Chemical		Direct	Long position	2,766,000	0.28%
Holdings Limited	*(iii)*	Deemed	Long position	204,226,000	20.42%
		Total		206,992,000	20.70%
Jamplan (BVI) Limited	*(iii)*	Deemed	Long position	204,226,000	20.42%
Kingboard Laminates Limited	*(iii)*	Direct	Long position	202,000	0.02%
Kingboard Investments Limited	*(iii)*	Direct	Long position	204,024,000	20.40%

Notes:

(i) The above interest in the name of Inni International Inc. is disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".

(ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated as held by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represent the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".

(iii) Kingboard Investments Limited and Kingboard Laminates Limited, holders of 204,024,000 and 202,000 shares in the Company respectively, are a wholly-owned subsidiary and a non wholly-owned subsidiary of Jamplan (BVI) Limited respectively which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 34.10% equity shares in Kingboard Chemical Holdings Limited.

Save as disclosed above, as at 31 December 2012, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interest in Shares and Underlying Shares" above had registered an interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

AUDITOR

Ernst & Young, who acted as external auditor of the Company for the previous years, resigned on 11 February 2010, and Deloitte Touche Tohmatsu was appointed as external auditor of the Company by the Board to fill the casual vacancy until the conclusion of the Company's annual general meeting held on 2 June 2010.

A resolution for the appointment of Deloitte Touche Tohmatsu as external auditor of the Company had been approved by members at the annual general meeting of the Company which had been held on 2 June 2010, and a resolution for the re-appointment of Deloitte Touche Tohmatsu, the Company's retiring external auditor, had also been approved by members at the Company's annual general meetings held on 3 June 2011 and 1 June 2012 respectively.

Report of the Directors

The financial statements of the Group for the year ended 31 December 2012 have been audited by Deloitte Touche Tohmatsu who will retire since they have been re-elected after the conclusion of the Company's annual general meeting held on 1 June 2012 as the Company's external auditor, and, being eligible, will offer themselves for reappointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

CHEOK HO FUNG
Chairman and Chief Executive Officer

Hong Kong, 26 March 2013

Deloitte.
德勤

TO THE SHAREHOLDERS OF
TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 127, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of it's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
REVENUE	6	**817,004**	1,135,320
Cost of sales		**(804,778)**	(1,133,034)
Gross profit		**12,226**	2,286
Other income	7	**12,209**	13,365
Other gains and losses	8	**263,065**	(238,713)
Selling and distribution costs		**(64,105)**	(84,037)
Administrative expenses		**(94,122)**	(83,044)
Finance costs	9	**(31,063)**	(31,876)
Profit (loss) before tax	10	**98,210**	(422,019)
Income tax expense	13	**(4,557)**	(17,608)
Profit (loss) for the year		**93,653**	(439,627)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		**10,198**	47,334
Release of translation reserve included in profit or loss upon disposal of a subsidiary		**(100,713)**	—
Total comprehensive income (expense) for the year		**3,138**	(392,293)
Profit (loss) attributable to:			
Owners of the Company		**96,341**	(438,996)
Non-controlling interests		**(2,688)**	(631)
		93,653	(439,627)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**5,757**	(391,662)
Non-controlling interests		**(2,619)**	(631)
		3,138	(392,293)
Earnings (loss) per share	14		
Basic		**10.21 HK cents**	(48.42 HK cents)

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**588,764**	856,604
Prepaid lease payments	16	**23,339**	40,144
Investments in associates	17	**115,917**	4,396
Rental and utility deposits		**815**	107
Prepaid rent		**—**	324
Available-for-sale financial assets	18	**1,857**	1,857
Deposits paid for acquisition of property, plant and equipment		**3,861**	6,591
		734,553	910,023
CURRENT ASSETS			
Inventories	19	**118,926**	175,621
Prepaid lease payments	16	**538**	988
Trade receivables	20	**143,557**	157,769
Prepayments, deposits and other receivables	21	**357,968**	76,275
Amounts due from associates	17	**410**	—
Amounts due from non-controlling shareholders	22	**—**	4,000
Pledged bank deposits	23	**15,000**	—
Bank balances and cash	23	**63,934**	107,456
		700,333	522,109
CURRENT LIABILITIES			
Trade payables	24	**178,717**	173,693
Other payables and accruals	25	**135,916**	126,386
Provision	26	**—**	19,162
Amount due to an associate	17	**4,396**	4,396
Tax payable		**2,409**	2,469
Interest-bearing bank loans	27	**385,174**	438,312
		706,612	764,418
NET CURRENT LIABILITIES		**(6,279)**	(242,309)
		728,274	667,714

Consolidated Statement of Financial Position

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	28	**100,000**	90,660
Reserves		**522,709**	516,738
Equity attributable to owners of the Company		**622,709**	607,398
Non-controlling interests		**750**	3,369
Total Equity		**623,459**	610,767
NON-CURRENT LIABILITIES			
Shareholder's loans	29	**104,815**	52,149
Deferred tax liabilities	30	**—**	4,798
		104,815	56,947
		728,274	667,714

The consolidated financial statements on pages 58 to 127 were approved and authorised for issue by the board of directors on 26 March 2013 and are signed on its behalf by:

CHEOK HO FUNG

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital	Share premium	Contributed surplus	Property revaluation reserve	Translation reserve	Statutory reserve fund	Retained profits (accumulated losses)	Sub-total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	90,660	337,640	19,000	18,351	201,843	30,008	301,558	999,060	–	999,060
Loss for the year	–	–	–	–	–	–	(438,996)	(438,996)	(631)	(439,627)
Exchange difference arising on translation of foreign operations	–	–	–	–	47,334	–	–	47,334	–	47,334
Total comprehensive income (expense) for the year	–	–	–	–	47,334	–	(438,996)	(391,662)	(631)	(392,293)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	4,000	4,000
At 31 December 2011	**90,660**	**337,640**	**19,000**	**18,351**	**249,177**	**30,008**	**(137,438)**	**607,398**	**3,369**	**610,767**
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**96,341**	**96,341**	**(2,688)**	**93,653**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**10,129**	**–**	**–**	**10,129**	**69**	**10,198**
Release upon disposal of a subsidiary	**–**	**–**	**–**	**–**	**(100,713)**	**–**	**–**	**(100,713)**	**–**	**(100,713)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**(90,584)**	**–**	**96,341**	**5,757**	**(2,619)**	**3,138**
Issues of shares pursuant to subscription arrangements	**9,340**	**214**	**–**	**–**	**–**	**–**	**–**	**9,554**	**–**	**9,554**
Released upon disposal of a subsidiary	**–**	**–**	**–**	**(18,351)**	**–**	**(22,673)**	**41,024**	**–**	**–**	**–**
At 31 December 2012	**100,000**	**337,854**	**19,000**	**–**	**158,593**	**7,335**	**(73)**	**622,709**	**750**	**623,459**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the group reorganisation, over the nominal value of the Company's shares issued in exchange.

(b) Statutory reserve fund was appropriated each year on the basis of 10% of the profit after taxation of certain subsidiaries established in the People's Republic of China (the "PRC") as determined by their board of directors in accordance with the Articles of Association of the subsidiaries. This fund should only be used for making up losses, capitalisation into capital and expansion of production and operation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit (loss) before tax	**98,210**	(422,019)
Adjustments for:		
Depreciation of property, plant and equipment	**70,487**	136,937
Interest income	**(432)**	(555)
Finance costs	**31,063**	31,876
Loss on write off/disposal of property, plant and equipment	**1,164**	82,360
Release of prepaid lease payments	**1,188**	967
Allowance for obsolete inventories	**6,884**	4,016
Allowance for doubtful debts	**3,060**	2,371
Gain on disposal of a subsidiary	**(271,299)**	—
Reversal of over-accruals	**(5,799)**	—
Write off of other receivables	**8,804**	—
Impairment loss of property, plant and equipment	**—**	124,487
Impairment loss on consumables	**—**	13,500
Employee severance payment expenses	**—**	21,378
Operating cash flows before movements in working capital	**(56,670)**	(4,682)
Increase in rental and utility deposits	**(708)**	(5)
Decrease in prepaid rent	**228**	36
Decrease in inventories	**52,006**	10,808
Decrease in trade receivables	**11,152**	74,178
Decrease (increase) in prepayments, deposits and other receivables	**15,241**	(31,379)
Increase (decrease) in trade payables	**2,853**	(61,412)
Increase (decrease) in other payables and accruals	**1,752**	(33,707)
Utilisation of provision	**(19,162)**	(2,216)
Cash generated from (used in) operations	**6,692**	(48,379)
Income tax paid	**(3,648)**	(17,800)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**3,044**	(66,179)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Interest received	**432**	555
Proceeds from disposal of property, plant and equipment	**19,661**	—
Deposits received for disposal of land and buildings	**12,500**	24,691
Purchase of property, plant and equipment	**(8,226)**	(6,283)
Purchase of prepaid lease payments	**(26,229)**	—
Deposits paid for property, plant and equipment	**(3,861)**	(6,591)
Placement of pledged bank deposits	**(15,000)**	—
Release of pledged bank deposits	**—**	38,059
Proceeds from disposal of available-for-sale financial assets	**—**	145
Repayment from non-controlling shareholders	**4,000**	—
Advances to associates	**(410)**	—
Cash outflow from disposal of a subsidiary	**(6,039)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(23,172)**	50,576
FINANCING ACTIVITIES		
New bank loans	**595,313**	438,312
Repayment of bank loans	**(650,597)**	(355,476)
New shareholder's loans raised	**52,666**	3,149
Interests paid	**(31,063)**	(31,876)
Proceeds from issue of new shares	**9,554**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(24,127)**	54,109
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(44,255)**	38,506
Effect of foreign exchange rate changes	**733**	(1,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**107,456**	69,987
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**63,934**	107,456

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider that the immediate holding company and its ultimate holding company is Inni International Inc., which is incorporated in Liberia. Its ultimate controlling party is Mr. Cheok Ho Fung, Peter, an executive director and chief executive of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The activities of its subsidiaries are set out in Note 38.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of HK$6,279,000 as at 31 December 2012.

Taking into account the following, the directors of the Company are of the view that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(a) Consideration receivable of HK$305,017,000 as at 31 December 2012 as detailed in notes 17 and 21 was subsequently settled on 4 March 2013, and the Group partially repaid the outstanding bank loans of HK$225,000,000 as at 31 December 2012.

(b) The Group is in the process of renewing the existing term loans facility of RMB180,000,000 (approximately HK$225,000,000) with China Construction Bank, Shaoguan Branch, which is targeted to be completed by end of May 2013 for the purpose of re-financing part of the existing loans which was paid in March 2013.

(c) The controlling shareholder of the Company has provided shareholder's loans of HK$104,815,000 to the Company on 31 December 2012 which will be repayable in 2014. The controlling shareholder has agreed in writing to continue to provide financial support for financing the working capital of the Group when needed in the foreseeable future.

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

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

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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

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

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

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

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets but not financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK(SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(continued)*

These standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these standards is not expected to have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income *(continued)*

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity herein.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits (accumulated losses) as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

Where a group entity transacts with its associate, profit and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has been passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tooling income is recognised when the relevant services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits (accumulated losses).

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Raw materials are valued at cost on a weighted average basis. Work in progress and finished goods are valued at standard cost which approximates to the actual cost determined on a weighted average basis and comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from associates and non-controlling shareholders, pledged bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Debt securities held by the Group are measured at fair value at the end of each reporting period. Changes in the carrying amount of available for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delay payments in the portfolio past the credit period, observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including trade payables, other payables, interest-bearing bank loans, amount due to an associate and shareholder's loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using a cash flow estimated to settle the present obligation, its carrying amount is the present value of these cash flows (where the effect is material).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning 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.

Estimation of useful lives of property, plant and equipment

As described in Note 15, items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives after taking into account the estimated residual values. The estimated useful lives are based on the expected lives of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment, due to the change of commercial and technological environment, are different from their estimated useful lives, such difference will impact the depreciation charges.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows is different from the original estimate, a material change in the amount of impairment may arise. The carrying amount of the property, plant and equipment as at 31 December 2012 was HK$588,764,000 (2011: HK$856,604,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Fair value of buildings

As described in Note 15, the buildings with carrying amount of HK$420,369,000 (2011: HK$590,467,000) were revalued at the end of the reporting date using the depreciated replacement cost approach by independent qualified valuers. Based on the valuation at 31 December 2012, no increase or decrease in valuation was recognised in relation to the buildings. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from the aggregate amount of the new replacement cost of the buildings and other site works and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of the reporting period.

Allowances of trade receivables

The policy for provision for allowances of trade receivables of the Group is based on the evaluation of collectability and the aged analysis of the trade receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying value of the Group's trade receivables as at 31 December 2012 was HK$143,557,000 (2011: HK$157,769,000), net of accumulated allowance for doubtful debts amounting to HK$8,491,000 (2011: HK$7,074,000).

6. SEGMENT INFORMATION

No segment information is presented as the manufacture and sale of printed circuit boards is the only operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated result of the Group as a whole for the purposes of resource allocation and assessment of performance. The Group considered that there is only one operating segment with the segment revenue, segment results, segment assets and segment liabilities the same as the revenue, profit (loss) for the year, total assets and total liabilities respectively as reported in the consolidated financial statements.

(a) Geographical information

The following table provides an analysis of the Group's sales by geographical market based on the location of customers:

	2012	2011
	HK$'000	*HK$'000*
The People's Republic of China ("PRC")	**149,526**	244,095
Singapore	**231,624**	207,375
Hong Kong	**68,437**	100,857
Thailand	**103,109**	174,438
Malaysia	**132,830**	152,554
Korea	**—**	59,276
Germany	**40,932**	57,562
United States of America	**29,817**	39,586
Taiwan	**27,401**	57,079
Others	**33,328**	42,498
	817,004	1,135,320

Notes:

(i) Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

(ii) Non-current assets other than available-for-sale financial assets amounting to HK$718,458,000 and HK$14,238,000 (2011: HK$888,233,000 and HK$19,933,000) are located in the entities' country of domicile, the PRC and Hong Kong respectively.

6. SEGMENT INFORMATION *(continued)*

(b) Information about major customers

Revenue from customers individually contributing over 10% of the total sales of the Group is as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**196,833**	169,263
Customer B	**108,899**	111,666
Customer C	**95,865**	149,050

(c) No product analysis is presented as the Group has only single product type from operation.

7. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Interest income	**432**	555
Government grants *(Note)*	**5,484**	5,309
Tooling income	**3,075**	5,965
Insurance claims	**1,143**	—
Others	**2,075**	1,536
	12,209	13,365

Note: The government grants mainly represent reimbursement of export credit insurance paid under a concession policy in Guangdong province, PRC.

8. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Write off of other receivables	**(8,804)**	—
Reversal of over-accruals	**5,799**	—
Net exchange (loss) gain	**(1,005)**	5,383
Allowance for doubtful debts *(Note 20)*	**(3,060)**	(2,371)
Gain on disposal of a subsidiary *(Note 40)*	**271,299**	—
Loss on restructuring of a manufacturing facility *(Note)*:		
— Impairment loss of property, plant and equipment	**—**	(124,487)
— Loss on write off/disposal of property, plant and equipment	**(1,164)**	(82,360)
— Impairment loss on consumables	**—**	(13,500)
— Employee severance payment expenses	**—**	(21,378)
	263,065	(238,713)

Notes:

As at 31 December 2011, the directors reviewed the business strategy and the carrying amounts of the Group's manufacturing assets, and determined that a number of those assets were impaired due to the plan for closure of a production facility and relocate to existing factories of the Group in other inner areas in PRC for cost saving. Accordingly, the management had prepared an assessment of impairment of the manufacturing assets. The recoverable amount of the property, plant and equipment was mainly determined on the basis of their fair values less costs to sell evaluated by Equipnet Asia Pacific Ltd., an independent valuer. The evaluation included consideration of transactions involving sales of similar assets, as well as their availability on second hand market taking into account of the overall condition, quality of the assets and adjustments for age, condition, economic or functional obsolescence existing at the end of the reporting period. In addition, certain items of immovable property, plant and machinery were identified as obsolete and loss from write off/disposal of the property, plant and equipment of HK$82,360,000 has been recognised in the prior year.

In addition, employee severance payment which were assessed in accordance with the relevant rules and regulations and the agreements with the counterparties, were expected to be incurred for the removal of the production line.

The existing production was substantially ceased in December 2011.

As at 31 December 2012, the relocation of the production line has been completed and the employee severance payment expenses were fully settled during the year.

9. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**24,535**	28,850
Shareholder's loan	**6,528**	3,026
	31,063	31,876

10. PROFIT (LOSS) BEFORE TAX

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) before tax has been arrived at after charging:		
Staff costs (including directors' remuneration *(Note 11)*)		
Wages and salaries	**199,722**	209,725
Severance payment (included in loss on restructuring of a manufacturing facility in *(Note 8)*)	**—**	21,378
Other staff costs	**3,882**	925
Retirement benefit scheme contributions	**13,079**	14,594
	216,683	246,622
Auditor's remuneration	**1,956**	1,845
Allowance for obsolete inventories		
— included in cost of sales	**6,884**	4,016
— included in restructuring of a manufacturing facility *(Note 8)*	**—**	13,500
Cost of inventories recognised as an expense	**804,778**	1,133,034
Depreciation of property, plant and equipment	**70,487**	136,937
Minimum lease payments under operating leases on land and buildings	**5,558**	7,393
Release of prepaid lease payments	**1,188**	967

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the eight (2011: eight) directors were as follows:

	Fee *HK$'000*	Salaries and other benefits *HK$'000*	Contribution to retirement benefit scheme *HK$'000*	Total *HK$'000*
2012				
Executive directors:				
Cheok Ho Fung, Peter	**—**	**5,195^**	**155**	**5,350**
Liu Wai On, Eric *(resigned on 30 April 2012)*	**40**	**240**	**12**	**292**
	40	**5,435**	**167**	**5,642**
Non-executive directors:				
Tang Yok Lam, Andy	**120**	**—**	**—**	**120**
Ng Kwok Ying, Alvin	**120**	**—**	**—**	**120**
Xiang Dong *(resigned on 30 April 2012)*	**40**	**—**	**—**	**40**
	280	**—**	**—**	**280**
Independent non-executive directors:				
Leung Shu Kin, Alfred	**120**	**—**	**—**	**120**
Wong Wing Kee	**120**	**—**	**—**	**120**
Ng Kee Sin	**120**	**—**	**—**	**120**
	360	**—**	**—**	**360**
Total emoluments	**680**	**5,435**	**167**	**6,282**
2011				
Executive directors:				
Cheok Ho Fung, Peter	—	4,870^	139	5,009
Liu Wai On, Eric	120	720	36	876
	120	5,590	175	5,885
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
Xiang Dong	120	—	—	120
	360	—	—	360
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
	360	—	—	360
Total emoluments	840	5,590	175	6,605

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

^ Included in the amount is rental and management fee paid for director's quarter to a company beneficially owned by Mr Cheok Ho Fung, Peter.

Mr. Cheok Ho Fung, Peter is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years. No directors waived any of their emoluments for both years.

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, one (2011: two) was director of the Company whose emolument is included in the disclosures in Note 11 above. The emoluments of the remaining four (2011: three) individuals were as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**2,835**	1,980
Contribution to retirement benefit scheme	**136**	99
	2,971	2,079

Their emoluments were within the following bands:

	Numbers of employees	
	2012	2011
Nil to HK$1,000,000	**4**	3

No emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

13. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC Enterprise Income Tax		
Current year	**4,216**	4,625
Under-provision in prior years	**341**	7,767
	4,557	12,392
Deferred taxation *(Note 30)*	**—**	5,216
	4,557	17,608

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years. No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

During the year ended 31 December 2011, the under-provision in respect of prior years mainly includes EIT imposed on transfer pricing arrangement of the Group from 2003 to 2010 by the relevant tax authority in PRC.

The current year taxation includes an income tax charge of approximately HK$969,000 (2011: Nil), which represents the PRC income tax charged on the gain of HK$271,299,000 which arose on disposal of 70% equity interest in Topsearch Printed Circuits (Shenzhen) Limited ("Topsearch Shenzhen") (see note 40 for details). According to the EIT Law effective from 1 January 2008 and its Implementation Regulation, the capital gain derived from equity rights transfer by a non-resident enterprise, representing the difference between the transfer price and the relevant registered capital, is subject to a tax rate of 10%.

13. INCOME TAX EXPENSE *(continued)*

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

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) before tax	**98,210**	(422,019)
Tax at the statutory tax rate of 25%	**24,553**	(105,505)
Tax effect of exemption granted to Macau subsidiary	**(15,988)**	(25,014)
Tax effect of income not taxable for tax purpose or subject to capital gain tax	**(1,940)**	(2,100)
Tax effect of expenses not deductible for tax purpose	**16,333**	10,980
Tax effect of tax losses not recognised	**43,149**	78,258
Under-provision in prior years	**341**	7,767
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,272**	1,546
Tax effect of other deductible temporary differences not recognised	**1,697**	51,753
Tax effect of capital gain on disposal of a subsidiary	**(66,856)**	—
Others	**(4)**	(77)
Income tax expense for the year	**4,557**	17,608

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic earnings (loss) per share	**96,341**	(438,996)
Weighted average number of shares:		
Weighted average number of shares for the purpose of basic earnings (loss) per share	**943,858,000**	906,600,000

Diluted earnings (loss) per share is not presented as there were no potential ordinary shares in issue for both years and as at 31 December 2012 and 2011.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds, dies, test fixtures and pins HK$'000	Total HK$'000
At 31 December 2012								
At 1 January 2012:								
Cost or valuation	698,438	347,764	—	1,359,219	46,218	15,175	4,673	2,471,487
Accumulated depreciation	(107,971)	(289,935)	—	(1,158,715)	(42,660)	(11,544)	(4,058)	(1,614,883)
Carrying amount	590,467	57,829	—	200,504	3,558	3,631	615	856,604
At 1 January 2012, carrying amount	590,467	57,829	—	200,504	3,558	3,631	615	856,604
Additions	445	—	—	10,883	3,453	—	36	14,817
Disposals	—	—	—	(16,473)	(3,205)	(1,076)	(71)	(20,825)
Disposal of a subsidiary	(161,524)	(41,322)	—	—	—	—	—	(202,846)
Depreciation provided during the year	(16,095)	(14,016)	—	(38,828)	(845)	(614)	(89)	(70,487)
Exchange realignment	7,076	2,096	—	2,257	35	30	7	11,501
At 31 December 2012, carrying amount	420,369	4,587	—	158,343	2,996	1,971	498	588,764
At 31 December 2012:								
Cost or valuation	466,878	5,710	—	1,195,093	38,390	7,643	4,287	1,718,001
Accumulated depreciation	(46,509)	(1,123)	—	(1,036,750)	(35,394)	(5,672)	(3,789)	(1,129,237)
Carrying amount	420,369	4,587	—	158,343	2,996	1,971	498	588,764
Analysis of cost or valuation:								
At cost	—	5,710	—	1,195,093	38,390	7,643	4,287	1,251,123
At 31 December 2012 valuation	466,878	—	—	—	—	—	—	466,878
	466,878	5,710	—	1,195,093	38,390	7,643	4,287	1,718,001

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

	Buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011								
At 1 January 2011:								
Cost or valuation	578,892	351,466	3,617	1,672,550	74,101	13,398	37,704	2,731,728
Accumulated depreciation	(25,470)	(265,945)	—	(1,204,794)	(65,363)	(10,234)	(33,571)	(1,605,377)
Carrying amount	553,422	85,521	3,617	467,756	8,738	3,164	4,133	1,126,351
At 1 January 2011, carrying amount	553,422	85,521	3,617	467,756	8,738	3,164	4,133	1,126,351
Additions	—	934	81	7,258	1,038	1,215	121	10,647
Write off	(8,378)	(1,150)	—	(66,486)	(2,758)	—	(3,588)	(82,360)
Transfers and reclassification	26,696	(21,315)	(3,921)	803	(2,308)	—	45	—
Depreciation provided during the year	(16,571)	(10,013)	—	(108,272)	(984)	(754)	(343)	(136,937)
Impairment loss	—	—	—	(123,896)	(512)	(79)	—	(124,487)
Exchange realignment	35,298	3,852	223	23,341	344	85	247	63,390
At 31 December 2011, carrying amount	590,467	57,829	—	200,504	3,558	3,631	615	856,604
At 31 December 2011:								
Cost or valuation	698,438	347,764	—	1,359,219	46,218	15,175	4,673	2,471,487
Accumulated depreciation	(107,971)	(289,935)	—	(1,158,715)	(42,660)	(11,544)	(4,058)	(1,614,883)
Carrying amount	590,467	57,829	—	200,504	3,558	3,631	615	856,604
Analysis of cost or valuation:								
At cost	—	347,764	—	1,359,219	46,218	15,175	4,673	1,773,049
At 31 December 2011 valuation	698,438	—	—	—	—	—	—	698,438
	698,438	347,764	—	1,359,219	46,218	15,175	4,673	2,471,487

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

The above items of property, plant and equipment, after taking into account of their estimated residual value, are depreciated on a straight line basis at the following rates per annum:

Buildings	Over the lease terms ranging from 30 to 50 years
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Moulds, dies, test fixtures and pins	25%

The Group's buildings are situated in the PRC and are held under medium lease terms of 30 to 50 years. At 31 December 2012, the Group's buildings with a carrying amount of approximately HK$205,208,000 (2011: HK$427,184,000) were pledged to secure the bank loans granted to the Group.

The Group is in the process of obtaining ownership certificate of buildings with a carrying amount of HK$163,859,000 (2011: HK$165,258,000) as at 31 December 2012.

The Group's buildings stated at valuation were revalued at 31 December 2012 by DTZ Debenham Tie Leung Limited, independent qualified professional valuer. The valuation has been based on the depreciated replacement cost approach which is arrived at using the aggregate amount of the new replacement cost of the buildings, from which appropriate deductions may then be made to allow for the age, condition, functional obsolescence and environmental factor. In the opinion of the directors, no revaluation increase or decrease resulted from the revaluation as the fair values are not significantly different from the carrying amounts of the buildings at the end of the reporting period.

Had the Group's buildings been stated at historical cost less accumulated depreciation and impairment losses, their carrying amount as at 31 December 2012 would have been approximately HK$420,369,000 (2011: HK$580,341,000).

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise of land use rights in the PRC on a medium lease term ranging from 30 to 50 years:

	2012	2011
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current asset	**538**	988
Non-current asset	**23,339**	40,144
	23,877	41,132

As at 31 December 2012, certain of the Group's land use rights with a carrying amount of approximately HK$4,647,000 (2011: HK$21,699,000) was pledged to secure the bank loans granted to the Group.

17. INVESTMENTS IN ASSOCIATES

Details of the Group's interest in associate at 31 December 2012 are as follows:

	2012	2011
	HK$'000	*HK$'000*
Costs of investments in unlisted associates		
— *Note (i)*	**4,496**	4,496
— *Note (ii)*	**111,521**	—
	116,017	4,496
Impairment loss recognised	**(100)**	(100)
	115,917	4,396
Amounts due from associates	**410**	423
Impairments loss recognised	**—**	(423)
	410	—
Amount due to an associate	**(4,396)**	(4,396)

17. INVESTMENTS IN ASSOCIATES *(continued)*

The amounts due from/to associates are unsecured, interest free and repayable on demand. One of the associates has been deregistered during the year, the amount due from this associate and the impairment loss of HK$423,000 provided in prior year were written off.

Note (i) Included in the cost of investments in unlisted associates is an investment of called up share capital of an associate of HK$4,396,000 but not yet paid at the end of the reporting period.

Note (ii) On 13 November 2012, one of the Group's wholly owned subsidiary, Topsearch Printed Circuits (HK) Limited ("Topsearch HK"), had entered into a framework agreement and agreed to sell and transfer 61% and 9% of the equity shares of its wholly owned subsidiary, Topsearch Shenzhen to individual third parties, Shenzhen Fantasia Real Estate Group Limited ("Shenzhen Fantasia") and Shanghai Yuxing Investment Fund, LLP ("Shanghai Yuxing") respectively for an aggregate consideration of RMB244,909,716 (approximately HK$306,137,000) ("Transfer").

The transfer was completed on 31 December 2012 and the consideration was subsequently settled in March 2013 to repay the outstanding bank loans of the Group of HK$225,000,000 so that the relevant mortgage charge on the lands and buildings owned by Topsearch Shenzhen could then be released. As at 31 December 2012, Topsearch Shenzhen ceased to be a subsidiary of the Group and became an associate of the Group upon the completion of transfer. On the same date, the fair value of the interests in Topsearch Shenzhen held by the Group is HK$111,521,000 (see Note 40).

17. INVESTMENTS IN ASSOCIATES *(continued)*

Particulars of the associates as at 31 December 2012 and 2011 are as follows:

Name of company	Place of incorporation/ operation	Form of legal entity	Class of shares held/ registered capital	Percentage of ownership interest indirectly held by Group		Principal activity
				2012	2011	
Topsearch iService Information Technology (HK) Limited	Hong Kong	Incorporated	Ordinary	**36%**	36%	Inactive
Topsearch Printed Circuits (Shenzhen) Ltd	PRC	Sino-foreign equity joint venture	Registered capital US$50,000,000	**30%**	—	Property investment

The operating results of the associates have not been equity accounted for by the Group because the amounts were not significant.

17. INVESTMENTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates attributable to the Group's interest after fair value adjustments as at 31 December 2012 and 2011 is set out below:

	2012	2011
	HK$'000	*HK$'000*
Total assets	**435,205**	12,322
Total liabilities	**(5,361)**	—
Net assets	**429,844**	12,322
Group's share of net asset of associates (before impairment)	**116,017**	4,396
Revenue	**—**	—
Loss for the year	**—**	112
Group's share of losses of the associate for the year	**—**	40

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
	HK$'000	*HK$'000*
Club debentures, at fair value	**1,857**	1,857

The fair values of the club debentures are based on recent transaction prices.

19. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials and consumables	**61,844**	104,915
Work in progress	**23,271**	26,791
Finished goods	**64,272**	84,333
	149,387	216,039
Less: Allowance for obsolete inventories	**(30,461)**	(40,418)
	118,926	175,621

20. TRADE RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	**152,048**	164,843
Less: Allowance for doubtful debts	**(8,491)**	(7,074)
	143,557	157,769

The Group's trade receivables that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	2012 HK$'000	2011 HK$'000
Denominated in United States dollars	**143,557**	156,934
Denominated in Euro dollars	**—**	835

20. TRADE RECEIVABLES *(continued)*

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment records. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days. The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by senior management. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	*HK$'000*
0 — 30 days	**48,043**	55,736
31 — 60 days	**71,136**	57,910
61 — 90 days	**22,578**	33,074
Over 90 days	**1,800**	11,049
	143,557	157,769

86% (2011: 80%) of the trade receivables that are neither past due nor impaired have good settlement repayment history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$19,900,000 (2011: HK$29,290,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2012	2011
	HK$'000	*HK$'000*
0-30 days past due	**16,778**	25,692
31-90 days past due	**3,122**	3,598
	19,900	29,290

Trade receivables that are past due but not impaired relate to a number of independent customers that did not have default payment history with the Group. Based on past experience, the directors of the Company are of the opinion that no 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.

20. TRADE RECEIVABLES *(continued)*

Movement in allowance for doubtful debts

	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**7,074**	5,939
Allowance for doubtful debts	**3,060**	2,371
Write off during the year	**(1,643)**	(1,236)
At end of the year	**8,491**	7,074

As of 31 December 2012, trade receivables of HK$8,491,000 (2011: HK$7,074,000) were individually determined to be impaired. The individually impaired receivables mainly relate to customers which are long overdue balances or under legal proceedings.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prepayments, deposits and other receivables include consideration receivable of HK$305,017,000 consisted of consideration of HK$306,137,000 arising from the Transfer as set out in note 17 net of withholding tax on capital gain on disposal of a subsidiary of HK$969,000 (note 13) and HK$151,000 incremental costs directly attributable to the Transfer paid on behalf by the buyer. The full amount was subsequently received.

22. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts was unsecured, interest free and repayable on demand. The amount was fully settled during the year.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES

At 31 December 2012, bank balances carry interest at prevailing deposit rates which range from 0.001% to 0.35% (2011: 0.001% to 0.36%) per annum. The pledged bank deposits carry interest at prevailing deposit rates of 3.0% (2011: Nil).

Pledged bank deposits represent deposits pledged to banks to secure short-term loans and are therefore classified as current assets.

The Group's pledge bank deposits and bank balances that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012	2011
	HK$'000	*HK$'000*
Denominated in Hong Kong dollars	**904**	5
Denominated in United States dollars	**34,089**	60,328
Denominated in Euro dollars	**935**	3

24. TRADE PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
0 — 30 days	**43,498**	47,196
31 — 60 days	**49,707**	57,810
61 — 90 days	**23,315**	29,045
Over 90 days	**62,197**	39,642
	178,717	173,693

24. TRADE PAYABLES *(continued)*

The Group's trade payables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2012	2011
	HK$'000	*HK$'000*
Denominated in United States dollars	**75,618**	91,425

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

25. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are accruals for payroll and payroll related costs, utilities charges and general administrative expenses, purchases of spare parts and a deposit of HK$37,500,000 (2011: HK$24,691,000) in respect of a property assignment transaction described below.

On 31 December 2010, Topsearch Printed Circuits (Tongliao) Limited ("TPC (Tongliao)"), a wholly owned subsidiary of the Company, entered into a property assignment agreement ("Property Assignment Agreement") with an independent third party (the "Purchaser"), to sell a portion of a parcel of industrial land and buildings (the "Property"), which are located in phase II of Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia, the PRC for a consideration of RMB51,000,000 (equivalent to HK$59,302,000).

As at 31 December 2011, a deposit of RMB20,000,000 (equivalent to HK$24,691,000) was received while the transaction was suspended due to delay of financing arrangement with a bank for a loan by the Purchaser for settlement of the consideration. The directors of the Company believed that the aforesaid consideration balance of RMB31 million would be settled in full, taking into consideration the statements given by the local government bodies of Tongliao dated 21 March 2012 that they would pay directly to the Group's subsidiary in Tongliao.

During the year ended 31 December 2012, a further deposit of RMB10,000,000 (equivalent to HK$12,500,000) was received from local government bodies of Tongliao.

25. OTHER PAYABLES AND ACCRUALS *(continued)*

At 31 December 2012, the Property is currently idle and included in prepaid lease payments and property, plant and equipment with carrying amounts of RMB6,486,000 (equivalent to HK$8,108,000) (2011:RMB6,844,000 (equivalent to HK$8,449,000)) and RMB41,185,000 (equivalent to HK$51,481,000) (2011: RMB42,056,000 (equivalent to HK$51,921,000)) respectively. In the opinion of the directors, no reclassification of the Property to non-current asset held for sale in the consolidated financial statements was made as it is not highly probable that the transaction will be completed in the next twelve months from the end of the reporting period.

26. PROVISION

	HK$'000
Provided for the year	21,378
Utilisation	(2,216)
At 31 December 2011	19,162
Utilisation	(19,162)
At 31 December 2012	—

The provision for severance payment represented management's best estimate of the liabilities in relation to relocation of a manufacturing facility which were to be utilised for staff redundancy, in accordance with the restructuring plan. The provision was fully utilised during the current year.

27. INTEREST-BEARING BANK LOANS

	2012	2011
	HK$'000	*HK$'000*
Secured bank loans repayable within one year	**385,174**	438,312

The bank loans of the Group are secured by certain buildings and prepaid lease payments held by the Group and one associate, the assignment of intra-group companies' balances and pledged bank deposit. Bank loans of HK$160,174,000 (2011: HK$438,312,000) carried floating interest rates and the effective interest rates ranged from 1.66% to 4.07% (2011: 3.80% to 7.87%) per annum and HK$225,000,000 (2011: Nil) carried at fixed interest rate of 6.31% per annum.

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

The Group's bank loans that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2012	2011
	HK$'000	*HK$'000*
Denominated in United States dollars	**160,174**	191,398

28. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Nominal value
		HK$'000
Authorised:	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2011 and 31 December 2011	906,600,000	90,660
Issue of new shares pursuant to subscription arrangements *(Note)*	93,400,000	9,340
At 31 December 2012	**1,000,000,000**	**100,000**

Note:

On 12 July 2012, the Company entered into the subscription agreement ("Agreement") with two independent third parties under general mandate. Under the Agreement, the Company will issue and allot a total of 93,400,000 shares of HK$0.1023 each. The transaction had been completed on 8 August 2012. After the completion of the issuance and allotment, the issued share capital was increased to 1,000,000,000 shares. The proceeds were used to provide additional working capital for the Group. The newly issued shares under the Agreement rank pari passu with other shares in issue in all respects.

29. SHAREHOLDER'S LOANS

	2012	2011
	HK$'000	*HK$'000*
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 January 2014 (2 January 2013)	**104,815**	52,149

The shareholder's loans were advanced by Mr. Cheok Ho Fung, Peter, a director and controlling shareholder of the Company. The interest expense was charged at a fixed rate of 7% (2011: 7%) for the loans.

	2012	2011
	HK$'000	*HK$'000*
Denominated in Renminbi	**4,150**	—
Denominated in United States dollars	**4,650**	—

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Impairment of property, plant and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	5,215	4,403	(1,588)	(8,177)	(147)
Exchange realignment	—	395	—	(666)	(271)
(Credited) charged to profit or loss	(2,030)	—	—	7,246	5,216
At 31 December 2011	**3,185**	**4,798**	**(1,588)**	**(1,597)**	**4,798**
Exchange realignment	**—**	**60**	**—**	**—**	**60**
Derecognised upon losing control of a subsidiary	**—**	**(4,858)**	**—**	**—**	**(4,858)**
At 31 December 2012	**3,185**	**—**	**(1,588)**	**(1,597)**	**—**

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

	2012	2011
	HK$'000	*HK$'000*
Deferred tax liabilities	—	4,798

30. DEFERRED TAX LIABILITIES *(continued)*

The Group has unused tax losses arising in the PRC of HK$30,346,000 (2011: HK$721,506,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for several years and it is not considered probable that taxable profit will be available against which the tax losses can be utilised.

At the end of the reporting period, the Group has deductible temporary differences of HK$117,270,000 (2011: HK$238,790,000) in respect of the allowance for obsolete inventories and impairment of property, plant and equipment. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Upon the disposal of a subsidiary, the Group's unused tax losses arising in the PRC was reduced by HK$873,281,000 and deductible temporary differences was reduced by HK$131,285,000.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. There is no profit of the PRC subsidiaries available for distribution subject to the withholding tax.

31. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

31. CAPITAL RISK MANAGEMENT *(continued)*

The Group monitors its capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio of not more than 80%. Net debt includes trade payables, other payables and accruals, provision, amount due to an associate, interest-bearing bank loans and shareholder's loans, less cash and cash equivalents. Capital represents total equity. The gearing ratios as at the end of the reporting periods were as follows:

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**178,717**	173,693
Other payables and accruals	**135,916**	126,386
Provision	**—**	19,162
Amount due to an associate	**4,396**	4,396
Interest-bearing bank loans	**385,174**	438,312
Shareholder's loans	**104,815**	52,149
Less: Cash and cash equivalents	**(63,934)**	(107,456)
Net debt	**745,084**	706,642
Total capital	**623,459**	610,767
Total capital and net debt	**1,368,543**	1,317,409
Gearing ratio	**54%**	54%

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**555,043**	289,936
Available-for-sale financial assets	**1,857**	1,857
Financial liabilities		
Amortised cost	**739,254**	731,491

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, intra-group companies balances, trade payables, pledged bank deposits, bank balances and bank loans at the end of the reporting period, are as follows:

	2012	2011
	HK$'000	*HK$'000*
Assets		
United States dollars	**515,232**	444,485
Hong Kong dollars	**904**	5
Euro dollars	**935**	838
Liabilities		
Renminbi	**4,150**	—
United States dollars	**240,442**	282,823

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, against relevant foreign currencies, mainly United States dollars and Renminbi. The directors of the Company are of the opinion that the Group's sensitivity to the change in United States dollars against Hong Kong dollars is low as Hong Kong dollars are pegged to United States dollars. In addition, the monetary assets denominated in Euro dollars and Hong Kong dollars are not significant and the directors of the Company consider that the Company's exposure to the currency of Euro dollars and Hong Kong dollars are minimal. As a result, the following sensitivity table does not include the impact of such changes. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates.

A positive number below indicates an increase in profit for the year (2011: decrease in loss for the year) when the functional currencies strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the result for the year.

	2012	2011
	HK$'000	HK$'000
United States dollars		
Profit (loss) for the year	**24,632**	16,842
Renminbi		
Profit (loss) for the year	**208**	—

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans and shareholder's loans.

The Group is also exposed to cash flow interest rate risk in relation to the Group's pledged bank deposits, bank balances and bank borrowings with floating interest rates. The directors of the Company monitor the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise. No derivative contracts have been entered into during both years.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial liabilities. The analysis is prepared assuming the financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 300 basis point (2011: 300 basis points) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 300 basis points (2011: 300 basis points) higher and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease by HK$4,805,000 (2011: loss for the year would increase by HK$9,862,000).

The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China lending rate arising from the Group's bank borrowings. In the opinion of directors of the Company, no sensitivity analysis for pledged bank deposits and bank balances is prepared as the effect of fluctuation of interest rate is not significant.

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iii) Credit risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group mainly trades with recognised and creditworthy third parties. It is the Group's policy that credit terms are granted subject to in-depth credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and substantially covered by credit insurance. In this regard, management considers that the Group's credit risk is minimal.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Since the Group mainly trades with recognised and creditworthy third parties, there is no requirement for collateral.

The Group has concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings.

Furthermore, the Group has concentration of credit risk on consideration receivable of HK$305,047,000 from Shenzhen Fantasia and Shanghai Yuxing (notes 17 and 21). The receivable was subsequently settled in March 2013.

The Group also has concentration of credit risk as 53% (2011: 25%) of the total trade receivables which were due from the Group's two largest customers.

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(iv) Liquidity risk

The Group is exposed to significant liquidity risk at the end of the reporting period, as it has net current liabilities of approximately HK$6,279,000 (2011: HK$242,309,000). The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group also relies on the continuous financial support from the banks and the management closely monitors its liquidity risk. Accordingly, the directors of the Company considered that the Group's liquidity risk is properly addressed and therefore prepared the consolidated financial statements on a going concern basis.

The following table details the remaining contractual maturity of the Group for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(v) Liquidity tables

	Weighted average interest rate %	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2012						
Non-derivative financial liabilities						
Trade payables	—	159,061	19,656	—	178,717	178,717
Other payables	—	66,152	—	—	66,152	66,152
Interest-bearing bank loans	4.5	118,600	277,327	—	395,927	385,174
Amount due to an associate	—	4,396	—	—	4,396	4,396
Shareholder's loans	7	1,834	5,503	104,855	112,192	104,815
		350,043	302,486	104,855	757,384	739,254

	Weighted average interest rate %	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2011						
Non-derivative financial liabilities						
Trade payables	—	162,639	11,054	—	173,693	173,693
Other payables	—	62,941	—	—	62,941	62,941
Amount due to an associate	—	4,396	—	—	4,396	4,396
Interest-bearing bank loans	7.4	206,864	241,101	—	447,965	438,312
Shareholder's loans	7	913	2,738	52,168	55,819	52,149
		437,753	254,893	52,168	744,814	731,491

32. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets which are traded on active markets are determined with reference to quoted market bid prices; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 2.

33. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the period as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**5,388**	5,016
In the second to fifth years inclusive	**2,323**	3,164
	7,711	8,180

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases were negotiated for terms ranging from one to three years with fixed rentals over the terms of the leases.

34. CAPITAL AND OTHER COMMITMENTS

	2012	2011
	HK$'000	*HK$'000*
Capital expenditure, contracted for but not provided in the consolidated financial statements, in respect of:		
the construction of factory buildings	**752**	674
the acquisition of plant and machinery	**2,175**	7,228
	2,927	7,902

35. OTHER COMMITMENT

As at 31 December 2012, the Company has commitment to contribute further capital of HK$286,750,000 to a subsidiary in accordance with increased registered capital. On 5 March 2013, the Company contributed additional capital of HK$281,250,000 to the subsidiary and the remaining commitment of HK$5,500,000 was to be paid before 4 December 2014.

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employees, non-executive directors, customers, suppliers of goods or services and persons or entities that provide research, development or other technical support to the Group, or any entities in which the Group holds an equity interest. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. The Scheme was adopted on 30 May 2002 and became effective on 21 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The share option scheme had been expired during the year without renewal.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 30 May 2002. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

36. SHARE OPTION SCHEME *(continued)*

The offer of a grant of share options may be accepted within 28 days after the date of offer and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences once they become vested and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

No share options were granted during the year (2011: Nil). At the end of the reporting period, no share options were outstanding under the Scheme (2011: Nil).

37. RELATED PARTY TRANSACTIONS

(a) In addition to the related party transactions set out in other notes to the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

Related party	Nature of transaction	2012	2011
		HK$'000	*HK$'000*
Keentop Investment Limited ("Keentop") *(Note)*	Rental expenses and management fee expense	**2,099**	2,083
Mr. Cheok Ho Fung, Peter	Interest on shareholder's loans	**6,528**	3,026

Note: The amounts paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 1 June 2011, the monthly rental and management fees were revised to HK$165,000 and HK$9,000 for the period from 1 June 2011 to 31 May 2014. The fee were based on a market rental valuation provided by an independent professionally qualified valuer, DTZ Debenham Tie Leung Limited.

37. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable leases which fall due as follows:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**1,980**	1,980
In the second to fifth years inclusive	**825**	2,805
	2,805	4,785

(b) Details of the compensation of key management personnel of the Group were as follows:

	2012	2011
	HK$'000	*HK$'000*
Short-term benefits	**8,949**	8,410
Post-employment benefits	**303**	274
	9,252	8,684

(c) At 31 December 2012, certain of the associate's building and land use rights with a carrying amount of approximately HK$243,098,000 (2011:Nil) were pledged to secure the bank loans granted to the Group.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2012 and 2011 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2012	2011	
			%	%	
Directly held					
Topsearch Industries (BVI) Limited	British Virgin Islands/ Hong Kong	Shares US$50,000	**100**	100	Investment holding
Indirectly held					
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary shares HK$1,000 Deferred non-voting* HK$20,000,000	**100**	100	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary shares HK$10,000,000	**100**	100	Investment holding
Topsearch Printed Circuits Macao Commercial Offshore Company Limited	Macau	Ordinary shares Macau Pataca100,000	**100**	100	Sale of printed circuit boards
Topsearch Marketing (S) Pte. Ltd.	Singapore	Ordinary shares Singapore dollars1,000	**100**	100	Provision of marketing services

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Particulars of the subsidiaries as at 31 December 2012 and 2011 are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2012 **%**	2011 %	
Topsearch Tongliao Investment (BVI) Limited	British Virgin Islands/Hong Kong	Shares US$50,000	**100**	100	Investment holding
Topsearch Excelio Investment (HK) Limited	Hong Kong	Ordinary shares HK$10,000	**100**	100	Investment holding
可立身物業管理（深圳）有限公司@	PRC/Mainland China	Registered capital HK$1,000,000	**100**	100	Provision of property management services
至卓飛高線路板（曲江）有限公司@	PRC/Mainland China	Registered capital US$62,000,000	**100**	100	Manufacture of printed circuit boards
天祥綜合服務（深圳）有限公司@	PRC/Mainland China	Registered capital HK$1,000,000	**100**	100	Provision of catering and cleaning services
至卓飛高線路板（通遼）有限公司@	PRC/Mainland China	Registered capital US$42,000,000	**100**	100	Manufacture of printed circuit boards

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Particulars of the subsidiaries as at 31 December 2012 and 2011 are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2012 %	Percentage of equity attributable to the Company 2011 %	Principal activities
至卓飛高進出口貿易（深圳）有限公司@	PRC/Mainland China	Registered capital HK$500,000	**100**	100	Sale of printed circuit boards
Topsearch Technologies Investment (Holdings) Limited	Hong Kong	Ordinary shares HK$2	**100**	100	Investment Holding
Topsearch iService Investment Limited	Hong Kong	Ordinary shares HK$10,000	**100**	100	Investment Holding
Excelio Technology (Hong Kong) Company Limited	Hong Kong	Ordinary shares HK$10,000,000	**60**	60	Investment Holding
Excelio Company Limited	British Virgin Islands	Share US$1	**60**	60	Integrated circuit design
卓捷創芯科技（深圳）有限公司#@	PRC/Mainland China	Registered capital RMB10,000,000	**60**	—	Product research and development

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

* The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital upon winding-up unless a sum of HK$500,000,000,000,000 has been distributed to each of the holders of the ordinary shares.

@ Registered as wholly-foreign-owned enterprises under the PRC law.

Newly established during the year.

None of the subsidiaries had any debt securities outstanding at 31 December 2012 or at any time during the year.

The above tables list the subsidiaries of the Company which, in the opinion of the directors of the Company, principally comprised the Group's assets or results. To give details of the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

39. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner for both years.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees subject to a limit of HK$1,250 since 1 June 2012 (Before 1 June 2012 and 2011: HK$1,000).

39. RETIREMENT BENEFIT SCHEMES *(continued)*

PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

40. DISPOSAL OF A SUBSIDIARY

As disclosed in note 17, on 31 December 2012, Topsearch Shenzhen ceased as a subsidiary of the Group upon the Transfer.

Immediately after the Transfer, the Group's remaining shareholdings in Topsearch Shenzhen is 30%. As a result, the Group is no longer in a position to exercise control but significant influence over Topsearch Shenzhen. The fair value of the Group's retained interest in Topsearch Shenzhen of approximately HK$111,521,000 as at 31 December 2012 has been regarded as cost of investment in an associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting. The fair value has been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived on the basis of asset-based approach.

40. DISPOSAL OF A SUBSIDIARY *(continued)*

The net assets of Topsearch Shenzhen at the date when the control was lost were as follow:

	31 December 2012
	HK$'000
Property, plant and equipment	**202,846**
Prepaid lease payments	**43,069**
Prepaid rent	**96**
Prepayments, deposits and other receivables	**232**
Bank balances and cash	**403**
Other payables and accruals	**(503)**
Deferred tax liabilities	**(4,858)**
Net assets disposed of	**241,285**
Gain on disposal of a subsidiary:	
Consideration *(note 17)*	**306,137**
Fair value of interest retained in Topsearch Shenzhen	**111,521**
Net assets disposed of	**(241,285)**
Cumulative exchange differences in respect of the net assets of Topsearch Shenzhen reclassified from equity to profit loss	**100,713**
Cost incurred in connection with the disposal paid	**(5,636)**
Cost incurred in connection with the disposal paid on behalf by the buyer *(note 21)*	**(151)**
Gain on disposal of a subsidiary before taxation *(note 6)*	**271,299**
Less: taxation *(note 13 and 21)*	**(969)**
Gain on disposal of a subsidiary after taxation	**270,330**
Net cash outflow arising:	
Bank balances and cash disposed of	**403**
Cost incurred in connection with the disposal paid	**5,636**
	6,039

The disposal of the subsidiary contributed a gain of HK$271,299,000 to the Group.

41. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012	2011
	HK$'000	*HK$'000*
Unlisted investments in subsidiaries	**1,000**	1,000
Bank balances and cash	**802**	114
Other current assets	**611**	757
Other payables and accruals	**(2,688)**	(3,725)
Other non-current liabilities	**(104,815)**	(52,149)
Total liabilities	**(105,090)**	(54,003)
Share capital *(see note (28))*	**100,000**	90,660
Share premium	**337,854**	337,854
Accumulated losses	**(542,944)**	(482,517)
Total equity	**(105,090)**	(54,003)

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**817,004**	1,135,320	1,210,340	1,189,762	1,558,810
PROFIT (LOSS) BEFORE TAX	**98,210**	(422,019)	(69,513)	(91,595)	(169,699)
Tax	**(4,557)**	(17,608)	2,683	(3,425)	10,333
PROFIT (LOSS) FOR THE YEAR	**93,653**	(439,627)	(66,830)	(95,020)	(159,366)
PROFIT (LOSS) ATTRIBUTABLE TO :					
OWNERS OF THE COMPANY	**96,341**	(438,996)	(66,830)	(95,020)	(159,366)
NON-CONTROLLING INTERESTS	**(2,688)**	(631)	—	—	—

ASSETS AND LIABILITIES

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,434,886**	1,432,132	1,756,966	1,879,456	2,307,557
Total liabilities	**811,427**	(821,365)	(757,906)	(801,351)	(1,134,499)
Total net assets	**623,459**	610,767	999,060	1,078,105	1,173,058