世達科技(控股)有限公司

World Wide Touch Technology (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1282

2012
Annual Report

Corporate Profile

World Wide Touch Technology (Holdings) Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 17 July 2009. The Company and its subsidiaries (collectively, the "Group") are principally engaged in a range of high-technology products in the area of automation, touch, security, energy and communication.

The product range of the Group includes automation related equipment and services, capacitive touch pads, capacitive touch screen controllers and modules, fingerprint biometric devices, wireless charging devices, plasma lighting source products, high-speed communication- and automotive-related products.

With a vision to become a provider of "life technologies" to facilitate and improve the daily lives of the users, the Group strives to employ cutting-edge technologies in its products and implement strategic development plans in an effort to enlarge its market share and promoted the diversification of its product mix.

The Company has been listed on The Stock Exchange of Hong Kong Limited since 15 December 2010.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Kwok Fong *(Chairman and Chief Executive Officer)*
Ms. Ching Pui Yi *(Chief Operating Officer)*
Mr. Tan Hui Kiat *(Corporate Affairs Officer)*

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Chan Wai

AUDIT COMMITTEE

Mr. Wong Chun Bong *(Chairman)*
Professor Lee Kwok On, Matthew
Mr. Chan Wai

NOMINATION COMMITTEE

Mr. Wong Kwok Fong *(Chairman)*
Mr. Wong Chun Bong
Mr. Chan Wai

REMUNERATION COMMITTEE

Mr. Chan Wai *(Chairman)*
Mr. Wong Kwok Fong
Mr. Wong Chun Bong

STRATEGIC INTELLECTUAL PROPERTY AND TECHNOLOGY COMMITTEE

Mr. Wong Kwok Fong *(Chairman)*
Mr. Tan Hui Kiat
Professor Lee Kwok On, Matthew

COMPANY SECRETARY

Ms. Kwok Ling Yee, Pearl Elizabeth

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China Limited
Industrial and Commercial Bank of China Limited

COMPLIANCE ADVISER

CMB International Capital Limited

LEGAL ADVISER

As to Hong Kong law:
Sidley Austin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2601–2, 26/F, Tower 2, Nina Tower
8 Yeung Uk Road, TWTL 353, Tsuen Wan
New Territories, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre, 28 Queen's Road East
Hong Kong

LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited

STOCK CODE

1282

COMPANY WEBSITE

http://www.wwtt.hk

FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS

	As of 31 December				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
FINANCIAL POSITION					
Total assets	1,739,130	1,622,879	1,645,235	848,071	460,684
Net assets	1,065,534	1,116,369	1,006,324	242,107	152,202
Net current assets / (liabilities)	183,432	438,184	552,306	(69,649)	(93,213)
Net (cash) / debt	(2,866)	(269,426)	(320,671)	171,065	47,916
Current ratio	1.3	1.9	1.9	0.9	0.7
Quick ratio	1.0	1.5	1.6	0.7	0.6
Gearing ratio	N/A	N/A	N/A	41%	24%

	For the year ended 31 December				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
OPERATING RESULTS					
Revenue	1,200,435	1,164,122	1,391,647	888,348	749,788
Gross profit	125,835	213,630	376,366	258,546	164,087
EBITDA	47,953	166,798	318,684	206,658	121,033
(Loss)/profit from operations	(48,939)	83,466	262,069	171,882	101,476
(Loss)/profit for the year	(54,608)	71,102	213,667	153,130	86,045
(Loss)/profit attributable to equity shareholders	(54,608)	71,102	213,667	151,655	86,045
KEY STATISTICS					
Gross profit margin	10%	18%	27%	29%	22%
EBITDA margin	4%	14%	23%	23%	16%
Operating (loss)/profit margin	(4%)	7%	19%	19%	14%
Net (loss)/profit margin	(5%)	6%	15%	17%	11%
Return on equity	N/A	6%	21%	62%	57%
Interest coverage	N/A	8.1	25.9	20.4	21.3
Inventory turnover days	60	71	54	40	24
Debtors' turnover days	62	59	59	56	27
Creditors' turnover days	54	66	83	108	77

CHAIRMAN'S STATEMENT

THE FUTURE AT YOUR FINGERTIPS

"In 2012, the Group successfully developed a new line of secure data transfer products using advanced biometric fingerprint and high-speed communication technologies, aimed at positioning the Group as a market leader in cutting-edge communication solutions."

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of World Wide Touch Technology (Holdings) Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

In 2012, the global economy was still in the midst of the Eurozone debt crisis and fiscal uncertainty in the United States, which called for an overall tightening of fiscal measures throughout the West. Furthermore, due to the rapid changes in technologies on portable electronic devices, the demand for traditional electronics products began to diminish.

Despite the fact that the Group has made a loss of HK$54.6 million in 2012, it was still a successful year for us, due to the foresight of our management team in realising the future potential growth for biometric fingerprint internet security and ultra high-speed wireless data transmission technologies in the rapidly growing smartphone and tablet markets. Furthermore, due to rising production costs, the appreciation of the Renminbi and high inflation rates, our management team believes the application of automation in the manufacturing industry is and will continue to be crucial to the manufacturers in China in the coming years.

With these strategies in place, the management team has successfully steered the Group forward to capture related investment opportunities and accelerate future growth. The Group has taken a two-pronged strategic approach in order to cope with the existing economic challenges and explore up-and-coming market opportunities; on the one hand, it has stabilised profitability of its core businesses through investments and an acquisition and, on the other hand, it has taken initiatives to transform from a traditionally processing-focused entity to a high-end innovative technologies company.

In January 2012, the Group made an acquisition of the entire issued share capital of Gallant Tech Limited ("Gallant Tech"), a company which is engaged in trading of world-class surface-mount technology assembly, test equipment and semiconductor packaging machines, as well as provision of installation and application services. With specialised process knowledge and excellent high-tech equipment, Gallant Tech has been able to resolve complex production issues and improve production efficiency for its customers. During 2012, Gallant Tech recorded impressive results due to positive market response to its new product mix and its provision of excellent after-sales services.

With the increased demand for secure internet communication capabilities, fingerprint technology will quickly become a widely adopted feature in smartphones and tablets for identity identification. With the Group's prescient insight into the future development of this sector, we have taken the lead in the biometric fingerprint internet security industry by launching our own two innovative products which enjoyed a first-mover advantage and secured a leading position in the market: FingerQ, a biometric security communication platform, and PrivacQ, a biometric communication device.

Having participated in the Consumer Electronics Show in the United States in January 2013, the Group's FingerQ and PrivacQ products drew significant media attentions, while participants expressed strong interests in the products' functionalities and capabilities, as no similar products were on display at the show with the capabilities of such secure information exchange using biometric fingerprint technologies. Echoing the positive responses at the Consumer Electronics Show in the United States, the Group has been enhancing FingerQ's and PrivacQ's market awareness, seeking new business partners and planning a product launch in the Asian region.

In order to ride on the growth of these sectors and to guarantee a reliable and effective supply chain for our own-brand biometric fingerprint products, in 2012 and early 2013, the Group successfully completed three strategic investments in DDS Inc., Validity Sensors Inc., and Fingerprint Cards AB, respectively. DDS Inc., is a Japanese corporation listed on the Tokyo Stock Exchange Mothers Market, Validity Sensors Inc. is a United States corporation, with offices in the United States, Taiwan and India, and Fingerprint Cards AB, is a Swedish corporation listed on the NASDAQ and OMX Stockholm. Each of these three entities is principally engaged in the development, production and marketing of the biometric technologies.

The increased use of smartphones and tablets in the marketplace not only creates a high demand for data security technology, it also creates massive data traffic and therefore requires the support of ultra high-speed wireless data transmission infrastructure. With the rollout of 4G networks in 2012, the Group made two strategic investments to capture the market potential of the anticipated growing demand for wireless data transmission technologies. The first one was Advanced Radio Device Technologies, Inc, a Korean corporation principally engaged in the research and development, manufacturing, sales and marketing of semiconductors for communication and related equipment. The second one was Tekmar, Inc, a United States corporation principally engaged in the research and development, manufacturing and sales of carrier-grade wireless telecommunication systems and components, including Radio Frequency (RF) Filters.

Together with the revenue of Gallant Tech, the Group recorded a total revenue of HK$1,200.4 million representing a growth of 3.1% in 2012. Accordingly, we believe that, with the strategic investments and an acquisition made during 2012, together with the launch of our own-brand products and biometric security communication platform in 2013, the Group's revenue will continue to strengthen and pave the way for healthy profitability in the long-run.

Overall, the Group is optimistic about the industry outlook and will continue to solidify its leadership position in the biometric fingerprint technology. Moreover, the Group's capacitive touch products have continued to develop steadily with the industry; its wireless charging technologies also remain immensely popular and are widely used in a range of electronic products. We are confident that the future of these industries will continue to grow steadily, providing stability and strength to the Group's core business.

Looking ahead, the economic and business environment is expected to continue to challenge the industry with continued volatility, uncertainty and fiscal tightening. To combat these challenging macroeconomic conditions, the Group intends to strive to increase its market share, enhance its visibility of existing products, improve its automatic mechanized production system, reduce its labor costs and continue to evaluate possible investments and acquisitions relating to potential business projects in the coming fiscal year.

The Group's strengths lie in its strong supply chain and its industry pioneer position in the field of fingerprint biometrics and wireless charging devices. With the increasing demand for smartphone and wireless communication technologies, the demand for secure network information exchange and efficient wireless communication will continue to flourish.

Finally, I would like to take this opportunity to thank the management and staff for their tireless hard work and dedication during these challenging times. I would also like to thank our shareholders and business partners for their enduring support and confidence. It is with the combined efforts and cooperation of our stakeholders that the Group has maintained and will continue to maintain sustainable growth and provide cutting-edge life technologies to customers all over the world.

Wong Kwok Fong
Chairman

Hong Kong, 15 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

A Clear Vision, A Strong Focus ...
Our Mission is what you Dream of ...

OVERVIEW

The year of 2012 saw the ongoing challenge of operating in a volatile macroeconomic and business environment. A number of economic factors including the Eurozone debt crisis, continued fiscal woes in the United States, as well as increasing production costs, the appreciation of the Renminbi and high inflation rates in China continued to affect the manufacturing and technology sectors. These factors, combined with a change in product mix, a drop in market demand, the acquisition of Gallant Tech Limited ("Gallant Tech") and a few investments, led to an increase in the Group's total revenue by 3.1% to HK$1,200.4 million and a net loss for the year at HK$54.6 million.

During 2012, the Group continued to actively diversify its product portfolio, resulting in a more balanced revenue structure. Of the Group's total revenue, Automation products accounted for 30.7% (0% in 2011), Life Energy products accounted for 7.8% (8.8% in 2011), Life Security products accounted for 14.7% (21.2% in 2011), Life Touch products accounted for 31.2% (51.8% in 2011) and Other Segments accounted for 15.6% (18.2% in 2011).

BUSINESS OVERVIEW

Automation

The Group tapped into the automation industry with the acquisition of the entire issued share capital of Gallant Tech in January 2012; subsequently, it recorded a revenue of HK$368.9 million for the year of 2012, accounting for 30.7% of the Group's total revenue.

The year of 2012 was a record year for Gallant Tech, due to positive market response to its new product mix and excellent after-sales services. With the anticipation that the application of automation in the manufacturing process will continue to be crucial to manufacturing enterprises in China, the Group believes that its automation business will continue to be a key growth driver for its revenue.

Life Energy

The Group's Life Energy product segment consists of wireless charging devices and plasma lighting source products.

In 2012, wireless charging devices proved to be a key growth driver in our Life Energy product segment, which recorded a significant revenue increase of 187.9% to HK$90.8 million, as compared to the corresponding period in 2011. The strong performance of these products was driven by consumer demand for the products developed by PowerMat Technologies Ltd. ("PowerMat"), a key strategic partner of the Group. Aside from the Group's first subscription of 958 preferred A2 shares of PowerMat in May 2011, we have since further subscribed for 19,157 preferred B shares of PowerMat at a consideration of US$999,995.40 in April 2012.

The increase in sales for the products developed by PowerMat was mainly driven by its strong strategic relationship with Procter & Gamble ("P&G"). P&G formed a joint-venture company with PowerMat named Duracell PowerMat, which is the leading provider of next generation drop-and-charge technologies and backup batteries for phones and smartphones. As a major supplier and investor in PowerMat, the demand from Duracell PowerMat for wireless charging products derived substantial subsequent demand for our other wireless charging products. The Group believes that our strategic investment in PowerMat will further strengthen and widen our presence in the wireless charging market for years to come.

The Group's plasma lighting source products were another source of our Life Energy product segment's revenues and the Group adopted a cautious approach in identifying potential projects that would secure profitability for plasma lighting source products; in 2012, the Group actively engaged in a series of exhibition events, including the 2012 Guangzhou International Lighting Exhibition, the Hong Kong International Lighting Exhibition, the Guangzhou International Lighting Exhibition and the Hong Kong International Lighting Fair (Spring Edition). In view of its energy-efficient nature, the Group believes that its plasma lighting source products will continue to enjoy promising revenue prospects in the long-run.

Life Security

The Group is currently in the process of developing its fingerprint biometric technologies. In 2012, the revenue for the Group's product segment of fingerprint biometric devices experienced a decrease of 28.7% as compared to the corresponding period in 2011. Such decrease was mainly due to the drop in demand for notebook computers. The Group believes that fingerprint biometric technology will continue to draw great attention in the marketplace, not only in the notebook computer sector, but also in the smartphones and tablet computers, which will translate into huge revenue potential for data security, identity recognition and secure internet payment system technologies. In response to the predicted increased demand of such technologies, the Group developed a new FingerQ software platform and PrivacQ device in the last quarter of 2012; the Group believes that these products will successfully address the growing demand for privacy and data security technologies.

In order to strengthen the Group's capabilities in fingerprint biometric technology, the Group invested in three advanced technology companies in early 2013 and 2012, each of these entities is principally engaged in the development, production and marketing of the biometric technologies. Through its wholly-owned subsidiary, Cyber Medics Company Limited, in January 2013, the Group acquired approximately 5.9% of the issued share capital of Fingerprint Cards AB ("FPC"), a Swedish corporation listed on the NASDAQ and OMX Stockholm.

Additionally, throughout 2012 and in January 2013, through its wholly-owned subsidiary, Cybertouch-Tech Company Limited, the Group made a few acquisitions in an aggregate amount which represented approximately 25.12% of the total issued share capital of DDS, Inc. ("DDS"), a Japanese corporation listed on the Tokyo Stock Exchange Mothers Market.

Furthermore, in November 2012, through its wholly-owned subsidiary, Gain Glory Holdings Limited, the Group acquired just less than 2% of the enlarged issued share capital of Validity Sensors, Inc. ("Validity"), a United States corporation, has offices in the United States, Taiwan and India.

The Group believes that such investments of shares represent a valuable opportunity to foster a long-term strategic business position with FPC, DDS and Validity. These strategic partnerships will empower the Group's ability to develop cutting-edge fingerprint biometric technology, information technology and communication-related products in the long-run.

Life Touch

The Group's capacitive touch products experienced a significant revenue decrease of 37.9%, as compared with the corresponding period in 2011, mainly due to a drop in demand for traditional electronics products, including notebook computers.

Other Segments

The Group's other segments mainly consist of communication- and automotive-related products.

The sales of communication- and automotive-related products declined slightly by 4.7% to HK$59.8 million and 2.5% to HK$95.0 million respectively, both of which accounting for 12.9% of the Group's total revenue.

The market for communication products used in wireless base stations is expected to continue to grow on the massive consumer usage of wireless data technologies. Accordingly, the Group made two strategic investments in 2012, each of which involved investments in entities principally engaged in the research and development, manufacturing, sales and marketing of communication and related products. In July 2012, through its wholly-owned subsidiary, Cyber Communications Company Limited, the Group acquired approximately 43% of the issued share capital of Advanced Radio Device Technologies, Inc, a Korean corporation.

Furthermore, in September 2012, through its wholly-owned subsidiary, Majestic Fortune Limited, the Group acquired approximately 40% of the issued share capital of Tekmar, Inc., a United States corporation.

Meanwhile, the demand for automotive GPS and security systems is also expected to grow as the global automotive industry recovers. Overall, communication- and automotive-related products are expected to drive healthy revenue and profit growth for the Group in the future.

FINANCIAL REVIEW

Revenue

The revenue for the year ended 31 December 2012 amounted to HK$1,200.4 million (2011: HK$1,164.1 million), analysed by the following segments:

	2012 HK$ million		2011 HK$ million		% change
Automation	368.9	30.7%	—	—%	+100.0%
Life energy	93.3	7.8%	102.2	8.8%	-8.7%
Life security	175.9	14.7%	246.8	21.2%	-28.7%
Life touch	374.3	31.2%	602.6	51.8%	-37.9%
Other segments	188.0	15.6%	212.5	18.2%	-11.5%
	1,200.4	100.0%	1,164.1	100.0%	+3.1%

During the year under review, the Group's revenue grew by 3.1% to HK$1,200.4 million as compared with last year. Such growth was mainly attributable to the automation segment which was acquired in January 2012 offsetting the drop in revenue for the other segments.

Gross Profit and Margin

As a result of the change in product mix, the gross profit for the year ended 31 December 2012 amounted to HK$125.8 million, a decrease of HK$87.8 million as compared with the corresponding period in 2011. For the same reason, the gross profit margin for the year ended 31 December 2012 has decreased from 18.4% to 10.5% as compared with the corresponding period in 2011.

Distribution Costs

Distribution cost for the period amounted to HK$20.2 million, amounting to 1.7% of the total revenue. This represents an increase of 132.4% when compared to the corresponding period in 2011 mainly due to the inclusion of the automation segment which was acquired in January 2012.

Administrative Expenses

During the period under review, administrative expenses increased to HK$164.2 million from HK$122.0 million, mainly due to the inclusion of the automation segment which was acquired in January 2012.

Finance Income — net

Net finance income was HK$0.02 million, as compared to net finance costs of HK$2.2 million during the corresponding period in 2011. The change was primarily resulted from a decrease in finance income and finance costs.

Income Tax Expense

Income tax expense decreased by 64.9% to HK$3.6 million as compared to an income tax expense of HK$10.2 million during the corresponding period in 2011. The change was resulted from the decline in the profit for the year offsetting the under-provision of tax of HK$7.8 million which was indemnified by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, the controlling shareholders of the Company.

Loss for the Period

Loss for the period was HK$54.6 million, as compared to a profit of HK$71.1 million during the corresponding period in 2011.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Debt Structure

Adhering to a conservative financial management system, the Group continued to maintain a healthy and solid liquidity position. As of 31 December 2012, the Group's cash and cash equivalents totalled HK$365.3 million (2011: HK$563.4 million). Working capital represented by net current assets amounted to HK$183.4 million (2011: HK$438.2 million). The Group's current ratio was 1.3 (2011: 1.9).

Bank borrowings included trust receipt loans amounting to HK$120.6 million (2011: HK$216.1 million) and bank loans amounting to HK$233.1 million (2011: HK$60.4 million) and were secured by corporate guarantees provided by the Company and certain of its subsidiaries. As of 31 December 2012 and 2011, the Group was in a net cash position, representing the bank balances and cash exceeded total debts at the end of each reporting period.

Capital Commitments

As of 31 December 2012, the Group had contracted but not provided for capital commitments of HK$3.0 million (2011: HK$59.3 million), and did not have any authorised but not contracted for capital commitments (2011: Nil).

Subsequent Events

(a) On 27 December 2012, the Group entered into a stock purchase agreement for the acquisition of a 2.24% of the equity interest of DDS, a company incorporated in Japan, the shares of which are listed on the Tokyo Stock Exchange Mothers Market, at a consideration of approximately HK$2,594,000. DDS is principally engaged in the design, development, manufacture and marketing of fingerprint verification equipment, as well as entrusted development of software. The acquisition was completed in January 2013.

(b) On 12 December 2012, the Group subscribed certain shares representing 5.9% of the equity interest of FPC, a company incorporated in Sweden, the shares of which are listed on NASDAQ and OMX Stockholm at a consideration of approximately HK$28,293,000. FPC is principally engaged in the development, production and marketing of products which adopt biometric technology by means of analysing and matching an individual's unique fingerprint. The acquisition was completed in January 2013.

(c) On 5 February 2013, the Group joined as one of the purchasers in the stock purchase agreement with WaveConnex, Inc. ("WaveConnex") to purchase certain shares in the series C preferred stock in WaveConnex, a company incorporated in the United States of America, at a consideration of approximately US$1.6 million (equivalent to approximately HK$12.5 million). WaveConnex is principally engaged in the development of wireless technology for data transfer. The acquisition was completed in February 2013.

Currency Exposure and Management

During the year, the Group's receipts were mainly denominated in US dollars and Hong Kong dollars. The Group's payments were mainly made in US dollars, Hong Kong dollars and Renminbi.

In respect of the Renminbi, as the Group's production plant is located in China, most of the labor costs and manufacturing overheads are denominated in Renminbi. Therefore, the appreciation of Renminbi adversely has affected the Group's profitability. The Group will closely monitor the development of Renminbi and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations.

Future plans for capital investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by its internal resources such as operating cash flow and shareholders' equity, and, to a certain extent, by bank loans. The Group has sufficient resources of funding and unutilised banking facilities to meet future capital expenditure and working capital requirement. As of 31 December 2012, the Group had total capital commitments of HK$3.0 million mainly for the purchase of machineries.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company was listed on the main board of the Stock Exchange on 15 December 2010 and the proceeds raised by the placing and public offering, net of listing expenses, were approximately HK$642 million. During the period from the listing date to 31 December 2012, the net proceeds were utilised as follows:

		HK$' million
1	Purchase of equipment for the production of capacitive touch screen products and upgrading production capacity	147.0
2	Research and development costs on company products	55.1
3	Acquisitions of new technology or cooperation	58.8
4	Acquisitions for vertical integration	57.8
5	Construction of additional production plants	57.8
6	General working capital purpose	64.2
Total net proceeds utilised		440.7

The balance of the net proceeds was deposited with banks in China and Hong Kong and will be used for the intended uses as set out in the prospectus of the Company dated 2 December 2010.

BUSINESS OUTLOOK

Despite the ongoing macroeconomic challenges with the persistent Eurozone debt crisis and continued fiscal woes in the United States, the Group has taken measures to minimize potential negative macroeconomic effects, explore relevant new business opportunities and taken advantage of the fast-growing demand for smartphone and mobile Internet technologies. The Group will continue its existing expansion strategy of potential acquisitions and investments that could offer high-technology capabilities and increased profits to the Group.

Adhering to our motto, “From design, build-to-ship, and beyond”, the Group will continue to seek growth through investment in companies that are characterized as valuable assets with low operating costs, little labor-intensive operations and high-technology capabilities.

Riding on the strong demand for smartphone and wireless communication technologies and the subsequent increased demand for secure network communication systems, the Group is now focusing on developing its fingerprint biometric technologies. It has successfully developed a new FingerQ software platform and a PrivacQ device for data protection. These products received a positive response at the Consumer Electronics Show in the United States in January 2013, drawing significant media attention for its unique product features. The Group will continue to promote this new technology to the public in order to solidify its reputation in the marketplace, and is considering lining up with social media platform providers as potential media partners in the future.

As for the automation business, the Group has established a strong supplier base in the United States, Japan and Korea. Furthermore, together with offices in most major cities in China, the Group is able to provide superior after-sales services to its customers. Following a successful year in the automation business in 2012, the Group will continue to build relationships with and source new suppliers in order to expand its product mix and to expand its sales network in the Western regions of China, including Chengdu and Chongqing.

Looking ahead, the economic and business environment is expected to continue to challenge the industry with ongoing volatility, uncertainty and fiscal tightening, but the Group has effectively established a solid foundation to overcome the challenges that lie ahead. It will continue to focus on providing life-technologies that are designed to improve the quality and experience of our daily lives. In addition, the Group will continue to evaluate possible investment and acquisition opportunities relating to potential new businesses in the coming fiscal year. We remain confident and will continue to strive to achieve the very best for our shareholders.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Kwok Fong (王國芳), aged 49, is the Group's co-founder, Chairman, Chief Executive Officer and was appointed as the Company's Executive Director on 17 July 2009. He is also the Chairman of the Nomination Committee and Strategic Intellectual Property and Technology Committee of the Company, and a member of the Remuneration Committee. Mr. Wong established the Group's business in 1997. He is the spouse of Ms. Ching Pui Yi, the Group's Chief Operating Officer and Executive Director of the Company. Since the establishment of the Group's business in 1997, Mr. Wong has played a significant part in the substantial growth of business of the Group. Mr. Wong has over 14 years of senior management experience in manufacturing, supply chain and marketing functions in electronics and technology industries from the Group. He was responsible for setting up the Group's manufacturing plants in Hong Kong and China. Mr. Wong has established the Group's extensive network in the electronics and technology industry.

Mr. Wong is currently the legal representative of Heshan World Fair Electronics Technology Ltd. He is primarily responsible for the overall corporate strategies, planning, management and business development of the Group. Mr. Wong is a standing committee member of the 9th Session of the Chinese People's Political Consultative Conference, Heshan. He is also an Honorary Citizen of Jiangmen City. Mr. Wong obtained a higher certificate in Accountancy from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學), in October 1992. He has not held any directorships in other listed companies in the last three years.

Ms. Ching Pui Yi (程佩儀), aged 43, is the Group's co-founder, Chief Operating Officer and was appointed as the Company's Executive Director on 17 July 2009. She is the spouse of Mr. Wong Kwok Fong, the Chairman, Chief Executive Officer and Executive Director of the Company. Ms. Ching is primarily responsible for the Group's overall strategic implementation, business development, daily operations and management and she has been dedicated to the development, design, operation and improvement of the Group's systems of production. She has gained substantial experience in the Group's industry through the development of the Group's business. Ms. Ching has over 18 years of experience in the electronics sector. Ms. Ching obtained a higher certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學), in 1994. She has not held any directorships in other listed companies in the last three years.

Mr. Tan Hui Kiat (陳輝傑), aged 51, is the Group's Corporate Affairs Officer and was appointed as the Company's Executive Director on 28 November 2009. He joined the Group in September 2005. Mr. Tan is responsible for the Group's corporate communications and interface with customers. Prior to this, Mr. Tan was the Senior Operations Director in charge of the Group's program management as well as the materials division, including procurement, purchasing, PMC, logistics and warehousing in the Group's production facilities in Heshan City, China. Mr. Tan has over 20 years of experience in operations in the electronics sector. Mr. Tan obtained a technician diploma in Electronics and Communication Engineering from the Singapore Polytechnic (新加坡理工學院) in 1981. He later obtained a certificate and an advance diploma in Industrial Management from the same polytechnic in 1986 and 1989, respectively. He has not held any directorships in other listed public companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Bong (王振邦), aged 54, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. Mr. Wong has held a range of positions relating to the provision of assurance, taxation, accounting and financial management services, which the Company believes will enhance in the overall financial control and management of the Group. Mr. Wong holds a higher diploma in Accountancy from the Hong Kong Polytechnic (香港理工學院), currently known as the Hong Kong Polytechnic University (香港理工大學). Mr. Wong is currently the managing partner of a firm of certified public accountants in Hong Kong. He is the ex-chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, respectively. Mr. Wong is also an associate of the Institute of Chartered Accountants in England and Wales. He is currently an independent non-executive director of QPL International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 0243).

Professor Lee Kwok On, Matthew (李國安), aged 52, PhD, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. He is the chair professor of Information Systems & E-Commerce and Director of Communications & Public Relations at the City University of Hong Kong. Professor Lee is currently a member of the Hong Kong Research Grant Council (RGC) Business Studies Panel. He is an independent non-executive director of Computer and Technologies Holdings Limited (科聯系統集團有限公司), a company listed on the main board of the Stock Exchange (stock code: 0046). Professor Lee holds a first-class honours bachelor's degree in electronic engineering and a MBA degree in business studies from the University of Sheffield, a MSc degree in computation from the University of Oxford, a PhD degree in computer science from the University of Manchester, a LLB degree and a LLM degree in commercial & corporate law from the University of London. He has been a chartered engineer of the UK Engineering Council since October 1995 through his membership as a professional member of the British Computer Society since May 1995. Professor Lee was also admitted as a barrister in Hong Kong.

Mr. Chan Wai (陳偉), aged 43, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. Mr. Chan has over 19 years of experience in professional accounting, including over nine years of experience in financial control with companies listed on the main board and the Growth Enterprise Market of the Stock Exchange, which the Company believes will enhance the overall financial control and management of the Group. Mr. Chan obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University (香港理工大學) in 2004. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 1997 and a fellow of the Association of Chartered Certified Accountants since December 2002. Mr. Chan has also been an associate member of the Institute of Chartered Accountants in England and Wales since March 2007.

Save as disclosed above, the Independent Non-Executive Directors have not held any directorships in other listed companies in the last three years.

SENIOR MANAGEMENT

Ms. Kwok Ling Yee, Pearl Elizabeth (郭凌而), aged 44, is the Group's Chief Financial Officer and Company Secretary. She joined the Group in November 2010. Ms. Kwok is responsible for financial management and implementation of corporate governance practices of the Group. Ms. Kwok has over 21 years of experience in accounting and auditing. She is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Ms. Kwok graduated with a bachelor's degree of Business from Queensland University of Technology, Australia.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tseng Yin Hoong, Allen (曾元宏), aged 50, is the Group's Chief Technology Officer. He joined the Group in June 2009. Mr. Tseng is responsible for overseeing the Group's information technology and computer systems. Mr. Tseng has extensive experience in information technology and electronics manufacturing. Mr. Tseng obtained a bachelor's degree of Science from the State University of New York at Buffalo, the United States.

Mr. Joel Tongo Decena, aged 44, is the Group's Test Director. He joined the Group in August 1998. Mr. Decena is responsible for the Group's creation, implementation and monitoring of testing strategies for the development of test software, hardware and procedures. Mr. Decena has over 22 years of experience in the assembly and testing of electronic products, and he has worked for the Group for over 14 years. He obtained a bachelor's degree in Electronics and Communication Engineering from the University of Santo Tomas, Philippines.

The biographical details of the Directors and senior management of the Company can be found on the Company's website.

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited consolidated financial statements of World Wide Touch Technology (Holdings) Limited and its subsidiaries for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 9 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 39 to 112.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 8 May 2013 to Friday, 10 May 2013 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 May 2013.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the consolidated financial statements, and restated as appropriate, is set out on page 3. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2012 are set out in Note 17 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2012, the Group made external donations of approximately HK$110,000 (2011: Nil).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 18 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$602.7 million (2011: HK$600.3 million), and no dividend (2011: HK$6.3 million) has been proposed for the year. Under the Companies Law, the share premium account of the Company of approximately HK$565.5 million as of 31 December 2012 (2011: HK$565.5 million) is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 57.7% (2011: 78.9%) of the Group's revenue and 49.9% (2011: 54.7%) of the Group's purchases, were attributable to the Group's five largest customers and five largest suppliers, respectively; and 31.7% (2011: 51.1%) of the Group's revenue and 13.5% (2011: 23.9%) of the Group's purchases were attributable to the Group's largest customer and supplier, respectively.

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Wong Kwok Fong
Ms. Ching Pui Yi
Mr. Tan Hui Kiat

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Chan Wai

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers all the Independent Non-Executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the senior management of the Company are set out on pages 15 to 18 of the annual report and can be found on the Company's website.

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Kwok Fong, Ms. Ching Pui Yi and Mr. Tan Hui Kiat have entered into service contracts with the Company for a term of 3 years which commenced on 15 December 2010.

Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai have entered into appointment letters with the Company for a term of 3 years which commenced on 28 November 2009. The term of appointment of each of the Independent Non-Executive Directors has been extended for a period of 3 years with effect from 28 November 2012.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 27 to the consolidated financial statements.

The remuneration of the Directors is determined with reference to the Directors' duties, responsibilities and performance and the Group's results.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2012, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Wong Kwok Fong	Settlor of The KW Trust *(Note)*	1,927,778,827	65.86%
	Beneficial owner	58,304,000	1.99%
	Interest of spouse	28,700,061	0.98%
Ms. Ching Pui Yi	Beneficiary of The KW Trust *(Note)*	1,927,778,827	65.86%
	Beneficial owner	28,700,061	0.98%
	Interest of spouse	58,304,000	1.99%
Mr. Tan Hui Kiat	Beneficial owner	8,036,017	0.28%

Note:

The entire issued share capital of Soar Plan Holdings Limited is held by Swan Hills Holdings Limited which is in turn ultimately held by the Credit Suisse Trust Limited as the trustee of The KW Trust. The KW Trust is a discretionary trust established by Mr. Wong Kwok Fong as settlor and the Credit Suisse Trust Limited as trustee on 1 December 2009. The beneficiaries of The KW Trust include family members of Mr. Wong Kwok Fong and Ms. Ching Pui Yi. Mr. Wong Kwok Fong and Ms. Ching Pui Yi are deemed to be interested in the 1,927,778,827 shares held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited pursuant to Part XV of the SFO and their respective interests duplicate the interests held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited.

Save as disclosed above, as of 31 December 2012, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme (as defined in the section headed "Share Option Scheme" below), at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the year ended 31 December 2012.

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

As of 31 December 2012, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
Credit Suisse Trust Limited *(Note)*	Interest in a controlled corporation	1,927,778,827	65.86%
Swan Hills Holdings Limited *(Note)*	Interest in a controlled corporation	1,927,778,827	65.86%
Soar Plan Holdings Limited *(Note)*	Beneficial owner	1,927,778,827	65.86%

Note:

The entire issued share capital of Soar Plan Holdings Limited is held by Swan Hills Holdings Limited which is in turn ultimately held by the Credit Suisse Trust Limited as the trustee of The KW Trust. The KW Trust is a discretionary trust established by Mr. Wong Kwok Fong as settlor and the Credit Suisse Trust Limited as trustee on 1 December 2009. The beneficiaries of The KW Trust include family members of Mr. Wong Kwok Fong and Ms. Ching Pui Yi. Mr. Wong Kwok Fong and Ms. Ching Pui Yi are deemed to be interested in the 1,927,778,827 shares held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited pursuant to Part XV of the SFO and their respective interests duplicate the interests held by The KW Trust, Soar Plan Holdings Limited and Swan Hills Holdings Limited.

Save as disclosed above, as of 31 December 2012, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2012, the Group employed approximately 2,400 (2011: 2,335) full-time staff principally in Hong Kong and China.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonuses and other individual performance bonuses are awarded to staff based on the financial performance of the Group and performance of individual staff.

In addition, share options would be granted to eligible employees in accordance with the terms of the Company's share option scheme (as detailed in the paragraph headed "Share Option Scheme" below).

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in China, and a mandatory provident fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 26 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution in writing passed by the shareholders of the Company on 24 November 2010, for the purpose of providing incentive or reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company and to enable the Group to recruit and retain employees of high calibre. The Scheme became effective on 24 November 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) Full-time or part-time employees; and

(ii) Full-time or part-time independent non-executive directors of any member of the Group.

As of the date of this report, the total number of shares of the Company available for issue under the Scheme and any other share option scheme of the Group is 287,000,000, representing approximately 9.8% of the issued share capital of the Company as of the date of this report.

The total number of shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible person, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such eligible persons and his associates abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a Director, chief executive or to a substantial shareholder of the Company or any of their respective associates is required to be approved by the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-Executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the shares in issue on the date of the offer;

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Company's shares at the date of such grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

The offer of a grant of share options may be accepted by the date specified in the offer letter, upon payment of a nominal consideration of HK$1 by the grantee.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

Upon acceptance, the date of grant of any particular option is deemed to be the date of the Board resolution approving the grant in accordance with the Scheme. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination in accordance with the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Scheme by the shareholders.

As of the date of this annual report, no option has been granted or agreed to be granted under the Scheme.

CONTINUING CONNECTED TRANSACTION

Heshan World Fair Electronics Technology Limited ("World Fair Heshan"), an indirect wholly-owned subsidiary of the Company, has entered into a transaction with Mr. Wong Kwok Fong ("Mr. Wong"), a connected person of the Company, which constitutes a continuing connected transaction of the Company under the Listing Rules.

World Fair Heshan entered into a residential premises lease agreement (the “Lease”) with Mr. Wong on 16 November 2009, pursuant to which World Fair Heshan has agreed to lease from Mr. Wong 28 residential premises in Jiangmen, China (the “Premises”), as residences in Jiangmen for the senior management and other personnel. The term of the Lease is three years effective on 15 December 2010. The annual rent is RMB1,044,000, exclusive of management fees, water and electricity charges, and is fixed throughout the term of the Lease. The Directors estimate that the annual rent payable by World Fair Heshan to Mr. Wong for each of the three years commencing on 15 December 2010 will not exceed the annual cap of HK$1,200,000 (which is equivalent to the annual rent of RMB1,044,000). The Lease is renewable at the option of World Fair Heshan by giving three months’ notice to Mr. Wong prior to the expiry of the Lease. In the event the Company renews the term of the Lease, the Company shall comply with Chapter 14A of the Listing Rules, if applicable.

Details of the Lease are set out in Note 35 to the consolidated financial statements.

The aggregate amount of rent payable by the Group to Mr. Wong in respect of the Lease for the year ended 31 December 2012 amounted to HK$1,200,000. The Independent Non-Executive Directors have confirmed that the continuing connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and (c) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” Issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

Other than the aforementioned continuing connected transaction, the related party transactions disclosed in Note 35 to the consolidated financial statements are either exempted connected continuing transactions or non-exempt continuing connected transactions which are in compliance with the requirements under Chapter 14A of the Listing Rules.

DIRECTORS’ INTERESTS IN A COMPETING BUSINESS

Each of the Group’s Executive Directors and Independent Non-Executive Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules as of the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 28 November 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control systems.

At present, the Audit Committee comprises three Independent Non-Executive Directors, being Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai, of which Mr. Wong Chun Bong is the chairman.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2012. The consolidated financial statements for the year ended 31 December 2012 have been audited by the Company's independent auditor, PricewaterhouseCoopers.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the end of the reporting period are set out in Note 37 to the consolidated financial statements.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

PricewaterhouseCoopers, the independent auditor of the Company, will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to re-appoint it as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Wong Kwok Fong
Chairman

Hong Kong, 15 March 2013

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board with regular assessments. The Company believes that its commitment in high-standard practices will translate into long-term value and ultimately maximise returns to shareholders. The Company's management pledges to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

The Board procedures are in compliance with the articles of association (the "Articles") of the Company, as well as relevant rules and regulations. For the year ended 31 December 2012, there were no significant changes to the Articles.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A2.1. Mr. Wong Kwok Fong ("Mr. Wong") currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. He is one of the founders of the Group and has extensive experience in manufacturing, supply chain and marketing functions in electronics and technologies. The Board believes that by holding both roles, Mr. Wong will be able to provide the Group with strong and consistent leadership and more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of Independent Non-Executive Directors, and thus the Board believes that a balance of power and authority has been and will be maintained.

THE BOARD

The Board provides leadership and guidance to the Group's activities, overseeing the Group's businesses, strategic decisions and financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

MEETING ATTENDANCE

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2012, as well as the number of such meetings held, is set out as follows:

Meetings attended/held Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Strategic Intellectual Property and Technology Committee	General Meetings
Executive Directors						
Mr. Wong Kwok Fong	17/18	–	1/1	2/2	1/1	1/1
Ms. Ching Pui Yi	18/18	–	–	–	–	1/1
Mr. Tan Hui Kiat	18/18	–	–	–	1/1	1/1
Independent Non-Executive Directors						
Mr. Wong Chun Bong	18/18	3/3	1/1	2/2	–	1/1
Professor Lee Kwok On, Matthew	17/18	3/3	–	–	1/1	1/1
Mr. Chan Wai	17/18	3/3	1/1	2/2	–	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wong Kwok Fong is the Chairman and the Chief Executive Officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development. The CG Code recommends that the role of the Chairman and that of the Chief Executive Officer should be separated and should not be performed by the same individual. The Company deviates from this provision of the CG Code with Mr. Wong Kwok Fong being the Chairman and the Chief Executive Officer of the Company concurrently. The Board considers this arrangement appropriate as it allows for efficient discharge of the executive functions of the Chief Executive Officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three Independent Non-Executive Directors offering independent advice from different perspectives. In addition, all major decisions are made after consultation with the Board and appropriate Board Committees, as well as senior management. The Board is therefore of the view that there are adequate balance and safeguards in place.

BOARD COMMITTEE

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Strategic Intellectual Property and Technology Committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Audit Committee

The Company established an Audit Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Audit Committee includes the review and supervision of the Group's financial reporting matters and internal control procedures. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew and Mr. Chan Wai. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2012. During the year ended 31 December 2012, three meetings for the Audit Committee were held and all the committee members attended all of the meetings.

Nomination Committee

The Company established a Nomination Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Nomination Committee include considering and recommending to the Board on the appointment of Executive Directors and senior management staff. The Nomination Committee comprises three members, namely Mr. Wong Kwok Fong, Mr. Wong Chun Bong and Mr. Chan Wai, of which Mr. Wong Kwok Fong is the chairman.

During the year ended 31 December 2012, one meeting for the Nomination Committee was held and all committee members attended the meeting.

Remuneration Committee

The Company established a Remuneration Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Remuneration Committee include determining and reviewing the remuneration packages of the Directors. The Remuneration Committee comprises three members, namely Mr. Chan Wai, Mr. Wong Kwok Fong and Mr. Wong Chun Bong, of which Mr. Chan Wai was appointed as the chairman on 16 March 2012 in place of Mr. Wong Kwok Fong. Under the Remuneration Committee's terms of reference, a member of the Remuneration Committee shall abstain from voting and shall not be counted in the quorum in the meeting in respect of resolution regarding the remuneration payable to him.

During the year ended 31 December 2012, two meetings for the Remuneration Committee were held and all the committee members attended both of the meetings.

Strategic Intellectual Property and Technology Committee

The Company established a Strategic Intellectual Property and Technology Committee on 28 November 2009. The principal duties of the Strategic Intellectual Property and Technology Committee include monitoring the applications and protection of all the intellectual property rights of the Group and considering and recommending to the Board on the Group's research and development. The Strategic Intellectual Property and Technology Committee comprises three members, namely Mr. Wong Kwok Fong, Mr. Tan Hui Kiat and Professor Lee Kwok On, Matthew, of which Mr. Wong Kwok Fong is the chairman.

During the year ended 31 December 2012, one meeting for the Strategic Intellectual Property and Technology Committee was held and all committee members attended the meeting.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternative Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills. 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. Circulars or guidance notes are issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

A briefing session was organized for Directors on 14 December 2012 to update the Directors on the new amendments to the Corporate Governance Code and the associated Listing Rules. In addition, briefings on directors' duties will be given to the newly appointed Executive Directors.

During the year ended 31 December 2012, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. Wong Kwok Fong	A, B
Ms. Ching Pui Yi	A, B
Mr. Tan Hui Kiat	A, B
Independent Non-Executive Directors	
Mr. Wong Chun Bong	A, B
Professor Lee Kwok On, Matthew	A, B
Mr. Chan Wai	A, B

A: *attending seminars and/or conferences and/or forums*

B: *reading newspapers, journals and updates relating to the economy, general business, real estate or directors' duties and responsibilities, etc.*

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of the directors of the Company. All directors of the Company have confirmed that throughout the year ended 31 December 2012, they have complied with the provisions of the Model Code.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-Executive Directors has been appointed for an initial term of 3 years commencing from 28 November 2009. Their term of appointment has been extended for a period of 3 years with effect from 28 November 2012. Upon the expiry of the aforesaid term of 3 years, the appointments shall be subject to the approval by the Board of the Company. The term of appointment shall be terminable by either the Independent Non-Executive Director or the Company by giving the other party not less than 3 months' prior notice in writing.

DIRECTORS' REMUNERATION

During the year ended 31 December 2012, the Remuneration Committee determined the remuneration packages of the Executive Directors and senior management members of the Company, and reviewed the collective performance and individual performance as well as the performance-based bonus payment of the senior management of the Company.

During the year ended 31 December 2012, the Directors' remuneration is as follows:

	2012 HK$'000	2011 HK$'000
Fees	1,740	1,815
Other emoluments:		
Salaries, allowances and benefits in kind	3,631	3,903
Pension scheme contributions	14	17
	5,385	5,735

There was no bonus payable to the Executive Directors for the year ended 31 December 2012 (2011: Nil)

(a) Independent Non-Executive Directors

The fees paid to Independent Non-Executive Directors during the year ended 31 December 2012 were as follows:

	2012 HK$'000	2011 HK$'000
Mr. Wong Chun Bong	240	240
Professor Lee Kwok On, Matthew	180	180
Mr. Chan Wai	210	210
	630	630

(b) Executive Directors

The fees paid to Executive Directors during the year ended 31 December 2012 were as follows:

Year 2012	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based compensation HK$'000	Pension Scheme HK$'000	Total Remuneration HK$'000
Mr. Wong Kwok Fong	2,850	–	–	–	2,850
Ms. Ching Pui Yi	1,200	–	–	14	1,214
Mr. Tan Hui Kiat	691	–	–	–	691

Year 2011	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Share-based compensation HK$'000	Pension Scheme HK$'000	Total Remuneration HK$'000
Mr. Wong Kwok Fong	2,750	–	–	–	2,750
Ms. Ching Pui Yi	1,200	–	–	12	1,212
Mr. Cheung Wing Keung#	453	–	–	5	458
Mr. Tan Hui Kiat	685	–	–	–	685

resigned on 30 June 2011

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system, including the financial, operational, compliance controls and risk management functions of the Group, the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function. No material deficiencies have been identified. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board is committed to improving the Group's internal control system on a going-concern basis.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgement and estimates that were appropriate, and prepared the financial statements on a going-concern basis.

The Group has announced its annual results in a timely manner within the limits of three months after the end of the relevant period, as laid down in the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, approximately HK$2,476,000 was incurred as remuneration to PricewaterhouseCoopers for the provision of audit services and approximately HK$47,000 was paid to local C.P.A. audit firms for the provision of audit services of the subsidiaries of the Company incorporated in China. During the year, the following amounts were paid as remuneration to PricewaterhouseCoopers for the provision of the following non-audit related services to the Group.

	HK$'000
Taxation	3,476
Others	2,368
Total	5,844

COMMUNICATION WITH SHAREHOLDERS

The Group has established and maintains different communication channels with its shareholders. Annual reports and other corporate communication are published on the websites of the Company and the Stock Exchange. General meetings and investor meetings were held either face-to-face or via telephone conference. The Group reports to the shareholders twice a year and maintains a regular dialogue with investors.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend. The website of the Company has also set out details on how shareholders can convene an extraordinary meeting, and the procedures for shareholders to put forward proposals at shareholders' meeting.

The annual general meeting provides a useful forum for shareholders to exchange their views with the Board.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2012.

The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2012.

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

On behalf of the Board

Wong Kwok Fong
Chairman

Hong Kong, 15 March 2013

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF WORLD WIDE TOUCH TECHNOLOGY (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of World Wide Touch Technology (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 112, which comprise the consolidated and company statement of financial position as of 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, 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.

PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 Company and of the Group as of 31 December 2012, and of the Group's loss 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	615,882	557,750
Land use right	7	4,922	5,038
Intangible assets	8	85,777	33,696
Investments in associates	10	30,465	—
Available-for-sale financial assets	11	94,759	39,007
Deferred income tax assets	21	11,869	2,192
Loan receivables	14	19,379	—
Prepayments and other receivables	14	38,628	54,581
		901,681	692,264
Current assets			
Inventories	12	174,698	176,296
Trade receivables	13	258,836	149,089
Prepayments, deposits and other receivables	14	36,161	40,922
Current income tax recoverables		1,183	—
Financial assets at fair value through profit or loss	15	1,276	926
Cash and cash equivalents	16	365,295	563,382
		837,449	930,615
Total assets		1,739,130	1,622,879
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	17	292,708	292,708
Share premium	17	565,489	565,489
Other reserves and retained earnings	18	207,337	258,172
		1,065,534	1,116,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	—	13,759
Other payables	23	16,949	—
Deferred income tax liabilities	21	2,630	320
		19,579	14,079
Current liabilities			
Trade and bills payables	22	180,207	135,412
Accruals and other payables	23	102,435	61,078
Bank borrowings	19	353,736	262,751
Finance lease obligations	20	8,693	17,446
Current income tax liabilities		8,946	15,744
		654,017	492,431
Total liabilities		673,596	506,510
Total equity and liabilities		1,739,130	1,622,879
Net current assets		183,432	438,184
Total assets less current liabilities		1,085,113	1,130,448

The consolidated financial statements were approved by the Board of Directors on 15 March 2013 and were signed on its behalf.

Wong Kwok Fong
Chairman

Tan Hui Kiat
Director

The notes on pages 46 to 112 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As of 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	250,000	250,000
Current assets			
Other receivables	14	770	1,100
Amounts due from subsidiaries	9	595,371	376,200
Cash and cash equivalents	16	145,830	272,012
		741,971	649,312
Total assets		991,971	899,312

STATEMENT OF FINANCIAL POSITION

As of 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	17	292,708	292,708
Share premium	17	565,489	565,489
Other reserves and retained earnings	18	37,221	34,769
		895,418	892,966
LIABILITIES			
Current liabilities			
Accruals and other payables	23	4,887	6,346
Borrowing	19	91,666	—
		96,553	6,346
Total equity and liabilities		991,971	899,312
Net current assets		645,418	642,966
Total assets less current liabilities		895,418	892,966

The consolidated financial statements were approved by the Board of Directors on 15 March 2013 and were signed on its behalf.

Wong Kwok Fong
Chairman

Tan Hui Kiat
Director

The notes on pages 46 to 112 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	1,200,435	1,164,122
Cost of sales	25	(1,074,600)	(950,492)
Gross profit		125,835	213,630
Other income — net	24	9,639	513
Distribution costs	25	(20,178)	(8,682)
Administrative expenses	25	(164,235)	(121,995)
Operating (loss)/profit		(48,939)	83,466
Finance income/(costs) — net	28	22	(2,197)
Share of loss of associates	10	(2,127)	—
(Loss)/profit before income tax		(51,044)	81,269
Income tax expense	29	(3,564)	(10,167)
(Loss)/profit for the year		(54,608)	71,102
Other comprehensive income:			
Fair value gain on available-for-sale financial assets		10,074	—
Currency translation differences		22	—
Other comprehensive income for the year		10,096	—
Total comprehensive (loss)/income for the year attributable to equity holders of the Company		(44,512)	71,102
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company			
— basic (expressed in Hong Kong cents per share)	30	(1.87)	2.43
— diluted (expressed in Hong Kong cents per share)	30	N/A	N/A

The notes on pages 46 to 112 are an integral part of these consolidated financial statements.

Dividends	31	—	21,309

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Share issuance cost HK$'000	Statutory reserve HK$'000	Available-for-sale financial assets HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 December 2011										
At 1 January 2011	287,000	517,267	(215,150)	12,411	–	23,049	–	–	381,747	1,006,324
Profit for the year	–	–	–	–	–	–	–	–	71,102	71,102
Exercise of share over-allotment option of the Global Offering	5,708	48,522	–	–	–	–	–	–	–	54,230
Professional fees in relation to the Global Offering	–	–	–	–	(300)	–	–	–	–	(300)
Transfer to share premium	–	(300)	–	–	300	–	–	–	–	–
Transfer to statutory reserve	–	–	–	–	–	7,475	–	–	(7,475)	–
Dividends	–	–	–	–	–	–	–	–	(14,987)	(14,987)
At 31 December 2011	292,708	565,489	(215,150)	12,411	–	30,524	–	–	430,387	1,116,369
For the year ended 31 December 2012										
At 1 January 2012	292,708	565,489	(215,150)	12,411	–	30,524	–	–	430,387	1,116,369
Loss for the year	–	–	–	–	–	–	–	–	(54,608)	(54,608)
Other comprehensive income:										
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	10,074	–	–	10,074
Currency translation differences	–	–	–	–	–	–	–	22	–	22
Total other comprehensive income	–	–	–	–	–	–	10,074	22	–	10,096
Total comprehensive income/(loss)	–	–	–	–	–	–	10,074	22	(54,608)	(44,512)
Transfer to statutory reserve	–	–	–	–	–	1,939	–	–	(1,939)	–
Dividends	–	–	–	–	–	–	–	–	(6,323)	(6,323)
At 31 December 2012	292,708	565,489	(215,150)	12,411	–	32,463	10,074	22	367,517	1,065,534

The notes on pages 46 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flow from operating activities			
Cash generated from operations	32	38,532	112,800
Interest paid		(6,908)	(11,438)
Hong Kong profits tax paid		(17,711)	(12,492)
China enterprise income tax paid		(6,846)	(10,276)
Overseas tax paid		(26)	(110)
Net cash generated from operating activities		7,041	78,484
Cash flows from investing activities			
Purchase of property, plant and equipment		(59,615)	(153,474)
Additions of intangible assets	8	(17,263)	(22,939)
Acquisition of a subsidiary	36	(13,777)	(1,500)
Acquisition of associates	10	(32,592)	—
Purchase of available-for-sale financial assets		(45,678)	—
Proceed received on disposal of property, plant and equipment and intangible assets	32	25	663
Interest received		8,996	8,578
Decrease in pledged bank deposits		—	75,832
Dividend received		61	—
Prepayment for acquisition of property, plant and equipment and financial assets		(44,336)	—
Loan receivables		(19,400)	—
Net cash used in investing activities		(223,579)	(92,840)
Cash flows from financing activities			
New bank borrowings		1,125,501	670,641
Repayments of bank borrowings		(1,091,105)	(661,312)
Capital repayment of finance lease obligations		(8,753)	(20,845)
Proceeds from issuance of ordinary shares in relation to the exercise of share over-allotment option of the Global Offering		—	54,230
Payment for share issuance costs		—	(300)
Dividends paid		(6,323)	(14,987)
Net cash generated from financing activities		19,320	27,427
Net (decrease)/increase in cash and cash equivalents		(197,218)	13,071
Cash and cash equivalents at beginning of the year		563,382	550,311
Exchange losses on cash and cash equivalents		(869)	—
Cash and cash equivalents at end of the year		365,295	563,382

The notes on pages 46 to 112 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

World Wide Touch Technology (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 17 July 2009 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the trading and manufacturing of electronic products and trading of automated machines and spare parts.

The Company's shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 December 2010.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets and contingent consideration payable in relation to acquisition of a subsidiary, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures

(a) Amended standards and interpretation adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2012 but are not relevant to the Group's operations:

HKFRS 1 (Amendment)	Presentation of financial statements
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

(b) New standards and amendments to standards have been issued but were not effective for the financial year beginning on 1 January 2012 and have not been adopted early by the Group for the year ended 31 December 2012:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
HKFRS 1 (Amendment)	First time adoption on government loans	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 7 (Amendment)	Financial instruments: Disclosures on asset and liability offsetting	1 January 2013
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine	1 January 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control circumstances.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(a) ***Consolidation*** *(continued)*

(i) *Business combinations (continued)*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States ("US") dollar. The consolidated financial statements are presented in Hong Kong dollar.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other (losses)/gains — net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

— income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements, furniture and fixtures and office equipment	10 to 50%
Machinery and factory equipment	10 to 50%
Computer equipment	20 to 50%
Motor vehicles	10 to 25%

Construction-in-progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Land use right

The up-front prepayments made for land use right are accounted for as operating leases. They are expensed in the consolidated statement of comprehensive income on a straight-line basis over the periods of lease, or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Trademarks and patents*

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives.

(c) *Research and developments costs*

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the product so that it will be available for use;
— management intends to complete the product and use or sell it;
— there is an ability to use or sell the product;
— it can be demonstrated how the product will generate probable future economic benefits;
— adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
— the expenditure attributable to the product during its development can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(c) Research and developments costs (continued)

Directly attributable costs that are recognised as part of the product include the product development employee costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Product development costs recognised as assets are amortised over their estimated useful lives of three years on a straight-line basis.

(d) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five years over the expected life of the customer relationship.

(e) Other intangible assets arising from business combinations

Intangible assets, other than goodwill, identified on business combinations are capitalised at their fair values. They represent mainly order backlogs and non-compete agreements. Intangible assets arising from business combinations with definite useful lives are amortised on a straight-line basis from the date of acquisition over their estimated useful lives of six years.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.3 Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

2.10.4 Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent it relates to items recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Employee benefits

(a) Pension obligations

The Group maintains defined contribution plans in both Hong Kong and China. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Under the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plan

Provisions for bonus plans due wholly within twelve months after the end of the reporting period are recognised when the Group has a legal or construction obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Sundry income

Sundry income is recognised when the right to receive payment is established.

2.21 Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use right, are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Leases (as the lessee) *(continued)*

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group under policies approved by the directors of the Company.

(a) Market risk

Foreign exchange risk

The Group operates principally in Hong Kong and in China. It is exposed to foreign exchange risk primarily with respect to Hong Kong dollar and Chinese Renminbi ("RMB") denominated transactions. Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in currency that is not the Company's functional currency. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the China government.

As of 31 December 2012 and 2011, the Group's borrowings are denominated in Hong Kong dollar, US dollar or RMB. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As of 31 December 2012, if RMB had strengthened/weakened by 5% with all other variables held constant, the post tax loss for the year would have been HK$5,903,000 lower/higher, mainly as a result of foreign exchange gains/losses on revaluation of RMB denominated bank deposits, receivables and payables (2011: post tax profit HK$9,260,000 higher/lower, mainly as a result of foreign exchange gains/losses on revaluation of RMB denominated receivables, payables and bank borrowings).

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of suppliers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

Price risk

The Group is exposed to equity price change arising from its financial assets at fair value through profit or loss and available-for-sale financial assets. The Group's financial instruments are equity securities which are subject to change in market prices of the securities. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

As of 31 December 2012, the Group's investment in a listed entity that is publicly traded are subject to price risk. A 10% change is used when reporting the price risk internally to the management. If the price of the respective equity instruments had been 10% higher/lower, the equity would have been increased/decreased by approximately HK$3,243,000 (2011: Nil).

The Group does not expose to significant commodity price risk as of 31 December 2012 (2011: Same).

Interest rate risk

Except for the cash held at banks and loan receivables from a third party, the Group has no other significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2012, if interest rates on cash held at banks had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$3,100,000 lower/higher, mainly as a result of higher/lower interest income on cash at banks (2011: post tax profit HK$4,792,000 higher/lower, mainly as a result of higher/lower interest income on cash at banks).

The Group's interest rate risk arises from bank borrowings which are interest bearing at floating rates and are repayable based on the bank repayment schedule. Borrowings issued at floating rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

At 31 December 2012, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$3,031,000 higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings (2011: post tax profit HK$2,468,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings).

The Group does not expose to any fair value interest-rate risk as the Group does not have any fixed rates borrowings as of 31 December 2012 (2011: Same).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

Credit risk mainly arises from trade and other receivables, loan receivables and cash and cash equivalents.

As of 31 December 2012, the top five customers and the largest customer accounted for approximately 63% (2011: 69%) and 34% (2011: 22%) of the Group's trade receivables balance, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and requires them, and other customers with credit histories that the management is not satisfied with, to pay a deposit of on average of 30% of the sales amount, or to provide the Group with a letter of credit when placing orders.

For sales of machinery made to automation customers, the Group normally requires customers to pay approximately 90% of the contracted sum before the goods delivery.

In order to minimise the credit risk of the Group, the management has implemented internal control procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Based on the Group's historical experience in collection of trade and other receivables, the directors and the management are of opinion that adequate provision has been made for uncollectible receivables.

In regard to loan granted by the Group, management assessed the financial position and performance of the counter-party, taking into account its business plans, past experience and other factors. Based on the assessment, the directors consider that the credit risk is not significant.

Cash and cash equivalents were deposited in over ten financial institutions, which management believes are reputable and without significant credit risk.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Management monitors rolling forecasts of the Group's liquidity reserve which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flow. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Group:					
At 31 December 2012					
Trade and bills payables	–	180,207	–	–	180,207
Accruals and other payables	–	55,564	8,340	9,129	73,033
Bank borrowings and interest payables *(Note i)*	241,147	113,236	–	–	354,383
Finance lease obligations	8,693	–	–	–	8,693
	249,840	349,007	8,340	9,129	616,316
At 31 December 2011					
Trade and bills payables	–	135,412	–	–	135,412
Accruals and other payables	–	33,243	–	–	33,243
Bank borrowings and interest payables *(Note i)*	10,235	258,687	14,215	–	283,137
Finance lease obligations	17,859	–	–	–	17,859
	28,094	427,342	14,215	–	469,651

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk* *(continued)*

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Company:					
At 31 December 2012					
Bank borrowings and interest payables *(Note i)*	91,666	–	–	–	91,666
Financial guarantee contract to a subsidiary *(Note ii)*	158,174	113,236	–	–	271,410
	249,840	113,236	–	–	363,076
At 31 December 2011					
Financial guarantee contract to a subsidiary *(Note ii)*	286,781	14,216	–	–	300,997

Note i:
Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Based on the internal information provided by management, it is expected that the lender will not exercise its rights to demand repayment. The expected cash flows with reference to the schedule of repayments set out in the loan agreements are as follows:

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Group:					
At 31 December 2012					
Trade and bills payables	–	180,207	–	–	180,207
Accruals and other payables	–	55,564	8,340	9,129	73,033
Bank borrowings and interest payables	91,666	263,111	–	–	354,777
Finance lease obligations	–	7,824	979	–	8,803
	91,666	506,706	9,319	9,129	616,820
At 31 December 2011					
Trade and bills payables	–	135,412	–	–	135,412
Accruals and other payables	–	33,243	–	–	33,243
Bank borrowings and interest payables	–	268,922	14,215	–	283,137
Finance lease obligations	–	9,051	7,828	980	17,859
	–	446,628	22,043	980	469,651

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
Company:					
At 31 December 2012					
Bank borrowings	91,666	–	–	–	91,666
Financial guarantee contract to a subsidiary (Note ii)	–	270,935	979	–	271,914
	91,666	270,935	979	–	363,580
At 31 December 2011					
Financial guarantee contract to a subsidiary (Note ii)	–	277,974	22,043	980	300,997

Note ii:
These amounts are financial guarantees from the Company to its subsidiary relating to certain banking facilities representing the hypothetical payment should the guarantees be crystalised. However based on the operating results, the Company does not expect them to be crystalised.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debt.

The Group monitors capital by maintaining a net cash position throughout the year. Net cash position is calculated as cash and cash equivalents less total bank borrowings and finance lease obligations. As of 31 December 2012, the Group maintained a net cash position of HK$2,866,000 (2011: HK$269,426,000).

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated statement of financial position are disclosed by level of the following fair value measurement hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed shares classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As of 31 December 2012 and 2011, instruments included in level 2 comprise available-for-sale financial assets which represent investments in equity instruments that do not have a quoted market price in an active market as of the end of reporting period. The fair values of these unlisted securities are determined by the information available from recent transactions.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 comprise contingent consideration payable in relation to acquisition of a subsidiary which represents payable to the selling shareholder that do not have a quoted market price in an active market as of 31 December 2012 (2011: None).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets/(liabilities) that are measured at fair value at 31 December 2012:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	1,276	—	—	1,276
Available-for-sale financial assets	32,432	62,327	—	94,759
Liabilities				
Contingent consideration payable in relation to acquisition of a subsidiary	—	—	(23,124)	(23,124)
At 31 December 2011				
Assets				
Financial assets at fair value through profit or loss	926	—	—	926
Available-for-sale financial assets	—	39,007	—	39,007

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	HK$'000
Opening balance	—
Contingent consideration payable in relation to acquisition of a subsidiary	(21,243)
Losses recognised in profit or loss	(1,881)
Closing balance	(23,124)
Total losses including in profit or loss for liabilities held at the end of the reporting period	(1,881)

The fair value of contingent consideration payable in relation to acquisition of a subsidiary is recognised based on the estimated net profit of Gallant Tech Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014. This implies the potential undiscounted amount of all future payments that the Group could be required to make under this arrangement would vary by a change of assumed probability — adjusted net profit of Gallant Tech Group.

At 31 December 2012, if the estimated net profit of Gallant Tech Group for the year ending 31 December 2013 and 31 December 2014 had increase/decreased by 20% with all other variables held constant, post-tax loss for the year would have been HK$1,543,000 higher/HK$4,161,000 lower, as a result of losses/gains recognised in respect of the increase/decrease in fair value of the contingent consideration.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(b) Impairment of property, plant and equipment, land use right and intangible assets

Property, plant and equipment, land use right and intangible assets are reviewed for impairment whenever events or change in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

(d) Estimated recoverability of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(e) Income taxes

The Group is mainly subject to income taxes in jurisdictions in Hong Kong and China. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(f) Research and development costs

Critical judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of each reporting period. In addition, all internal activities related to the research and development of new products is continuously monitored by the Group's management.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(g) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(h) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial assets is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(i) Contingent considerations of acquisition

The Group's business acquisition involved post-acquisition performance-based contingent considerations. The Group follows the requirement of HKFRS 3 (Revised) to recognise the fair value of those contingent considerations for acquisition, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired business. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement on time value of money. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated comprehensive income.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief executive officer of the Company (the "CEO") that are used to make strategic decisions.

The CEO considered the business from a perspective of different product categories. The reportable operating segments were classified as capacitive touch products, fingerprint biometric devices, lighting source products and wireless charging devices prior to 2012. Starting from 2012, due to the change in its internal organisation, management has reassessed the Group's operating segment composition and considered a reclassification being more appropriate for business performance review. As such, the Group has restated the corresponding items of segment information for prior period.

Following the change in the composition of its reportable segments, the Group's current reportable segments comprise Automation, Life Energy, Life Security and Life Touch.

5 SEGMENT INFORMATION *(continued)*

Other products include mainly the communication- and automotives-related products. These are not qualified as reportable segment as these segments do not meet the quantitative threshold required by HKFRS 8 and, accordingly, the segment information of these operations are included in "Other segments".

Sales between segments were carried out on an arm's-length basis. The Group's revenue by segment is as follows:

	2012			2011		
	Total segment revenue HK$'000	Inter segment revenue HK$'000	Revenue from external customers HK$'000	Total segment revenue HK$'000	Inter segment revenue HK$'000	Revenue from external customers HK$'000
Automation	393,257	(24,319)	368,938	–	–	–
Life energy	93,275	–	93,275	102,213	–	102,213
Life security	175,908	–	175,908	246,803	–	246,803
Life touch	374,321	–	374,321	602,578	–	602,578
Other segments	187,993	–	187,993	212,528	–	212,528
Total	1,224,754	(24,319)	1,200,435	1,164,122	–	1,164,122

Reportable segment information is reconciled to (loss)/profit before income tax as follows:

	2012 HK$'000	2011 HK$'000
Operating profit		
Automation	8,030	–
Life energy	5,346	18,791
Life security	7,753	23,243
Life touch	45,001	131,091
Other segments	2,938	40,505
Total	69,068	213,630

5 SEGMENT INFORMATION *(continued)*

	2012 HK$'000	2011 HK$'000
Unallocated:		
Depreciation shared by various reportable segments and head office	(17,773)	(15,418)
Amortisation of land use right	(116)	(116)
Other income — net	9,639	513
Other distribution costs and administrative expenses	(109,757)	(115,143)
Finance income/(costs) — net	22	(2,197)
Share of loss of associates	(2,127)	—
(Loss)/profit before income tax	(51,044)	81,269
Other segment items — depreciation and amortisation		
Automation	(3,839)	—
Life energy	(7,026)	(6,957)
Life security	(25,139)	(22,703)
Life touch	(28,813)	(24,162)
Other segments	(7,689)	(4,735)
	(72,506)	(58,557)

The revenue from external parties reported to the CEO is measured in a manner consistent with that in the consolidated financial statements.

The CEO assesses the performance of the operating segments based on a measure of operating profit, which are in a manner consistent with that of the consolidated financial statements.

Other income — net, distribution and administrative expenses are not allocated to segments, as they are inseparable for each product and not attributable to particular reportable segments. Finance income and costs are not allocated to segments, as this type of activities are managed by the central finance and accounting function, which manages the working capital of the Group.

5 SEGMENT INFORMATION *(continued)*

The assets attributable to different reportable segments are reconciled to total assets as follows:

	2012 HK$'000	2011 HK$'000
Segment assets		
Automation	220,936	—
Life energy	73,320	86,346
Life security	89,131	121,656
Life touch	246,746	135,706
Other segments	138,203	174,875
Segment assets for reportable and other segments	768,336	518,583
Unallocated:		
Property, plant and equipment shared by various reportable segments	330,812	306,026
Land use right	4,922	5,038
Available-for-sale financial assets	94,759	39,007
Investments in associates	30,465	—
Deferred income tax assets	11,869	2,192
Inventories shared by various reportable segments	115,529	99,993
Prepayments, deposits and other receivables	53,376	87,732
Financial assets at fair value through profit or loss	1,276	926
Loan receivables	19,379	—
Cash and cash equivalents	308,407	563,382
Total assets	1,739,130	1,622,879

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets represented property, plant and equipment attributable to various reportable segments, trade receivables, prepayments, deposits and other receivables, current income tax recoverables, inventories and intangible assets attributable to various reportable segments.

Unallocated segment assets comprise property, plant and equipment and inventories shared by various reportable segments, land use right, deferred income tax assets, loan receivables, investments in associates, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and cash and cash equivalents which are inseparable for each product and are not attributable to particular reportable segments.

5 SEGMENT INFORMATION *(continued)*

Reportable segments liabilities are reconciled to total liabilities as follows:

	2012 HK$'000	2011 HK$'000
Segment liabilities		
Automation	131,686	—
Life energy	16,952	11,890
Life security	31,970	28,708
Life touch	68,031	70,093
Other segments	34,167	24,721
Segment liabilities for reportable and other segments	282,806	135,412
Unallocated:		
Accruals and other payables	77,665	61,078
Bank borrowings	295,997	276,510
Finance leases obligations	8,693	17,446
Current income tax liabilities	8,435	15,744
Deferred income tax liabilities	—	320
Total liabilities	673,596	506,510

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. Segment liabilities represented trade payables which are allocated based on the operations of the segment, accruals and other payables, deferred income tax liabilities, current income tax liabilities and interest-bearing liabilities attributed to various reportable segments.

Unallocated segment liabilities comprise accruals and other payables, interest-bearing liabilities, current income tax liabilities and deferred income tax liabilities, which are inseparable for each product and not attributable to particular reportable segments.

Revenue from externals customers are derived from the sales of goods net of returns and rebates.

Members of the Group are mainly domiciled in Hong Kong and China while its major customers are mainly located in China and the United States of America.

The Group's revenue derived from external customers located in China and the United States of America is HK$541,097,000 (2011: HK$313,415,000) and HK$488,903,000 (2011: HK$639,215,000) respectively, while the remaining revenue is derived from customers located in other countries.

The total of non-current assets other than deferred income tax assets located in China is HK$630,568,000, (2011: HK$624,283,000), and the total of these non-current assets located in other countries is HK$259,244,000 (2011: HK$65,789,000).

For the year ended 31 December 2012, the revenue of approximately HK$381,051,000 (2011: HK$595,183,000) is derived from a customer in the life touch segment.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2011							
Cost	131,131	33,686	388,120	18,242	7,297	50,590	629,066
Accumulated depreciation	(7,860)	(14,768)	(131,590)	(9,501)	(3,115)	—	(166,834)
Net book amount	123,271	18,918	256,530	8,741	4,182	50,590	462,232
For the year ended 31 December 2011							
Opening net book amount	123,271	18,918	256,530	8,741	4,182	50,590	462,232
Additions	1,410	5,970	59,542	2,903	483	83,166	153,474
Transfers	70,529	960	1,474	—	—	(72,963)	—
Disposal	—	(102)	—	—	(854)	—	(956)
Depreciation	(4,517)	(5,397)	(43,673)	(2,823)	(590)	—	(57,000)
Closing net book amount	190,693	20,349	273,873	8,821	3,221	60,793	557,750
At 31 December 2011							
Cost	203,070	37,234	449,136	21,145	5,858	60,793	777,236
Accumulated depreciation	(12,377)	(16,885)	(175,263)	(12,324)	(2,637)	—	(219,486)
Net book amount	190,693	20,349	273,873	8,821	3,221	60,793	557,750
For the year ended 31 December 2012							
Opening net book amount	190,693	20,349	273,873	8,821	3,221	60,793	557,750
Acquisition of a subsidiary	—	817	—	236	366	—	1,419
Additions	117	1,443	10,485	2,505	1,972	106,668	123,190
Transfers	2,497	—	69,334	—	—	(71,831)	—
Disposal	—	(325)	(2)	(108)	—	—	(435)
Depreciation	(5,516)	(5,633)	(50,811)	(3,254)	(832)	—	(66,046)
Exchange difference	—	1	—	—	3	—	4
Closing net book amount	187,791	16,652	302,879	8,200	4,730	95,630	615,882
At 31 December 2012							
Cost	205,684	38,814	528,917	22,042	8,199	95,630	899,286
Accumulated depreciation	(17,893)	(22,162)	(226,038)	(13,842)	(3,469)	—	(283,404)
Net book amount	187,791	16,652	302,879	8,200	4,730	95,630	615,882

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of HK$47,808,000 (2011: HK$41,582,000) has been charged to cost of sales and HK$18,238,000 (2011: HK$15,418,000) has been charged to administrative expenses, respectively.

The Group's buildings are situated outside Hong Kong under medium term leases.

Machinery with a carrying amount of HK$30,706,000 (2011: HK$34,030,000) is held under finance leases.

The Group is in the process of applying for real estate ownership certificates of certain factory buildings and the carrying amounts of such construction-in-progress and buildings amounted to HK$198,466,000 (2011: HK$165,020,000) as of 31 December 2012.

7 LAND USE RIGHT

The Group's interest in land use right represent prepaid operating lease payments and its net book amount is analysed as follows:

	2012 HK$'000	2011 HK$'000
In China held on:		
Lease between 10 and 50 years	4,922	5,038

Movements during the year are as follows:

	2012 HK$'000	2011 HK$'000
At beginning of year	5,038	5,154
Amortisation	(116)	(116)
At end of year	4,922	5,038

Amortisation expense of HK$116,000 (2011: HK$116,000) has been charged to administrative expenses.

8 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and patents HK$'000	Development costs HK$'000	Contractual customers relationships HK$'000	Other intangible assets HK$'000	Total HK$'000
For the year ended 31 December 2011						
Opening net book amount	–	2,842	24,579	–	–	27,421
Acquisition of a subsidiary	1,500	–	–	–	–	1,500
Additions	–	493	22,446	–	–	22,939
Disposal	–	(124)	(1,065)	–	–	(1,189)
Amortisation	–	(1,572)	(15,403)	–	–	(16,975)
Closing net book amount	1,500	1,639	30,557	–	–	33,696
At 31 December 2011						
Cost	1,500	4,441	52,801	–	–	58,742
Accumulated amortisation	–	(2,802)	(22,244)	–	–	(25,046)
Net book amount	1,500	1,639	30,557	–	–	33,696
For the year ended 31 December 2012						
Opening net book amount	1,500	1,639	30,557	–	–	33,696
Acquisition of a subsidiary	43,722	–	–	14,497	832	59,051
Additions	–	408	16,855	–	–	17,263
Amortisation	–	(1,097)	(19,761)	(2,899)	(476)	(24,233)
Closing net book amount	45,222	950	27,651	11,598	356	85,777
At 31 December 2012						
Cost	45,222	4,849	69,656	14,497	832	135,056
Accumulated amortisation	–	(3,899)	(42,005)	(2,899)	(476)	(49,279)
Net book amount	45,222	950	27,651	11,598	356	85,777

Amortisation expense of HK$24,233,000 (2011: HK$16,975,000) has been charged to cost of sales in the consolidated statement of comprehensive income.

8 INTANGIBLE ASSETS *(continued)*

Impairment test for goodwill

Management considered each subsidiary represents a separate CGU for the purpose of goodwill impairment testing.

The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by management for the next three years. As of 31 December 2012, the carrying amounts of goodwill allocated to the automation and life security segment amounted to HK$43,722,000 (2011: Nil) and HK$1,500,000 (2011: HK$1,500,000) respectively.

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by management for the next three years with a terminal value related to the future earnings potential of CGU beyond the next three years. The financial budgets and growth rates are estimated based on past performance and its expectations of market development. The key assumptions used for the value-in-use calculations are as follows:

	Automation	Life security
For the year ended 31 December 2012		
Growth rate (terminal growth rate)	3%	3%
Discount rate	10%	7%
For the year ended 31 December 2011		
Growth rate	N/A	11%
Discount rate	N/A	12%

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs.

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
The Company		
Investment in unlisted subsidiaries, at cost	250,000	250,000
Amounts due from subsidiaries	595,371	376,200

The amounts due from subsidiaries are unsecured, interest-free and denominated in US dollars. The amounts approximate their fair value.

Details of the subsidiaries of the Company are as follows:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Effective interest held by the Group	Principal activities
Directly held:					
Great Sphere Developments Limited	3 July 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Success Charm Holdings Limited	11 May 2009	British Virgin Islands	27,774,264 shares of US$1 each	100%	Investment holding
Indirectly held:					
Charming Lion Limited	6 May 2009	British Virgin Islands	2 shares of US$1 each	100%	Investment holding
Cherry Light Limited	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Cybertouch-Tech Company Limited	13 October 2000	Hong Kong	10,000 shares of HK$1 each	100%	Investment holding
Cyber Communications Company Limited	24 February 2011	Hong Kong	1 share of HK$1 each	100%	Investment holding
Cyber Energy Limited	18 December 2009	Hong Kong	1 share of HK$1 each	100%	Inactive
Cyber Lighting Technology Limited	18 January 2011	British Virgin Islands	1 share of US$1 each	100%	Inactive

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held: *(continued)*					
Cyber Medics Company Limited	24 February 2011	Hong Kong	1 share of HK$1 each	100%	Investment holding
Cyber Products Technology Company Limited	2 March 2011	Hong Kong	1 share of HK$1 each	100%	Inactive
Cyber Vision Technology Limited	18 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Ever Firm Limited	6 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Gain Glory Holdings Limited	28 September 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Gallant Tech Limited	10 May 2007	Hong Kong	5,000,000 shares of HK$1 each	100%	Trading of machines and spare parts and investment holding
Gallant Tech (i-manufacturing) Limited	15 October 2012	British Virgin Islands	1 share of US$1 each	100%	Inactive
Golden Vast Limited	11 April 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Golden Vast Macao Commercial Offshore Limited	26 February 2011	Macau	1 share of MOP $1,000,000 each	100%	Trading of electronic products
Grand Sheen Group Limited	18 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Great Earnings Limited	23 April 2012	Hong Kong	1 share of HK$1 each	100%	Inactive
Great Ray Developments Limited	3 July 2012	British Virgin Islands	1 share of US$1 each	100%	Investment holding

9 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held: *(continued)*					
Heshan World Fair Electronics Technology Limited	18 November 2004	China	US$57,250,000	100%	Manufacturing of printed circuit board touch pad
Majestic Fortune Limited	11 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Shining Union Limited	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Management and holding of patents, trademarks and designs
Silkray Limited	11 May 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Smart Riches Limited	13 January 2011	British Virgin Islands	1 share of US$1 each	100%	Investment holding
Up Castle Limited	9 July 2009	Hong Kong	1 share of HK$1 each	100%	Inactive
World Design Technology Limited	4 November 2009	British Virgin Islands	1 share of US$1 each	100%	Investment holding
World Fair International Limited	27 December 1996	Hong Kong	100,000 shares of HK$1 each	100%	Trading of electronic products
深圳市佳力興業電子科技有限公司	23 June 2006	China	RMB1,500,000	100%	Trading of machines and spare parts
WWTT Technology China	1 November 2011	China	HK$1,000,000	100%	Research and development

10 INVESTMENTS IN ASSOCIATES

	2012 HK$'000	2011 HK$'000
At 1 January	—	—
Acquisition of associates	32,592	—
Share of losses of associates	(2,127)	—
At 31 December	30,465	—

The Group's share of the results of its principal associates, and its aggregated assets (including goodwill) and liabilities, are as follows:

Name	Country of incorporation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Loss HK$'000	Principal activities	% interest held HK$'000
31 December 2012							
Advanced Radio Device Technologies, Inc	Korea	17,250	1,091	385	(913)	Research and development, manufacturing, sales and marketing of semiconductors for communication and related equipment	43
Tekmar, Inc	USA	18,478	4,172	—	(1,214)	Research and development, manufacturing and sales of carrier-grade wireless telecommunication systems and components	40
		35,728	5,263	385	(2,127)		

During the year ended 31 December 2012, the Group did not have any unrecognised share of losses of associates (2011: Nil).

There are no contingent liabilities relating to Group's interests in associates and there are no contingent liabilities of the venturers themselves.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'000
Unlisted shares	62,327	39,007
Listed shares — Japan	32,432	—
	94,759	39,007
Market value of listed shares	32,432	—

The fair value of unlisted shares is determined by the information available from recent transactions.

The fair values of listed shares are determined on the basis of their quoted market prices at the end of the reporting period.

As of 31 December 2012, the Group's available-for-sale financial assets were individually reviewed for impairment by management. There was no provision for impairment (2011: Nil) recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012. The Group does not hold any collateral over these balances.

The investment in listed shares of the Group represents investment of 22.88% equity interest in DDS, Inc. The investment is classified as available-for-sale financial assets, rather than as an investment in an associate, because the Group does not have the power to exercise any influence over the entity based on the fact that the Group does not have any representation on DDS, Inc's board of directors nor does it have a right to appoint a director.

No available-for-sale financial assets were pledged as security for bank borrowings of the Group as of 31 December 2012 (2011: Nil).

Available-for-sale financial assets are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Japanese yen	32,432	—
US dollar	62,327	39,007
	94,759	39,007

12 INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	115,529	99,994
Work in progress	23,143	20,160
Finished goods	36,026	56,142
	174,698	176,296

Cost of inventories of HK$910,860,000 (2011: HK$766,475,000) has been included in cost of sales.

13 TRADE RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	259,373	149,575
Less: Provision for impairment of receivables	(537)	(486)
Trade receivables – net	258,836	149,089

The carrying amounts of trade receivables approximate their fair values.

The Group generally grants a credit period of 30 to 90 days to its customers. For customers of automation products, a credit period ranging from 30 days to 60 days after acceptance is granted. The ageing analysis of trade receivables based on invoice date is as follows:

	2012 HK$'000	2011 HK$'000
0 to 30 days	176,950	63,964
31 to 60 days	32,743	50,182
61 to 90 days	28,629	28,480
91 to 120 days	1,697	6,368
Over 120 days	19,354	581
	259,373	149,575

As of 31 December 2012, trade receivables of HK$220,316,000 (2011: HK$128,945,000) are neither past due nor impaired. These relate to customers for whom there is no recent history of default.

13 TRADE RECEIVABLES *(continued)*

As of 31 December 2012, trade receivables of HK$38,520,000 (2011: HK$20,144,000) were past due but not impaired. No provision has been made against these balances as the directors consider the amounts being recoverable and there is no recent history of default. The ageing analysis of these debtors based on invoice date is as follows:

	2012 HK$'000	2011 HK$'000
0 to 30 days	6,171	262
31 to 60 days	6,126	4,335
61 to 90 days	17,492	9,445
91 to 120 days	1,543	6,007
Over 120 days	7,188	95
	38,520	20,144

As of 31 December 2012, trade receivables of HK$537,000 (2011: HK$486,000) were impaired and provided for. Amounts due from this customer were aged over 120 days.

Trade receivables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
US dollar	234,409	125,224
Hong Kong dollar	66	—
RMB	22,139	23,865
Others	2,222	—
	258,836	149,089

Movements on the provision for impairment of trade receivables are as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	486	—
Acquisition of a subsidiary	51	—
Provision for impairment of trade receivables	—	486
At 31 December	537	486

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral in respective of these balances.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current				
Prepayments for purchase of property, plant and equipment	6,943	54,581	—	—
Deposit for acquisition of available-for-sale financial assets	28,702	—	—	—
Others	2,983	—	—	—
	38,628	54,581	—	—
Loan receivables	19,379	—	—	—
Current				
Prepayments for purchase of inventories	20,951	292	—	—
Utility and other deposits	3,105	1,779	—	—
Value-added tax recoverable	5,625	19,442	—	—
Others	6,480	19,409	770	1,100
	36,161	40,922	770	1,100

The directors consider the balances of prepayments, deposits and other receivables are recoverable by reference to the nature of these balances and credit history of counterparties where applicable.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

In November 2012, the Group granted a loan of principal amount HK$19,400,000 to DDS, Inc, in which the Group has 22.88% equity interest and classified as available-for-sale financial assets. The loan is secured, interest-bearing at 3.8% per annum and repayable by 2014. The loan is denominated in US dollar.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
Listed shares	1,276	926

The Group's financial assets at fair value through profit or loss are denominated in Hong Kong dollar.

The fair values of listed shares are determined by using valuation techniques and current bid prices in an active market respectively. Changes in fair values of financial assets at fair value through profit or loss are recorded in other income — net in the consolidated statement of comprehensive income. Financial assets at fair value through profit or loss are presented within "investing activities" in the consolidated statement of cash flows.

The balance is denominated in Hong Kong dollar.

16 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash in hand	214	112	—	—
Cash at banks	365,081	563,270	145,830	272,012
	365,295	563,382	145,830	272,012

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
RMB	156,039	229,225	5,053	11,013
US dollar	53,086	81,738	1,964	20,476
Hong Kong dollar	147,903	252,337	138,813	240,523
Others	8,267	82	—	—
	365,295	563,382	145,830	272,012

17 SHARE CAPITAL AND PREMIUM

	Number of shares (thousands)	Nominal value of ordinary shares HK$'000	Share premium	Total HK$'000
Authorised capital — ordinary shares of HK$0.1 each				
At 1 January 2011, 31 December 2011 and 31 December 2012	3,500,000	350,000	—	350,000
Issued and fully paid:				
At 1 January 2011	2,870,000	287,000	517,267	804,267
Shares issued upon the exercise of the over-allotment option of the Global Offering (Note)	57,084	5,708	48,522	54,230
Transfer of share issuance costs to share premium	—	—	(300)	(300)
At 31 December 2011, 1 January 2012 and 31 December 2012	2,927,084	292,708	565,489	858,197

Note:

On 4 January 2011 and 11 January 2011, the Company issued 54,000,000 and 3,084,000 shares respectively, totalling 57,084,000 shares of HK$0.1 each pursuant to the exercise of the over-allotment option of the Global Offering.

18 OTHER RESERVES AND RETAINED EARNINGS

The Group:

	Other reserves								
	Merger reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Share issuance cost HK$'000	Statutory reserve (Note d) HK$'000	Available-for-sale financial assets HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 December 2011									
At 1 January 2011	(215,150)	12,411	–	23,049	–	–	(179,690)	381,747	202,057
Profit for the year	–	–	–	–	–	–	–	71,102	71,102
Professional fees in relation to the Global Offering	–	–	(300)	–	–	–	(300)	–	(300)
Transfer to share premium	–	–	300	–	–	–	300	–	300
Transfer to statutory reserve	–	–	–	7,475	–	–	7,475	(7,475)	–
Dividends	–	–	–	–	–	–	–	(14,987)	(14,987)
At 31 December 2011	(215,150)	12,411	–	30,524	–	–	(172,215)	430,387	258,172
For the year ended 31 December 2012									
At 1 January 2012	(215,150)	12,411	–	30,524	–	–	(172,215)	430,387	258,172
Loss for the year	–	–	–	–	–	–	–	(54,608)	(54,608)
Other comprehensive income:									
Fair value gain on available-for-sale financial assets	–	–	–	–	10,074	–	10,074	–	10,074
Currency translation differences	–	–	–	–	–	22	22	–	22
Total other comprehensive income	–	–	–	–	10,074	22	10,096	–	10,096
Total comprehensive income/(loss)	–	–	–	–	10,074	22	10,096	(54,608)	(44,512)
Transfer to statutory reserve	–	–	–	1,939	–	–	1,939	(1,939)	–
Dividends	–	–	–	–	–	–	–	(6,323)	(6,323)
At 31 December 2012	(215,150)	12,411	–	32,463	10,074	22	(160,180)	367,517	207,337

18 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

The Company:

	Capital reserve (Note c) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011	34,750	730	35,480
Profit for the year	—	14,276	14,276
Dividends	—	(14,987)	(14,987)
At 31 December 2011	34,750	19	34,769
At 1 January 2012	34,750	19	34,769
Profit for the year	—	8,775	8,775
Dividends	—	(6,323)	(6,323)
At 31 December 2012	34,750	2,471	37,221

(a) Merger reserve represents the difference between the share capital of the Company and the combined share capital of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the group reorganisation in 2009.

(b) Capital reserve of the Group represents the net assets attributable to non-controlling shareholders which were acquired pursuant to the Group reorganisation in 2009, and is treated as a deemed contribution from equity holders and the release of share-based compensation reserve upon the incentive shares under share incentive scheme approved and adopted by the Group in 2008.

(c) Capital reserve of the Company arising from the Group reorganisation in 2009 represents the difference between the nominal value of shares issued by the Company pursuant to the reorganisation and the aggregated net assets values of subsidiaries acquired.

(d) The China laws and regulations require companies registered in China to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. China company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

19 BANK BORROWINGS

	The Group 2012 HK$'000	The Group 2011 HK$'000	The Company 2012 HK$'000	The Company 2011 HK$'000
Non-current				
Bank loans, secured	—	13,759	—	—
Current				
Bank loans, secured	233,134	46,668	91,666	—
Trust receipts loans, secured	120,602	216,083	—	—
	353,736	262,751	91,666	—
Total bank borrowings	353,736	276,510	91,666	—

The Group's borrowings at the end of the reporting period were repayable as follows:

	The Group 2012 HK$'000	The Group 2011 HK$'000	The Company 2012 HK$'000	The Company 2011 HK$'000
Within one year	353,736	262,751	91,666	—
Between one and two years	—	13,759	—	—
	353,736	276,510	91,666	—

The effective interest rates per annum were as follows:

	2012 HK$	2012 US$	2012 Others	2011 RMB	2011 HK$	2011 US$
Bank loans	2.76%	2.00%	—	2.90%	3.29%	—
Trust receipt loans	—	2.16%	2.15%	—	1.85%	2.71%

As of 31 December 2012, the Company's effective interest rate per annum was 2.7% and was denominated in Hong Kong dollar.

Bank borrowings are secured by corporate guarantees provided by the Company and certain of its subsidiaries.

19 BANK BORROWINGS *(continued)*

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings, are determined by discounting the future cash flows at the current market interest rate available to the Group.

Certain of the Group's bank facilities are subject to covenants, whereby the Group is required to meet certain key performance indicators. The Group did not fulfil the debt service coverage ratio as required by banking facilities of approximately HK$100,000,000 (2011: Nil), in which approximately HK$91,666,000 (2011: Nil) had been utilised as of 31 December 2012. The lender has not requested early repayment of these loans upon the failure of fulfilment of such covenant clause and has granted a waiver for compliance with such covenant clause included in the terms of banking facilities for the financial year ended 31 December 2012 on 7 February 2013. However, at the end of reporting period, as the Group did have an unconditional right to defer its settlement of the relevant bank borrowing for at least twelve months after that date, such bank borrowings are reclassified as current liabilities.

Bank borrowings are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
US dollar	231,675	209,049
Hong Kong dollar	114,492	67,461
Others	7,569	—
	353,736	276,510

20 FINANCE LEASE OBLIGATIONS

Details of finance lease obligations are analysed as follows:

	2012 HK$'000	2011 HK$'000
Total minimum lease payments under finance leases:		
— not later than one year	8,803	17,859
Less: Future finance charges	(110)	(413)
Finance leases obligations	8,693	17,446
Analysis of present value of finance lease obligations:		
— not later than one year	8,693	17,446

Finance lease obligations are denominated in Hong Kong dollar.

20 FINANCE LEASE OBLIGATIONS *(continued)*

The effective interest rates per annum were as follows:

	2012	2011
Effective interest rates	2.19%	2.15%

21 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following balances, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2012 HK$'000	2011 HK$'000
Deferred income tax assets to be recovered after more than 12 months	(11,869)	(2,192)
Deferred income tax liabilities to be settled after more than 12 months	2,630	320
	(9,239)	(1,872)

The gross movements on the deferred income tax assets and liabilities are as follows:

	2012 HK$'000	2011 HK$'000
At beginning of year	(1,872)	3,672
Acquisition of a subsidiary	3,455	—
Derecognised in the consolidated statement of comprehensive income (Note 29)	(10,822)	(5,544)
At end of year	(9,239)	(1,872)

21 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the years 2012 and 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation allowance		Unrealised (profits)/ losses in inventories		Fair value gains		Tax loss		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Deferred income tax (assets)/ liabilities										
At 1 January	320	(104)	(2,192)	3,776	–	–	–	–	(1,872)	3,672
Acquisition of a subsidiary	–	–	–	–	3,455	–	–	–	3,455	–
(Credited)/charged to the consolidated statement of comprehensive income	(4)	424	(6,867)	(5,968)	(825)	–	(3,126)	–	(10,822)	(5,544)
At 31 December	316	320	(9,059)	(2,192)	2,630	–	(3,126)	–	(9,239)	(1,872)

Deferred income tax liabilities of HK$14,295,000 (2011: HK$13,302,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted retained earnings of the Group's Chinese subsidiary amounting to HK$285,891,000 (2011: HK$266,041,000). In the opinion of the directors of the Company, these retained earnings are to be reinvested.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

22 TRADE AND BILLS PAYABLES

	2012 HK$'000	2011 HK$'000
Trade payables	178,515	134,445
Bills payables	1,692	967
	180,207	135,412

The ageing analysis of trade and bills payables is as follows:

	2012 HK$'000	2011 HK$'000
0 to 30 days	152,595	78,326
31 to 60 days	21,442	39,162
61 to 90 days	2,390	14,111
91 to 120 days	7	839
Over 120 days	3,773	2,974
	180,207	135,412

The carrying amounts of trade and bills payables approximate their fair values.

22 TRADE AND BILLS PAYABLES *(continued)*

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
RMB	17,040	8,880
US dollar	149,930	114,806
Hong Kong dollar	10,351	11,726
Others	2,886	—
	180,207	135,412

23 ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Non-current				
Contingent consideration payable in relation to acquisition of a subsidiary	16,949	—	—	—
Current				
Payable for purchase of property, plant and equipment	11,781	6,956	—	—
Salary and wages payable	18,064	9,634	259	258
Accrued operating expenses	5,670	9,822	3,858	6,088
Advance receipts from customers	29,340	2,991	—	—
Provision for value-added tax and other taxes in China	14,598	19,951	—	—
Contingent consideration payable in relation to acquisition of a subsidiary	6,175	—	—	
Commission payables	3,979	—	—	—
Other accruals and other payables	12,828	11,724	770	—
	102,435	61,078	4,887	6,346

The carrying amounts of accruals and other payables approximate their fair values. As of 31 December 2012, approximately 42% (2011: 68%) of the carrying amounts of accruals and other payables are denominated in RMB, the remainings are mainly denominated in Hong Kong dollar.

24 OTHER INCOME — NET

	2012 HK$'000	2011 HK$'000
Fair value gains/(losses) on financial assets at fair value through profit or loss	350	(325)
Tax indemnity from the controlling shareholders (Note 29(b))	7,769	—
Others	1,520	838
	9,639	513

25 EXPENSES BY NATURE

	2012 HK$'000	2011 HK$'000
Employee benefit expenses (Note 26)	156,879	162,398
Cost of inventories (Note 12)	910,860	766,475
Auditor's remuneration	2,523	2,000
Depreciation of property, plant and equipment (Note 6)	66,046	57,000
Operating lease rentals — office premises, factory and warehouse	8,673	7,861
Amortisation of land use right (Note 7)	116	116
Consumables and factory supplies	1,947	5,333
Electricity, water and utilities expenses	16,909	17,315
Freight and transportation	5,423	7,216
Bank charges	3,365	4,650
Other tax levies	6,772	4,880
Research and development expenses		
— Employee benefit expenses (Note 26)	3,937	4,052
— Amortisation of intangible assets (Note 8)	24,233	16,975
Commission expenses	12,919	130
Others	38,411	24,768
Total cost of sales, distribution costs and administrative expenses	1,259,013	1,081,169

26 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Wages and salaries	157,300	170,585
Other employee benefits	10,480	10,363
Pension costs — defined contribution plans and social security costs	9,891	7,948
	177,671	188,896
Less: amount recorded in research and development expenses (Note 25)	(3,937)	(4,052)
Less: amount capitalised as intangible assets (Note 8)	(16,855)	(22,446)
	156,879	162,398

(i) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000–HK$1,250 and thereafter contributions are voluntary.

(ii) As stipulated by the rules and regulations in China, the subsidiary operating in China contributes to state-sponsored retirement plans for its employees. The employees contribute approximately 8% of their basic salaries, while the subsidiary contributes approximately 17% of the basic salaries of its employees and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Wong Kwok Fong	480	2,370	–	–	2,850
Ching Pui Yi	480	720	–	14	1,214
Tan Hui Kiat	150	541	–	–	691
Independent non-executive directors:					
Wong Chun Bong	240	–	–	–	240
Lee Kwok On, Matthew	180	–	–	–	180
Chan Wai	210	–	–	–	210
	1,740	3,631	–	14	5,385

The remuneration of every director of the Company paid/payable by the Group for the year ended 31 December 2011 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors:					
Wong Kwok Fong	480	2,270	–	–	2,750
Ching Pui Yi	480	720	–	12	1,212
Tan Hui Kiat	150	535	–	–	685
Cheung Wing Keung	75	378	–	5	458
Independent non-executive directors:					
Wong Chun Bong	240	–	–	–	240
Lee Kwok On, Matthew	180	–	–	–	180
Chan Wai	210	–	–	–	210
	1,815	3,903	–	17	5,735

27 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

(i) No directors waived or agreed to waive any emoluments during the year. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2011: Same).

(ii) The remuneration shown represented remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2011: three directors), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2011: two individuals) during the year are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, bonuses, other allowances and benefits in kind	2,948	1,553
Retirement benefit — defined contribution scheme	14	12
	2,962	1,565

The emoluments fell within the following bands:

	Number of individuals	
	2012 HK$'000	2011 HK$'000
Emolument bands		
Under HK$1,000,000	2	2
HK$1,000,001–HK$1,500,000	1	—

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2011: Same).

28 FINANCE INCOME AND COSTS

	2012 HK$'000	2011 HK$'000
Finance income:		
— Interest income on bank deposits	8,529	9,241
— Interest income on loan receivables	95	—
	8,624	9,241
Finance costs:		
— Bank loans	(5,008)	(6,614)
— Finance lease obligations	(295)	(904)
— Trust receipt loans	(3,511)	(3,920)
— Notional accretion on deferred revenue	(268)	—
— Notional accretion of interest on contingent consideration payable	(1,426)	—
	(10,508)	(11,438)
Less amounts capitalised on qualifying assets	1,906	—
	(8,602)	(11,438)
Net finance income/(costs)	22	(2,197)

29 INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current income tax		
— Hong Kong profits tax	2,425	9,255
— China enterprise income tax	3,875	8,291
— Overseas income tax	26	110
	6,326	17,656
Under/(over)-provision in prior years	8,060	(1,945)
	14,386	15,711
Deferred income tax (Note 21)	(10,822)	(5,544)
	3,564	10,167

29 INCOME TAX EXPENSE *(continued)*

(a) Provision for income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

The statutory income tax rate applicable to Heshan World Fair Electronics Technology Limited, a subsidiary, is 25% (2011: 25%). Pursuant to the relevant tax regulations in China, the subsidiary is eligible for an exemption from the China enterprise income tax for two years starting with the first profit-making year, after offsetting prior year losses, followed by a 50% reduction for three immediately subsequent years. A 5% withholding income tax is also imposed on dividends relating to profits remitted from Chinese subsidiary.

The first profit-making year (after offsetting prior year losses) of Heshan World Fair Electronics Technology Limited is the year ended 31 December 2008.

Overseas income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the country in which the Group operates.

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	2012 HK$'000	2011 HK$'000
(Loss)/profit before income tax	(51,044)	81,269
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	(3,780)	14,198
Income not subject to tax	(2,314)	(824)
Expenses not deductible for tax purposes	4,431	1,061
Tax effects of associates' results reported net of tax	351	—
Effect of tax exemption granted to a subsidiary in China	(3,184)	(2,323)
Under/(over) provision in prior years	8,060	(1,945)
Income tax expense	3,564	10,167

29 INCOME TAX EXPENSE *(continued)*

(b) Latest development of tax audit

In April 2010, the Hong Kong Inland Revenue Department ("IRD") has carried out a tax audit on the tax affairs of World Fair International Limited ("World Fair Hong Kong"), a subsidiary of the Company, for the years of assessment 2003/04 to 2008/09. During the tax audit, the IRD has issued estimated/additional profits tax assessments for the years of assessment 2003/04 to 2005/06 to World Fair Hong Kong.

In June 2012, the tax audit has been finalised and the settlement amount is HK$7,769,000 (Note 24).

The amount has been indemnified by Mr. Wong Kwok Fong and Ms. Ching Pui Yi, the controlling shareholders of the Company.

30 (LOSS)/EARNINGS PER SHARE

(a) Basic

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2012	2011
(Loss)/profit attributable to equity holders of the Company (HK$'000)	(54,608)	71,102
Weighted average number of ordinary shares in issue (thousands)	2,927,084	2,926,547
Basic (loss)/earnings per share (expressed in HK cents per share)	(1.87)	2.43

(b) Diluted

As the Company had no dilutive ordinary shares for the year (2011: Nil), diluted earnings per share for the year is not presented.

31 DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim dividend paid — Nil (2011: HK 0.512 cents) per share	—	14,987
Proposed final dividend — Nil (2011: HK 0.216 cents) per share	—	6,322
	—	21,309

32 CASH GENERATED FROM OPERATIONS

	2012 HK$'000	2011 HK$'000
(Loss)/profit before income tax	(51,044)	81,269
Adjustments for:		
— Finance income	(8,624)	(9,241)
— Finance costs	8,602	11,438
— Depreciation of property, plant and equipment (Note 6)	66,046	57,000
— Amortisation of land use right (Note 7)	116	116
— Amortisation of intangible assets (Note 8)	24,233	16,975
— Loss on disposal of property, plant and equipment and intangible assets	410	1,482
— Fair value (gains)/losses on financial assets at fair value through profit or loss (Note 24)	(350)	325
— Provision of impairment loss on trade receivables	—	486
— Write off of trade receivables	6	—
— Write-off of non-current prepayment	—	311
— Share of loss of associates	2,127	—
— Dividend income	(61)	—
Operating profit before working capital changes	41,461	160,161
Changes in working capital:		
— Inventories	14,174	17,396
— Trade receivables	(47,977)	51,357
— Prepayments, deposits and other receivables	24,847	(5,852)
— Trade and bills payables	(4,617)	(75,505)
— Accruals and other payables	10,644	(34,757)
Cash generated from operations	38,532	112,800

32 CASH GENERATED FROM OPERATIONS *(continued)*

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment and intangible assets comprise:

	2012 HK$'000	2011 HK$'000
Net book amount of property, plant and equipment (Note 6)	435	956
Net book amount of intangible assets (Note 8)	—	1,189
Loss on disposal of property, plant and equipment and intangible assets	(410)	(1,482)
Proceeds from disposal of property, plant and equipment and intangible assets	25	663

Major non-cash transaction

During the year ended 31 December 2011, the Group acquired available-for-sale financial assets of HK$39,007,000 which was settled through offsetting against the trade and other receivables from a customer.

33 OPERATING LEASE COMMITMENTS

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease expenditure expensed in the consolidated statement of comprehensive income during the year is disclosed in Note 25 to the consolidated financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases of the Group were as follows:

	2012 HK$'000	2011 HK$'000
Not later than one year	7,253	5,742
Later than one year and not later than five years	1,549	3,848
	8,802	9,590

The Company has no operating lease commitment as of 31 December 2012 (2011: Nil).

34 CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment of the Group were as follows:

	2012 HK$'000	2011 HK$'000
Not later than one year	2,972	59,270

The Company has no capital commitment as of 31 December 2012 (2011: Nil).

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Group has entered into a three-year residential premises lease agreement with Mr. Wong Kwok Fong which has taken effect since the listing of the Company on 15 December 2010, pursuant to which Heshan World Fair Electronics Technology Limited agreed to lease from Mr. Wong's residential premises in Jiangmen, China, at an annual rental of HK$1,200,000 as residences for the Group's senior management (2011: HK$1,188,000).

(b) **Key management compensation**

	2012 HK$'000	2011 HK$'000
Directors' fees	1,740	1,815
Basic salaries, housing allowances, other allowances and benefits in kind	7,426	7,426
Contributions to pension plans	40	35
	9,206	9,276

(c) During the year, Mr. Wong Kwok Fong provided certain premises to the Group's employees as staff quarters at no charge (2011: Same).

(d) Mr. Wong Kwok Fong and Ms. Ching Pui Yi (together, the "Controlling Shareholders") have agreed to fully indemnify the Group and hold the Group harmless for all costs and expenses in relation to the Group's failure to obtain the requisite licenses and permits and any demolish costs for certain properties of the Group.

36 BUSINESS COMBINATIONS

On 16 January 2012, the Group acquired 100% of the issued shares of Gallant Tech Limited. Gallant Tech Limited and its subsidiaries (the “Gallant Tech Group”) are principally engaged in equipment supply and services in the printed circuit board assembly and semiconductor packaging market in Hong Kong and China. Total consideration amounts to approximately HK$80.2 million, which includes cash payment of HK$58.8 million, amount payable of HK$0.2 million and estimated contingent consideration of approximately HK$21.2 million. The acquisition is expected to increase the Group’s production process and product quality and thus benefit the Group’s business expansion in China. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill amounted to HK$43,722,000 and is attributable to a pre-existing, well positioned business operations and distribution network in a competitive market, acquired workforce and expected synergies and cost savings through vertical acquisition.

The following table summarises the consideration paid for the acquisition of Gallant Tech Limited, and the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$’000
Purchase consideration	
— Cash paid	58,760
— Amount payable (Note)	233
— Contingent consideration	21,243
Total purchase consideration	80,236

36 BUSINESS COMBINATIONS *(continued)*

	Fair value HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	1,419
Intangible assets:	
— Backlog	405
— Customer relationship	14,497
— Non-compete agreement	427
Inventories	12,576
Trade receivables	61,776
Prepayments, deposits and other receivables (Note)	12,054
Tax recoverable	151
Amount due from former shareholder	11,690
Cash and cash equivalents	44,983
Trade and bills payables	(49,412)
Accruals and other payables	(24,492)
Bank borrowings	(43,722)
Current income tax liabilities	(2,383)
Deferred income tax liabilities	(3,455)
Total identifiable net assets	36,514
Goodwill	43,722
	80,236
Acquisition — related costs (included in administrative expenses)	1,162
Outflow of cash to acquire business, net of cash acquired:	
— Cash consideration	58,760
— Cash and cash equivalents in subsidiaries acquired	(44,983)
Cash outflow on acquisition	13,777

Note:
The Group finalised the fair values for acquisition as of 31 December 2012. During the measurement period, the Group recognised adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. There was an increment adjustment to fair value of net assets acquired, in respect of other receivables, and corresponding adjustments to purchase consideration of HK$233,000. Save as the adjustments stated aforesaid, there was no other adjustment on the provisional purchase price allocation as previously reported in the Group's interim financial information for the six months ended 30 June 2012.

36 BUSINESS COMBINATIONS *(continued)*

(a) Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owner of Gallent Tech Group up to a maximum undiscounted amount of approximately HK$27,300,000 based on the net profit of Gallent Tech Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between HK$0 and HK$27,300,000. The fair value of the contingent consideration arrangement of HK$21,243,000 was estimated by the income approach after considering the probability weighted earn-out ratio. The fair value estimates are based on a discount rate of 7% and assumed probability-adjusted net profit in Gallent Tech Group of ranging from HK$5,500,000 to HK$11,900,000 for the years ending 31 December 2012, 31 December 2013 and 31 December 2014.

As of 31 December 2012, there was an increase of HK$1,881,000 recognised in profit or loss for the contingent consideration arrangement, as a result of the accretion of interest of HK$1,426,000 at an effective interest rate and change of assumed probability-adjusted net profit of Gallant Tech Group for the year ended 31 December 2012 of HK$455,000.

(b) Fair value of identifiable intangible assets

The identifiable intangible assets which are separable from goodwill include customer relationships, order backlogs and non-compete agreements. Fair values of these identifiable intangible assets have been estimated using the Multi-period Excess Earnings Method or Discounted Cash Flow Method. Deferred income tax of HK$3,455,000 has been provided in relation to these fair value adjustments.

(c) Revenue and profit contribution

The acquired business contributed revenue of HK$368,938,000 and net profit or HK$5,298,000 to the Group for the period from 16 January 2012 to 31 December 2012. If the acquisition had occurred on 1 January 2012, the acquired business would have contributed revenue and profit for the year ended 31 December 2012 of HK$373,687,000 and HK$6,888,000, respectively.

(d) Acquired receivables

The fair value of trade and other receivables was HK$73,830,000. The gross contractual amount for trade and other receivables was HK$73,881,000, of which HK$51,000 was expected to be uncollectible.

37 SUBSEQUENT EVENTS

(a) On 27 December 2012, the Group entered into a stock purchase agreement for the acquisition of a 2.24% of the equity interest of DDS Inc. ("DDS"), a company incorporated in Japan, the shares of which are listed on the Tokyo Stock Exchange Mothers Market, at a consideration of approximately HK$2,594,000. DDS is principally engaged in the design, development, manufacture and marketing of fingerprint verification equipment, as well as entrusted development of software. The acquisition was completed in January 2013.

(b) On 12 December 2012, the Group subscribed certain shares representing 5.9% of the equity interest of Fingerprint Cards AB ("FPC"), a company incorporated in Sweden, the shares of which are listed on NASDAQ and OMX Stockholm, at a consideration of approximately HK$28,293,000. FPC is principally engaged in the development, production and marketing of products which adopt biometric technology by means of analysing and matching of an individual's unique fingerprint. The acquisition was completed in January 2013.

(c) On 5 February 2013, the Group joined as one of the purchasers in the stock purchase agreement with WaveConnex, Inc. ("WaveConnex") to purchase certain shares in the series C preferred stock in WaveConnex, a company incorporated in the United States of America, at a consideration of approximately US$1.6million (equivalent to approximately HK$12.5million). WaveConnex is principally engaged in development of wireless technology for data transfer. The acquisition was completed in February 2013.