NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is 24/F., CDW Building, 388 Castle Peak Road, Tsuen Wan, N.T., Hong Kong.

The principal activities of the Group are the manufacturing and trading of electrical and electronic products.

The functional currency of the Company is United States dollars. The presentation currency has been changed from Hong Kong Dollars to United States Dollars in 2011 so as to be consistent with the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group and the Company have applied the following revised and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets;
HKAS 19 (as revised in 2011)	Employee Benefits;
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012.

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

HKAS 19 (as revised in 2011) Employee Benefits

The Group has early adopted HKAS 19 (as revised in 2011) in advance of its effective date of January 1, 2013. The amendments to HKAS 19 change the accounting for defined benefit plans and plan assets. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 require retrospective application with certain exceptions. The comparative figures presented in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow were restated with the application of the amendments to HKAS 19. The application to the amendment to HKAS 19 has had no impact on the consolidated statement of financial position for the current and prior years.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with banks to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting to the banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash on the transfer as secured borrowings. The relevant disclosures have been made in Note 40.4 regarding the transfer of these trade receivables on application of the amendments to HKFRS 7.

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after January 1, 2013.

In the current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after January 1, 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification, to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the HKAS 19 (as revised in 2011) Employee Benefits for the first time, which has resulted in no material effect on the information in the consolidated statement of financial position as at January 1, 2011. In accordance with the amendments to HKAS 1, the Group therefore did not present a third statement of financial position as at January 1, 2011.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

The effects of changes in accounting policies described above on the results for the prior year by line items are as follows:

Summary of the effects of the above changes in accounting policies

	2011 (Originally stated) USD'000	Adjustments USD'000	2011 (Restated) USD'000
Administrative expenses	(404,995)	1,183	(403,812)
Profit for the year	150,932	1,183	152,115
Other comprehensive income for the year	5,643	(1,183)	4,460
Total comprehensive income for the year	156,575	—	156,575

The effect of the above changes in accounting policies on the consolidated statement of changes in equity of the Group as at January 1, 2012 is as follows:

	As at January 1, 2012 (Originally stated) USD'000	Adjustments USD'000	As at January 1, 2012 (Restated) USD'000
Retained profits	752,216	(13,841)	738,375
Defined benefit obligations remeasurement reserve	—	13,841	13,841
	752,216	—	752,216

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share 2011 US cents	Impact on diluted earnings per share 2011 US cents
Figures before adjustments	9.39	9.21
Adjustments arising from changes in the Group's accounting policies in relation to:		
– early application of HKAS 19 (as revised in 2011) in respect of retirement benefits	0.08	0.07
Figures after adjustments	9.47	9.28

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and revised HKFRSs issued but not yet effective

The Group have not early applied the following new and revised HKFRSs that have been issued but are not yet effective as at January 1, 2012:

Amendments to HKFRS	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments *(continued)*

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

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

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

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The directors anticipate that the application of these Standards will have no material impact on the financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss".

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group's annual period beginning on January 1, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and financial position for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

3. Significant Accounting Policies

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

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

The principal accounting policies are set out below.

Basis of Consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from January 1, 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. Significant Accounting Policies *(continued)*

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Business Combinations *(continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount of the cash generating unit is less than the carrying amount of the cash generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in Subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies *(continued)*

Interests in Associates

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

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

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

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

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

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

Where a group entity transacts with its associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in associates are included in the Company's statement of financial position at cost less any identified impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies *(continued)*

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially measured at their fair value at the acquisition date. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Significant Accounting Policies *(continued)*

Intangible Assets *(continued)*

Research and Development Expenditure *(continued)*

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Leasing

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

The Group and the Company as lessee

Assets held under finance leases are recognised as assets of the Group and the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidation statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis except where another systematic basis is more representative of the time pattern in which economic benefit from the leased assets are consumed.

Leasehold land and building

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

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

3. Significant Accounting Policies *(continued)*

Property, Plant and Equipment

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Impairment Losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or a cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or a cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies *(continued)*

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

The Group's and the Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

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

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment of financial assets below).

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

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables and trade receivables from associates, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 120 days, or observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial Liabilities and Equity

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

Equity instrument

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Financial Liabilities and Equity *(continued)*

Convertible bonds

Convertible bonds issued by the Group and the Company that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as an equity instrument. Embedded derivatives, including early redemption options, which are closely related to the liability components are not separately accounted for.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in the convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in the convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in the convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Upon early redemption of the convertible bonds, the early redemption consideration will be allocated to the liability component and equity component using the same allocation basis as when the convertible bonds were originally issued. Differences between the fair value and the carrying amount of the liability component will be recognised in profit or loss. The difference between the early redemption consideration and the fair value of the liability component will be included in equity (convertible bonds equity reserve) and released to retained profits.

Other financial liabilities

Other financial liabilities (including unsecured borrowings, trade and other payables, bills payable, trade payable to an associate, discounted bills with recourse, bank overdrafts and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Hedge accounting

The Group designates certain derivatives as hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges).

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

3. Significant Accounting Policies *(continued)*

Financial Instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Provisions

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

A provision for warranties is recognised at the time the products are sold based on the estimated cost using historical data for the level of repairs and replacements.

A provision for restructuring is recognised in the consolidated statement of financial position on condition that the Group has a detailed formal plan and has raised a valid expectation to those affected that the plan will be carried out, either by starting to implement that plan or by announcing its main features to those affected.

For a provision in relation to employee termination benefits, the liability and expenses are recognised when the Group committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

3. Significant Accounting Policies *(continued)*

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold by the Group and the Company to outside customers in the normal course of business, less returns and allowances, and commission income and royalty income received.

Turnover from sales of goods is recognised when goods are delivered and title has passed.

Commission income is recognised when services are provided.

Royalty income is recognised on a time proportion basis in accordance with the terms of the relevant agreements.

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

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Taxation

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

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

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

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

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

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

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

Foreign Currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of foreign operations before January 1, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

3. Significant Accounting Policies *(continued)*

Borrowing Costs

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

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

Equity-Settled Share-Based Payment Transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of each reporting period, the Group and the Company revise its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, such that the cumulative expenses reflecting the revised estimate, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits.

Retirement Benefit Schemes

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately as other comprehensive income in the period in which they occur. Past service cost, including the unvested benefits, is recognised immediately in profit or loss. Net interest is calculated by applying the discount rate to the net defined benefits liability or assets.

The retirement benefit obligations recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

4. Key Sources of Accounting Estimates

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key Sources of Estimation Uncertainty

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

Estimated Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. As at December 31, 2012, the carrying amount of goodwill and intangible assets with indefinite useful lives are approximately USD531,160,000 (2011: USD530,856,000) and approximately USD177,555,000 (2011: USD177,555,000) respectively. Details of the recoverable amount calculation are disclosed in Note 20.

Useful Lives and Estimated Impairment of Deferred Development Costs

As at December 31, 2012, the carrying amount of deferred development costs of the Group and the Company is USD182,571,000 (2011: USD162,332,000) and USD5,909,000 (2011: USD14,708,000) respectively. The estimation of their useful lives impacts the level of annual amortisation recorded. The estimation of their useful lives reflects the directors' best estimate of the periods that future economic benefits will be received through the use of the assets. In determining whether the deferred development costs are impaired, the management takes into consideration the anticipated revenues and estimated future cash flows from the underlying projects, and the progress of these projects. When the actual revenues and future cash flows are less than expected, a material loss may arise. Management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

Useful Lives and Impairment Assessment of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. As at December 31, 2012, the Group's and the Company's carrying amount of property, plant and equipment are USD384,154,000 (2011: USD360,082,000) and USD2,122,000 (2011: USD3,774,000) respectively. The estimation of their useful lives impacts the level of annual depreciation expense recorded. The estimated useful life that the Group and the Company place the equipment into production reflects the directors' estimate of the periods that the Group and the Company intend to derive future economic benefits from the use of the Group's and the Company's property, plant and equipment. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values are written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

4. Key Sources of Accounting Estimates *(continued)*

Income Taxes

As at December 31, 2012, a deferred tax asset of approximately USD53,704,000 (2011: USD57,095,000) in relation to unused tax losses and approximately USD25,242,000 (2011: USD11,257,000) in relation to employee related provisions has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits, or taxable temporary differences, will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of the deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. During the year, deferred tax assets of approximately USD10,109,000 (2011: USD15,850,000) in relation to unused tax losses were utilised.

Estimated Impairment of Trade and Other Receivables, Bills Receivable and Trade Receivables from Associates

When there is objective evidence of an impairment loss, the Group and the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2012, the Group's and the Company's carrying amount of trade and other receivables, bills receivable and trade receivables/amounts due from associates is USD755,337,000 (net of allowance for doubtful debts of USD13,987,000) (2011: USD728,781,000 (net of allowance for doubtful debts of USD14,680,000)) and USD24,441,000 (net of allowance for doubtful debts of nil) (2011: USD29,625,000 (net of allowance for doubtful debts of nil)).

5. Segment Information

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on the types of goods sold.

The principal categories of goods supplied are "Power Equipment" and "Floor Care and Appliances". The Group's operating segment under HKFRS 8 are as follows:

1. Power Equipment – sales of power tools, power tool accessories, outdoor products, and outdoor product accessories for consumer, trade, professional and industrial users. The products are available under the MILWAUKEE®, AEG®, RYOBI® and HOMELITE® brand, plus original equipment manufacturer ("OEM") customers.

2. Floor Care and Appliances – sales of floor care products and floor care accessories under the HOOVER®, DIRT DEVIL® and VAX® brand, plus OEM customers.

Information regarding the above segments is reported below.

5. Segment Information *(continued)*

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments for the year under review:

For the year ended December 31, 2012

	Power Equipment USD'000	Floor Care and Appliances USD'000	Eliminations USD'000	Consolidated USD'000
Segment turnover				
External sales	2,864,586	987,832	—	3,852,418
Inter-segment sales	13,977	854	(14,831)	—
Total segment turnover	2,878,563	988,686	(14,831)	3,852,418
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment results before finance costs	228,783	39,090	—	267,873
Finance costs				(45,627)
Profit before taxation				222,246
Taxation charge				(22,139)
Profit for the year				200,107

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of the share of results of associates and finance costs. This is the measure reported to the Group's executive directors, for the purposes of resource allocation and performance assessment.

The Group allocates fair value changes in warrants, interest rate swaps and foreign currency forward contracts and interest earned on bank deposits to segment results, whereas the related warrants, interest rate swaps, foreign currency forward contracts and bank balances, deposits and cash are not allocated to the segment assets.

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2012

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Assets			
Segment assets	**2,259,844**	**597,730**	**2,857,574**
Unallocated assets			
Interests in associates			**17,724**
Deferred tax assets			**73,892**
Foreign currency forward contracts			**5,706**
Tax recoverable			**8,534**
Bank balances, deposits and cash			**617,648**
Consolidated total assets			**3,581,078**
Liabilities			
Segment liabilities	**(1,008,220)**	**(311,420)**	**(1,319,640)**
Unallocated liabilities			
Tax payable			**(18,698)**
Bank overdrafts			**(7,087)**
Obligations under finance leases			**(5,225)**
Interest rate swap			**(4,667)**
Foreign currency forward contracts			**(7,030)**
Unsecured borrowings			**(646,532)**
Deferred tax liabilities			**(15,677)**
Consolidated total liabilities			**(2,024,556)**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, foreign currency forward contracts, warrants, tax recoverable and bank balances, deposits and cash; and
- all liabilities are allocated to operating segments other than tax payable, bank overdrafts, obligations under finance leases, interest rate swap, foreign currency forward contracts, unsecured borrowings (other than trust receipt loans), deferred tax liabilities and convertible bonds.

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2012

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Additions to non-current assets (Note)	**135,982**	**51,464**	**187,446**
Loss on disposal of property, plant and equipment	**(3,428)**	**(964)**	**(4,392)**
Write down of inventories	**12,354**	**2,926**	**15,280**
Impairment loss on trade receivables	**1,773**	**1,655**	**3,428**
Depreciation and amortisation	**89,971**	**39,115**	**129,086**

Note: Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

Segment turnover and results

For the year ended December 31, 2011

	Power Equipment USD'000	Floor Care and Appliances USD'000	Eliminations USD'000	Consolidated USD'000
Segment turnover				
External sales	2,662,739	1,004,319	—	3,667,058
Inter-segment sales	18,314	4,389	(22,703)	—
Total segment turnover	2,681,053	1,008,708	(22,703)	3,667,058
Inter-segment sales are charged at prevailing market rates.				
Result				
Segment results before finance costs and share of results of associates (Restated)	188,293	36,504	—	224,797
Finance costs				(63,093)
Share of results of associates				(347)
Profit before taxation (Restated)				161,357
Taxation charge				(9,242)
Profit for the year (Restated)				152,115

5. Segment Information *(continued)*

Segment assets and liabilities

As at December 31, 2011

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Assets			
Segment assets	2,175,535	619,405	2,794,940
Unallocated assets			
Interests in associates			20,165
Deferred tax assets			73,633
Foreign currency forward contracts			8,645
Warrants			222
Tax recoverable			12,361
Bank balances, deposits and cash			459,650
Consolidated total assets			3,369,616
Liabilities			
Segment liabilities	(995,537)	(324,557)	(1,320,094)
Unallocated liabilities			
Tax payable			(10,937)
Bank overdrafts			(19,972)
Obligations under finance leases			(6,485)
Interest rate swap			(4,768)
Foreign currency forward contracts			(4,234)
Unsecured borrowings			(587,024)
Deferred tax liabilities			(27,973)
Convertible bonds			(134,001)
Consolidated total liabilities			(2,115,488)

5. Segment Information *(continued)*

Other segment information

For the year ended December 31, 2011

Amounts included in the measure of segment profit or loss or segment assets:

	Power Equipment USD'000	Floor Care and Appliances USD'000	Consolidated USD'000
Additions to non-current assets (Note)	115,532	46,037	161,569
Gain (loss) on disposal of property, plant and equipment	4,991	(1)	4,990
Write-down of inventories	4,346	3,913	8,259
Impairment loss on trade receivables	1,776	1,216	2,992
Depreciation and amortisation	79,694	40,052	119,746

Note: Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

Turnover from major products

The following is an analysis of the Group's turnover from its major products:

	2012 USD'000	2011 USD'000
Power Equipment	**2,864,586**	2,662,739
Floor Care and Appliances	**987,832**	1,004,319
Total	**3,852,418**	3,667,058

5. Segment Information *(continued)*

Geographical information

The Group's turnover from external customers by geographical location, determined based on the location of the customer and information about its non-current assets by geographical location, determined based on the location of the group entity owning the assets are detailed below:

	Turnover from external customers		Non-Current Assets*	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
North America	**2,806,909**	2,648,233	**775,165**	756,744
Europe	**767,967**	763,501	**87,962**	88,267
Other countries	**277,542**	255,324	**487,387**	453,634
Total	**3,852,418**	3,667,058	**1,350,514**	1,298,645

* Non-current assets exclude financial instruments, deferred tax assets and interests in associates.

Information about major customer

During the years ended December 31, 2012 and 2011, the Group's largest customer contributed total turnover of USD1,459,450,000 (2011: USD1,384,093,000), of which USD1,425,259,000 (2011: USD1,345,788,000) was under the Power Equipment segment and USD34,191,000 (2011: USD38,305,000) was under the Floor Care and Appliances segment. There is no other customer contributing more than 10% of total turnover.

6. Turnover

Turnover represents the fair value of the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances, and commission and royalty income received during the year and is analysed as follows:

	2012 **USD'000**	2011 USD'000
Sale of goods	**3,843,411**	3,648,244
Commission and royalty income	**9,007**	18,814
	3,852,418	3,667,058

7. Other Income

Other income in 2012 mainly comprises of the gain on disposal of an associate, sales of scrap materials and claims and reimbursements from customers and vendors.

Other income in 2011 mainly comprises of the gain on disposal of property, plant and equipment, sales of scrap materials and claims and reimbursements from customers and vendors.

8. Interest Income

Interest income represents interest earned on bank deposits.

9. Finance Costs

	2012 **USD'000**	2011 USD'000
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**28,973**	27,535
Obligations under finance leases	**449**	585
Fixed interest rate notes	**10,867**	16,257
Effective interest expense on convertible bonds	**5,338**	19,059
Total borrowing costs	**45,627**	63,436
Less: amounts capitalised	**—**	(343)
	45,627	63,093

10. Taxation Charge

	2012 USD'000	2011 USD'000
Current tax:		
Hong Kong profits tax	**(440)**	(1,275)
Underprovision in prior years	**(305)**	(1,440)
	(745)	(2,715)
Overseas taxation	**(14,059)**	(14,876)
(Under) overprovision in prior years	**(13,117)**	8,753
	(27,176)	(6,123)
Deferred tax (Note 46):		
Current year	**5,782**	(404)
	(22,139)	(9,242)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the year are reconciled as follows:

	2012 USD'000	2012 %	2011 USD'000 (Restated)	2011 %
Profit before taxation	**222,246**		161,704	
Tax at Hong Kong Profits Tax rate	**(36,671)**	**16.5%**	(26,681)	16.5%
Effect of different tax rates of subsidiaries operating in other jurisdictions	**36,564**	**(16.4%)**	36,301	(22.5%)
Tax effect of expenses not deductible for tax purposes	**(5,474)**	**2.5%**	(9,529)	5.9%
Tax effect of income not taxable for tax purposes	**7,994**	**(3.6%)**	9,876	(6.1%)
Tax effect of tax losses and deductible temporary differences not recognised	**(9,781)**	**4.4%**	(27,685)	17.1%
Recognition of temporary differences previously not recognised	**—**	**0%**	983	(0.6%)
(Under) overprovision in respect of prior years	**(13,422)**	**6.0%**	7,313	(4.5%)
Others	**(1,349)**	**0.6%**	180	(0.1%)
Tax charge for the year	**(22,139)**	**10.0%**	(9,242)	5.7%

Details of deferred tax are set out in Note 46.

11. Profit for the Year

	2012 USD'000	2011 USD'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of intangible assets	**55,188**	49,084
Auditors' remuneration	**3,027**	3,369
Amortisation of lease prepayments	**783**	765
Fair value loss on held-for-trading investments	**2,308**	2,444
Fair value loss on foreign currency forward contracts	**4,481**	3,314
Fair value (gain) loss on interest rate swap	**(101)**	2,425
Fair value loss on a warrant	**222**	330
Cost of inventories recognised as an expense	**2,563,176**	2,473,407
Depreciation and amortisation on property, plant and equipment		
Owned assets	**71,474**	66,977
Assets held under finance leases	**1,641**	2,920
Impairment loss on trade receivables	**3,428**	2,992
Gain on disposal of an associate	**(1,149)**	—
Loss (gain) on disposal of property, plant and equipment	**4,392**	(4,990)
Net exchange loss	**3,360**	672
Operating lease expenses recognised in respect of:		
Premises	**26,700**	24,959
Motor vehicles	**13,589**	12,343
Plant and machinery	**4,700**	4,191
Other assets	**2,516**	3,931
Unconditional government grants	**(43)**	(252)
Write down of intangible assets	**1,502**	11
Write down of inventories	**15,280**	8,259
Staff costs		
Directors' remuneration		
Fees	**216**	176
Other emoluments	**18,558**	18,786
	18,774	18,962
Other staff costs	**433,127**	398,418
Retirement benefits scheme contributions (other than those included in the Directors' emoluments)		
Defined contribution plans	**4,733**	3,282
Defined benefit plans (Note 45)	**4,142**	5,051
	460,776	425,713

Staff costs disclosed above do not include an amount of USD77,584,000 (2011: USD67,434,000) relating to research and development activities.

12. Director's Emoluments

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

For the year ended December 31, 2012

		Other emoluments				
	Fees USD'000	Basic salaries and allowances USD'000	Contributions to retirement benefits schemes USD'000	Bonus paid USD'000	Share-based payments USD'000	Total USD'000
Mr Horst Julius Pudwill	—	1,557	2	2,941	108	4,608
Mr Joseph Galli Jr	—	1,200	2	9,298	—	10,500
Mr Kin Wah Chan	—	660	2	466	—	1,128
Mr Chi Chung Chan	—	660	2	500	—	1,162
Mr Stephan Horst Pudwill	—	316	2	245	125	688
Prof Roy Chi Ping Chung BBS JP	36	6	—	—	—	42
Mr Joel Arthur Schleicher	36	38	—	—	59	133
Mr Christopher Patrick Langley OBE	36	21	—	—	59	116
Mr Manfred Kuhlmann	36	45	—	—	54	135
Mr Peter David Sullivan	36	48	—	—	59	143
Mr Vincent Ting Kau Cheung	36	24	—	—	59	119
Total	216	4,575	10	13,450	523	18,774

12. Director's Emoluments *(continued)*

For the year ended December 31, 2011

		Other emoluments				
	Fees USD'000	Basic salaries and allowances USD'000	Contributions to retirement benefits schemes USD'000	Bonus paid USD'000	Share-based payments USD'000	Total USD'000
Mr Horst Julius Pudwill	—	1,557	2	2,051	141	3,751
Mr Joseph Galli Jr	—	1,200	2	7,900	42	9,144
Mr Kin Wah Chan	—	634	2	226	42	904
Mr Chi Chung Chan	—	633	2	235	42	912
Mr Stephan Horst Pudwill	—	296	2	88	42	428
Prof Roy Chi Ping Chung BBS JP	16	661	1	2,558 (Note)	25	3,261
Mr Vincent Ting Kau Cheung	32	22	—	—	46	100
Mr Joel Arthur Schleicher	32	38	—	—	46	116
Mr Christopher Patrick Langley OBE	32	25	—	—	46	103
Mr Manfred Kuhlmann	32	42	—	—	46	120
Mr Peter David Sullivan	32	45	—	—	46	123
Total	176	5,153	11	13,058	564	18,962

Note: Amount shown above included a retirement gratuity.

The bonuses paid were based on performance of the Group.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are included in Note 12 above. The emoluments of the remaining two (2011: two) individuals for the year ended December 31, 2012 were as follows:

	2012 USD'000	2011 USD'000
Basic salaries and allowances	**1,056**	982
Contributions to retirement benefits schemes	**80**	64
Bonus paid	**1,323**	909
Other benefit	**14**	842
Share-based payments	**11**	57
	2,484	2,854

13. Employees' Emoluments *(continued)*

The emoluments of these two (2011: two) highest paid individuals for the year ended December 31, 2012 were within the following band:

	No. of persons	
USD	**2012**	2011
1,000,001 to 1,500,000	**2**	1
1,500,001 to 2,000,000	**—**	1

During each of the two years ended December 31, 2012 and 2011, no emoluments have been paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived any emoluments during those years.

14. Dividends

	2012 USD'000	2011 USD'000
Dividends recognised as distributions during the year:		
Final dividend paid:		
2011: HK7.75 cents (approximately US1.00 cent)		
(2010: HK6.25 cents (approximately US0.80 cent)) per share	**18,185**	12,907
Interim dividend paid:		
2012: HK6.75 cents (approximately US0.87 cent)		
(2011: HK5.00 cents (approximately US0.64 cent)) per share	**15,838**	10,347
	34,023	23,254

The final dividend of HK10.75 cents (approximately US1.38 cents) per share in respect of the year ended December 31, 2012 (2011: final dividend of HK7.75 cents (approximately US1.00 cent) per share in respect of the year ended December 31, 2011) has been proposed by the directors and is subject to approval by the shareholders in the Annual General Meeting.

15. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to Owners of the Company is based on the following data:

	2012 USD'000	2011 USD'000 (Restated)
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to Owners of the Company	**200,991**	152,009
Effect of dilutive potential ordinary shares:		
Effective interest on convertible bonds	**5,128**	18,040
Earnings for the purpose of diluted earnings per share	**206,119**	170,049
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,760,169,540**	1,605,594,626
Effect of dilutive potential ordinary shares:		
Share options	**5,390,842**	3,391,650
Convertible bonds	**64,489,800**	223,557,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,830,050,182**	1,832,543,276

16. Property, Plant and Equipment

	Freehold land and buildings outside Hong Kong (Note) USD'000	Leasehold improvements USD'000	Office equipment, furniture and fixtures USD'000	Plant and machinery USD'000	Motor vehicles USD'000	Moulds and tooling USD'000	Vessels USD'000	Construction in progress USD'000	Total USD'000
The Group									
Cost									
At January 1, 2011	171,020	46,461	139,214	233,021	4,734	253,967	2,289	38,423	889,129
Currency realignment	(511)	907	16	1,325	(61)	396	9	362	2,443
Additions	—	1,630	12,279	15,709	709	16,879	—	48,235	95,441
Disposals	(28,320)	(1,394)	(10,335)	(58,088)	(797)	(70,078)	—	(508)	(169,520)
Reclassification	473	4,362	3,259	4,483	89	12,272	—	(24,938)	—
At December 31, 2011	142,662	51,966	144,433	196,450	4,674	213,436	2,298	61,574	817,493
Currency realignment	912	488	1,448	1,363	5	606	—	260	5,082
Additions	45	1,192	7,944	8,549	625	15,681	—	68,928	102,964
Disposals	(4,897)	(473)	(4,383)	(2,625)	(498)	(38,532)	—	(3,707)	(55,115)
Reclassification	8,723	11,117	5,313	4,247	162	39,265	—	(68,827)	—
At December 31, 2012	**147,445**	**64,290**	**154,755**	**207,984**	**4,968**	**230,456**	**2,298**	**58,228**	**870,424**
Depreciation									
At January 1, 2011	56,875	14,553	110,546	163,183	3,441	200,828	266	—	549,692
Currency realignment	(351)	132	(86)	(90)	(12)	(315)	1	—	(721)
Provided for the year	5,426	5,827	12,287	15,033	654	30,211	459	—	69,897
Eliminated on disposals	(22,174)	(1,351)	(9,157)	(57,999)	(708)	(70,068)	—	—	(161,457)
At December 31, 2011	39,776	19,161	113,590	120,127	3,375	160,656	726	—	457,411
Currency realignment	247	203	948	583	19	236	—	—	2,236
Provided for the year	5,815	4,022	12,109	16,006	423	34,280	460	—	73,115
Eliminated on disposals	(2,592)	(395)	(3,697)	(2,279)	(439)	(37,090)	—	—	(46,492)
At December 31, 2012	**43,246**	**22,991**	**122,950**	**134,437**	**3,378**	**158,082**	**1,186**	**—**	**486,270**
Carrying amounts									
At December 31, 2012	**104,199**	**41,299**	**31,805**	**73,547**	**1,590**	**72,374**	**1,112**	**58,228**	**384,154**
At December 31, 2011	102,886	32,805	30,843	76,323	1,299	52,780	1,572	61,574	360,082

Note: Buildings with a carrying amount of USD23,599,000 (2011: USD22,460,000) are erected on leasehold land that is presented as lease prepayments on the consolidated statement of financial position.

16. Property, Plant and Equipment *(continued)*

	Buildings outside Hong Kong USD'000	Leasehold improvements USD'000	Office equipment, furniture and fixtures USD'000	Plant and machinery USD'000	Motor vehicles USD'000	Moulds and tooling USD'000	Total USD'000
The Company							
Cost							
At January 1, 2011	3,998	3,153	12,429	6,027	647	10,644	36,898
Additions	—	—	533	—	—	—	533
Disposals	—	(245)	(342)	(1,512)	(83)	(1,050)	(3,232)
Transfer (to) from subsidiaries	—	—	(79)	(1,161)	83	(4,343)	(5,500)
At December 31, 2011	3,998	2,908	12,541	3,354	647	5,251	28,699
Additions	—	139	1,017	—	195	—	1,351
Disposals	(3,998)	(293)	(1,252)	(164)	(96)	(408)	(6,211)
At December 31, 2012	**—**	**2,754**	**12,306**	**3,190**	**746**	**4,843**	**23,839**
Depreciation							
At January 1, 2011	1,959	3,074	10,477	4,849	558	8,579	29,496
Provided for the year	152	33	946	490	89	—	1,710
Eliminated on disposals	—	(239)	(342)	(1,512)	(83)	(1,050)	(3,226)
Transfer (to) from subsidiaries	—	—	(37)	(823)	83	(2,278)	(3,055)
At December 31, 2011	2,111	2,868	11,044	3,004	647	5,251	24,925
Provided for the year	134	33	724	341	16	—	1,248
Eliminated on disposals	(2,245)	(293)	(1,250)	(164)	(96)	(408)	(4,456)
At December 31, 2012	**—**	**2,608**	**10,518**	**3,181**	**567**	**4,843**	**21,717**
Carrying amounts							
At December 31, 2012	**—**	**146**	**1,788**	**9**	**179**	**—**	**2,122**
At December 31, 2011	1,887	40	1,497	350	—	—	3,774

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, at the following rates per annum:

Freehold land	Nil
Buildings	$2\frac{1}{5}\% - 6\frac{2}{3}\%$
Leasehold improvements	$6\frac{2}{3}\% - 25\%$
Office equipment, furniture and fixtures	$10\% - 33\frac{1}{3}\%$
Plant and machinery	9% - 33%
Motor vehicles	10% - 33%
Moulds and tooling	$18\% - 33\frac{1}{3}\%$
Vessels	20%

16. Property, Plant and Equipment *(continued)*

The net book values of properties shown above comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Land and buildings are situated outside Hong Kong and are analysed as follows:				
Freehold	**80,600**	80,426	**—**	—
Medium-term lease	**23,599**	22,460	**—**	1,887
	104,199	102,886	**—**	1,887

The net book values of the Group's property, plant and equipment include amounts of approximately USD4,790,000 (2011: USD5,922,000) in respect of assets held under finance leases.

The gross carrying amount of the Group's and the Company's property, plant and equipment include amounts of approximately USD274,410,000 and USD20,269,000 (2011: USD233,721,000 and USD19,997,000) respectively in respect of fully depreciated property, plant and equipment that is still in use.

17. Lease Prepayments

	The Group
	USD'000
Cost	
At January 1, 2011	37,321
Currency realignment	1,827
At December 31, 2011	39,148
Currency realignment	530
At December 31, 2012	**39,678**
Amortisation	
At January 1, 2011	1,846
Currency realignment	105
Provided for the year	765
At December 31, 2011	2,716
Currency realignment	46
Provided for the year	783
At December 31, 2012	**3,545**
Carrying amounts	
At December 31, 2012	**36,133**
At December 31, 2011	36,432

All lease prepayments are medium-term leases outside Hong Kong.

18. Goodwill

	The Group USD'000
At January 1, 2011	529,884
Currency realignment	972
At December 31, 2011	530,856
Currency realignment	304
At December 31, 2012	**531,160**

Particulars regarding impairment testing of goodwill are disclosed in Note 20.

19. Intangible Assets

	Deferred development costs USD'000	Patents USD'000	Trademarks USD'000	Manufacturing know-how USD'000	Retailer and service relationships USD'000	Non compete agreement USD'000	Total USD'000
The Group							
Cost							
At January 1, 2011	252,913	38,927	191,997	452	6,484	—	490,773
Currency realignment	1,502	111	373	1	16	—	2,003
Additions	61,784	4,344	—	—	—	—	66,128
Written off in the year	(463)	(107)	—	—	—	—	(570)
At December 31, 2011	315,736	43,275	192,370	453	6,500	—	558,334
Currency realignment	15	(1)	1	—	—	—	15
Additions	69,631	4,214	3	—	—	10,634	84,482
Written off in the year	(4,175)	(25)	(10)	—	—	—	(4,210)
At December 31, 2012	**381,207**	**47,463**	**192,364**	**453**	**6,500**	**10,634**	**638,621**
Amortisation							
At January 1, 2011	109,036	20,035	6,846	452	973	—	137,342
Currency realignment	1,098	64	27	1	2	—	1,192
Provided for the year	43,722	3,913	1,124	—	325	—	49,084
Eliminated on write off	(452)	(107)	—	—	—	—	(559)
At December 31, 2011	153,404	23,905	7,997	453	1,300	—	187,059
Currency realignment	18	(1)	(2)	—	—	—	15
Provided for the year	47,887	4,611	1,124	—	325	1,241	55,188
Eliminated on write off	(2,673)	(25)	(10)	—	—	—	(2,708)
At December 31, 2012	**198,636**	**28,490**	**9,109**	**453**	**1,625**	**1,241**	**239,554**
Carrying amounts							
At December 31, 2012	**182,571**	**18,973**	**183,255**	**—**	**4,875**	**9,393**	**399,067**
At December 31, 2011	162,332	19,370	184,373	—	5,200	—	371,275

19. Intangible Assets *(continued)*

	Deferred development costs USD'000	Patents USD'000	Total USD'000
The Company			
Cost			
At January 1, 2011	70,808	6,700	77,508
At December 31, 2011 and December 31, 2012	**70,808**	**6,700**	**77,508**
Amortisation			
At January 1, 2011	44,624	6,696	51,320
Provided for the year	11,476	2	11,478
At December 31, 2011	56,100	6,698	62,798
Provided for the year	8,799	2	8,801
At December 31, 2012	**64,899**	**6,700**	**71,599**
Carrying amounts			
At December 31, 2012	**5,909**	**—**	**5,909**
At December 31, 2011	14,708	2	14,710

The retailer and service relationships were acquired through business combinations which related to the relationships with retailers and service centres.

Deferred development costs are internally generated.

Included in trademarks of the Group, USD177,555,000 (2011: USD177,555,000) are trademarks with an indefinite useful life, considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trademarks will not be amortised until their useful life is determined to be finite. Instead they will be tested for impairment annually or whenever there is an indication that they may be impaired. Particulars of the impairment testing are disclosed in Note 20.

The above intangible assets, other than trademarks with indefinite useful lives, are amortised on a straight-line basis, at the following rates per annum:

Deferred development costs	20% - $33^1/_3$%
Patents	10% - 25%
Trademarks with finite useful lives	$6^2/_3$% - 10%
Retailer and service relationships	5%
Non compete agreement	20%

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives

As explained in Note 5, the Group uses the types of good sold for operating segment information. For the purpose of impairment testing, goodwill and trademarks with indefinite useful lives set out in Notes 18 and 19 have been allocated to five major individual cash generating units (CGUs), including four units in the Power Equipment segment and one unit in the Floor Care and Appliances segment. The carrying amounts of goodwill and trademarks as at December 31, 2012 allocated to these units are as follows:

	Goodwill		Trademarks	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Power Equipment – MET	**402,424**	402,424	**115,907**	115,907
Power Equipment – HCP	**7,492**	7,492	**30,648**	30,648
Power Equipment – Drebo	**24,626**	24,267	**—**	—
Power Equipment – Baja	**9,017**	9,017	**3,200**	3,200
Floor Care and Appliances – RAM/Hoover/VAX	**75,748**	75,748	**27,800**	27,800
Others	**11,853**	11,908	**—**	—
	531,160	530,856	**177,555**	177,555

No goodwill and trademarks impairment have been recognised for the year ended December 31, 2012 and December 31, 2011.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Power Equipment – MET ("MET")

The recoverable amount of MET has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 11.5% (2011: 10.7%) per annum.

Cash flow projections during the budget period for MET are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on MET's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategy implemented by the Group. Cash flow projections beyond the 5-year period are extrapolated using a steady 3.0% (2011: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of MET to exceed the aggregate recoverable amount of MET.

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Power Equipment – HCP ("HCP")

The recoverable amount of HCP has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 12.0% (2011: 11.0%) per annum.

Cash flow projections during the budget period for HCP are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on HCP's past performance, management's expectation for the market development, the success in new products launched and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of HCP to exceed the aggregate recoverable amount of HCP.

Power Equipment – Drebo ("Drebo")

The recoverable amount of Drebo has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11.0% (2011: 11.0%) per annum.

Cash flow projections during the budget period for Drebo are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Drebo's past performance, management's expectation for the market development, the success in new products launched and the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Drebo to exceed the aggregate recoverable amount of Drebo.

Power Equipment – Baja ("Baja")

The recoverable amount of Baja has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 13.0% (2011: 16.0%) per annum.

Cash flow projections during the budget period for Baja are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses and working capital requirements. The assumptions and estimation are based on Baja's past performance, management's expectation for the market development and the success of the cost cutting strategy implemented. Cash flow projections beyond the 5-year period are extrapolated using a steady 2.0% (2011: 3.0%) growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Baja to exceed the aggregate recoverable amount of Baja.

20. Impairment Testing on Goodwill and Intangible Assets with Indefinite Useful Lives *(continued)*

Floor Care and Appliances – RAM/Hoover/VAX ("RAM/Hoover/VAX")

The recoverable amount of RAM/Hoover/VAX has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 15.3% (2011: 13.8%) per annum.

Cash flow projections during the budget period for RAM/Hoover/VAX are based on management's estimation of cash inflows/outflows including sales, gross margin, operating expenses, capital expenditures and working capital requirements. The assumptions and estimation are based on RAM/Hoover/VAX's past performance, management's expectation for the market development, the success in reducing the working capital requirements and the success of the cost cutting strategies implemented. Cash flow projections beyond the 5-year period are extrapolated without considering any growth rate. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of RAM/Hoover/VAX to exceed the aggregate recoverable amount of RAM/Hoover/VAX.

With the change in management of the Floor Care and Appliances CGU, VAX was aggregated to this CGU as at December 31, 2012.

21. Investments in Subsidiaries/Loans to Subsidiaries

Particulars of the principal subsidiaries of the Company as at December 31, 2012 and December 31, 2011 are set out in Note 53.

Loans to subsidiaries are unsecured, bear interest at 5.275% to 10.150% per annum (2011: 5.275% to 10.150%) and are fully repayable by 2022.

22. Interests in Associates

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Unlisted shares, at cost less impairment loss recognised	**—**	—	**—**	3,062
Share of net assets	**—**	806	**—**	—
Amounts due from associates	**17,724**	19,359	**16,436**	18,261
	17,724	20,165	**16,436**	21,323

Particulars of the associates as at December 31, 2012 and December 31, 2011 are set out in Note 54.

The amounts due from associates are unsecured, non-interest bearing and are repayable on demand.

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
	USD'000	USD'000
Total assets	**—**	20,351
Total liabilities	**—**	(17,133)
Net assets	**—**	3,218
Group's share of net assets of associates	**—**	806
Turnover	**—**	31,882
Loss for the year	**—**	(1,388)
Group's share of results of associates for the year	**—**	(347)

At the end of the reporting period, amongst the associates, the Group held 40.8% of the shares of Gimelli International (Holdings) Limited and its subsidiaries (together the "Gimelli Group companies"). The Group has discontinued recognising its share of the losses of the Gimelli Group companies. The unrecognised share of loss for the year and cumulatively, extracted from the relevant management accounts of the associates, are USD831,000 (2011: USD737,000) and USD6,405,000 (2011: USD5,574,000) respectively.

23. Available-for-sale Investments

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Unlisted equity securities and club membership debentures, at cost less impairment loss recognised	**1,270**	1,269	**218**	218

As at December 31, 2012, all available-for-sale investments represent investments in unlisted equity securities and club membership debentures. They are measured at cost less impairment at the reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. Inventories

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Raw materials	**84,315**	96,605	**—**	—
Work in progress	**12,523**	11,614	**—**	—
Finished goods	**591,738**	596,200	**573**	1,582
	688,576	704,419	**573**	1,582

25. Trade and other Receivables

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Trade receivables	**658,929**	621,326	**—**	3
Less: Allowances for doubtful debts	**(13,987)**	(14,680)	**—**	—
	644,942	606,646	**—**	3
Other receivables	**43,981**	66,811	**8,005**	11,361
	688,923	673,457	**8,005**	11,364

The aged analysis of trade receivables, net of allowances for doubtful debts, presented on the basis of the revenue recognition date, which is usually the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
0 to 60 days	**604,671**	569,695	**—**	—
61 to 120 days	**24,127**	17,145	**—**	—
121 days or above	**16,144**	19,806	**—**	3
Total trade receivables	**644,942**	606,646	**—**	3

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

Included in the Group's trade receivable balance are debtors with a carrying amount of USD16,144,000 (2011: USD19,806,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 243 days (2011: 247 days).

The Group has a policy of allowing credit periods ranging from 60 days to 120 days. Trade receivables that were past due but not provided for impairment loss are related to a number of independent customers that have a good track record with the Group. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25. Trade and other Receivables *(continued)*

Ageing of trade receivables which are past due but not impaired:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
121 - 365 days	**16,144**	19,536	**—**	3
1 - 2 years	**—**	270	**—**	—
Total	**16,144**	19,806	**—**	3

Movement in the allowance for doubtful debts:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Balance at the beginning of the year	**14,680**	15,528	**—**	—
Currency realignment	**258**	(138)	**—**	—
Impairment losses recognised on receivables	**3,428**	2,992	**—**	—
Amounts written off as uncollectible	**(3,701)**	(1,697)	**—**	—
Amounts recovered during the year	**(678)**	(2,005)	**—**	—
Balance at the end of the year	**13,987**	14,680	**—**	—

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to USD13,987,000 (2011: USD14,680,000) which have the worst credit scoring attributable under the internal credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables (by invoice date):

	2012 USD'000	2011 USD'000
0 - 120 days	**3,246**	7,877
121 - 365 days	**4,777**	2,359
1 - 2 years	**5,508**	3,925
Over 2 years	**456**	519
Total	**13,987**	14,680

Under certain receivables purchase agreements, a percentage in various pools of trade receivables were factored to banks (the "Factored Trade Receivables"). As the Group still retained the risks associated in respect of default payments, the Group continued to recognise the Factored Trade Receivables in the consolidated statement of financial position. At the end of the reporting period, proceeds from the Factored Trade Receivables of approximately USD75,000,000 (2011: USD71,800,000) were recognised as liabilities and included in "Unsecured borrowings – due within one year" in the consolidated statement of financial position.

26. Bills Receivable

All the Group's bills receivable at December 31, 2012 and 2011 are due within 120 days.

27. Amounts Due from/(to) Subsidiaries

The amounts are unsecured, interest-free and payable on demand.

28. Trade Receivables from Associates

The trade receivables from associates are aged less than 30 days and are due within 120 days.

29. Derivative Financial Instruments

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Assets				
Foreign currency forward contracts – under hedge accounting	**49**	—	**49**	—
Foreign currency forward contracts – not under hedge accounting	**5,657**	8,645	**—**	2,776
Warrants	**—**	222	**—**	222
	5,706	8,867	**49**	2,998
Liabilities				
Foreign currency forward contracts – under hedge accounting	**1,303**	—	**1,303**	—
Foreign currency forward contracts – not under hedge accounting	**5,727**	4,234	**—**	2,837
Interest rate swap	**4,667**	4,768	**4,667**	4,768
	11,697	9,002	**5,970**	7,605

Foreign Currency Forward Contracts

The fair values of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Foreign Currency Forward Contracts under hedge accounting

At the end of the reporting period, the Group had the following foreign currency forward contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency forecast sales. The terms of the foreign exchange contracts have been negotiated to match the terms of the respective designated hedged items.

Major terms of the foreign currency forward contracts under hedge accounting are as follows:

The Group and the Company

2012		
Notional amount	**Maturity**	**Exchange rates**
Sell EUR 82.5M, Buy USD	**January 31, 2013 to December 31, 2013**	**USD 1.2894 to 1.3273 : EUR 1**

29. Derivative Financial Instruments *(continued)*

Foreign Currency Forward Contracts *(continued)*

Major terms of the foreign currency forward contracts not under hedge accounting are as follows:

The Group

2012

Notional amount	**Maturity**	**Exchange rates**
Sell PLN 9M, Buy EUR	**January 24, 2013 to September 19, 2013**	**PLN 4.2247 to 4.3310 : EUR 1**
Buy USD 1.39M, Sell NZD	**January 22, 2013 to February 22, 2013**	**NZD 1.2237 to 1.2259 : USD 1**
Buy USD 19.25M, Sell AUD	**January 22, 2013 to February 22, 2013**	**USD 1.0372 to 1.0399 : AUD 1**
Buy USD 159M, Sell RMB	**January 9, 2013 to October 15, 2013**	**RMB 6.2840 to 6.4530 : USD 1**
Buy USD 72M, Sell GBP	**January 2, 2013 to December 14, 2013**	**USD 0.6171 to 0.6392 : GBP 1**
Sell EUR 31M, Buy USD	**January 15, 2013 to August 1, 2013**	**USD 1.2436 to 1.3137 : EUR 1**
Sell USD 189M, Buy RMB	**January 9, 2013 to December 31, 2013**	**RMB 6.3440 to 6.4985 : USD 1**

2011

Notional amount	Maturity	Exchange rates
Sell USD 455M, Buy RMB	January 10, 2012 to July 10, 2013	RMB 6.3128 to 6.5000 : USD 1
Sell USD 8M, Buy AUD	February 12, 2012 to March 20, 2012	USD 1.0650 to 1.0725 : AUD 1
Sell USD 0.95M, Buy NZD	January 24, 2012 to February 23, 2012	USD 0.8200 to 0.8225 : NZD 1
Sell EUR 15M, Buy USD	January 31, 2012 to December 31, 2012	USD 1.2943 : EUR 1
Buy USD 213M, Sell RMB	January 10, 2012 to December 31, 2012	RMB 6.3128 : USD 1
Buy USD 56.6M, Sell GBP	January 3, 2012 to July 5, 2012	USD 1.5499 to 1.6476 : GBP 1
Buy USD 13M, Sell AUD	January 23, 2012 to March 20, 2012	USD 1.0519 to 1.0725 : AUD 1
Buy USD 0.7M, Sell NZD	January 25, 2012 to February 23, 2012	USD 0.8200 to 0.8225 : NZD 1

The Company

2012

Notional amount	**Maturity**	**Exchange rates**
Sell EUR 82.5M, Buy USD	**January 31, 2013 to December 31, 2013**	**USD 1.2894 to 1.3273 : EUR 1**

2011

Notional amount	Maturity	Exchange rates
Sell EUR 15M, Buy USD	January 31, 2012 to December 31, 2012	USD 1.2943 : EUR 1
Buy USD 60M, Sell RMB	January 10, 2012 to May 18, 2012	RMB 6.3128 : USD 1
Sell USD 242M, Buy RMB	January 11, 2012 to July 10, 2013	RMB 6.5000 : USD 1

29. Derivative Financial Instruments *(continued)*

Interest Rate Swap (not under hedge accounting)

The fair value of the interest rate swap of the Group and the Company is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Major terms of the interest rate swap are as follows:

The Group and the Company

2012

Notional amount	Maturity	Receive floating	Pay fixed
USD 62,000,000	**December 31, 2013 to May 4, 2016**	**LIBOR**	**1.2% - 3.1%**

2011

Notional amount	Maturity	Receive floating	Pay fixed
USD 70,000,000	December 31, 2013 to May 4, 2016	LIBOR	1.2% - 3.1%

Warrants

At December 31, 2011, the Group and the Company owned 2,222,222 warrants to acquire the ordinary shares of a listed company in US. The fair value of the warrants was determined by an option pricing model. The warrants were expired and the Group and the Company did not exercise such warrants during 2012.

30. Held-for-Trading Investments

The Group's and the Company's held-for-trading investments at December 31, 2012 and 2011 are carried at fair value using the market bid prices on the closing date method.

Held for trading investments include:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Equity securities:				
– Listed in US	**5,980**	8,288	**5,980**	8,288

The Group and the Company hold approximately 20 per cent of the voting power in the equity securities of a company listed in the US but it has no significant influence over the investee. In making their assessment, the directors considered the definition of significant influence in HKAS 28 Investment in Associates and, in particular, whether the Group has the power to participate in the financial and operating policy decisions of the investee. Considering that the Group has no representative on the investee's board of directors and no right to appoint or remove a director to the board of directors, no exchange of management personnel with the investee nor any participation in the investee's policy-making process, the directors of the Company concluded that the Group and the Company have no significant influence over the investee.

31. Bank Balances, Deposits and Cash/Bank Overdrafts

Bank balances carry interest at market rates which range from 0.10% to 0.27% (2011: 0.07% to 0.18%). Bank overdrafts carry interest at market rates which range from 3.25% to 5.00% (2011: 3.25% to 5.00%).

32. Trade and other Payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
0 to 60 days	**309,719**	259,435	**—**	—
61 to 120 days	**80,517**	93,376	**—**	—
121 days or above	**1,557**	7,048	**5**	1,027
Total trade payables	**391,793**	359,859	**5**	1,027
Other payables	**318,698**	259,004	**20,961**	13,874
	710,491	618,863	**20,966**	14,901

The credit period on the purchase of goods ranges from 30 days to 120 days (2011: 30 days to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

33. Bills Payable

All the Group's bills payable at December 31, 2012 and 2011 are due within 120 days.

34. Warranty Provision

	The Group	The Company
	2012	**2012**
	USD'000	**USD'000**
At January 1, 2012	**44,748**	**245**
Currency realignment	**356**	**—**
Additional provision in the year	**87,872**	**—**
Utilisation of provision	**(90,581)**	**(245)**
At December 31, 2012	**42,395**	**—**

The warranty provision represents management's best estimate of the Group's outstanding liabilities on products sold, based on prior experience and industry averages for defective products. It is expected that the majority of this expenditure will be incurred in the next financial year.

35. Trade Payable to an Associate

The trade payable to an associate was aged of less than 120 days and was payable within one year.

36. Restructuring Provision

	2012
	USD'000
At January 1, 2012	**3,743**
Currency realignment	**(14)**
Utilisation of provision	**(3,202)**
At December 31, 2012	**527**

The provision relates to the restructuring of the Group's manufacturing facilities in Germany. The balance of the provision is expected to be utilised in 2013 and there are no significant uncertainties regarding the amounts or timing of these cash flows.

The management of the Group expects that after the completion of the restructuring plan, there will be substantial savings in the future.

37. Obligations under Finance Leases

It is the Group's policy to lease certain of its plant and machinery, fixtures and equipment and motor vehicles under finance leases, with lease terms ranging from 3 years to 20 years. Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 6.7% to 22.4% (December 31, 2011: 6.7% to 22.4%). No arrangements have been entered into for contingent rental payments.

The maturity of obligations under finance leases is as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Amounts payable under finance leases:				
Within one year	**1,518**	2,169	**1,154**	1,730
In more than one year but not more than two years	**1,301**	1,360	**1,028**	1,032
In more than two years but not more than three years	**1,199**	1,143	**1,007**	890
In more than three years but not more than four years	**785**	1,072	**663**	890
In more than four years but not more than five years	**298**	689	**202**	570
More than five years	**1,397**	1,695	**1,171**	1,373
	6,498	8,128	**5,225**	6,485
Less: future finance charges	**(1,273)**	(1,643)	**—**	—
Present value of lease obligations	**5,225**	6,485	**5,225**	6,485
Less: Amount due within one year shown under current liabilities			**(1,154)**	(1,730)
Amount due after one year			**4,071**	4,755

The Group's obligations under finance leases are secured by charges over the leased assets.

38. Discounted Bills with Recourse

Bills discounted with banks at an effective interest rate of 1.79% per annum (2011: 1.72% per annum) have maturity profiles of less than 120 days.

39. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt (which includes borrowings, discounted bills with recourse, convertible bonds and obligations under finance leases), net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Gearing ratio

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not exceeding 35% determined as the proportion of net debt to equity. The Group will continue to execute very disciplined control and management of its working capital and generate free cash inflows through the growth of the business.

The gearing ratio at the year end was as follows:

	2012 **USD'000**	2011 USD'000
Debt (i)	**1,017,527**	1,198,457
Bank balances, deposits and cash	**(617,648)**	(459,650)
Net debt	**399,879**	738,807
Equity (ii)	**1,548,877**	1,245,576
Net debt to equity ratio	**25.82%**	59.31%

(i) Debt comprises bank overdrafts, obligations under finance leases, discounted bills with recourse, unsecured borrowings and convertible bonds but excludes bank advance from factored trade receivables as detailed in Notes 25, 31, 37, 38, 41 and 42 respectively.

(ii) Equity includes all capital and reserves attributable to the owners of the Company.

In addition, based on management recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchases as well as the issue of new debt or the redemption of existing debt.

40. Financial Instruments

40.1 Categories of financial instruments

	2012 USD'000	2011 USD'000
The Group		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**5,980**	8,288
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**49**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**5,657**	8,645
Warrants	**—**	222
	5,706	8,867
Available-for-sale investments	**1,270**	1,269
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**688,923**	673,457
Bills receivable	**48,644**	35,760
Trade receivables from associates	**46**	205
Bank balances, deposits and cash	**617,648**	459,650
	1,355,261	1,169,072
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**1,303**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**5,727**	4,234
Interest rate swap	**4,667**	4,768
	11,697	9,002
Other financial liabilities		
Trade and other payables	**710,491**	618,863
Bills payable	**39,222**	42,991
Trade payable to an associate	**—**	4,037
Obligations under finance leases	**5,225**	6,485
Discounted bills with recourse	**432,633**	518,897
Unsecured borrowings	**647,582**	590,902
Bank overdrafts	**7,087**	19,972
Convertible bonds	**—**	134,001
	1,842,240	1,936,148

40. Financial Instruments *(continued)*

40.1 Categories of financial instruments *(continued)*

	2012 USD'000	2011 USD'000
The Company		
Financial assets		
Fair value through profit or loss		
Held-for-trading investments	**5,980**	8,288
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**49**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**—**	2,776
Warrants	**—**	222
	49	2,998
Available-for-sale investments	**218**	218
Loans and receivables (including cash and cash equivalents)		
Trade and other receivables	**8,005**	11,364
Bank balances, deposits and cash	**44,978**	27,032
Loans to/Amounts due from subsidiaries	**1,507,897**	1,350,204
	1,560,880	1,388,600
Financial liabilities		
Derivative financial instruments – under hedge accounting		
Foreign currency forward contracts	**1,303**	—
Derivative financial instruments – not under hedge accounting		
Foreign currency forward contracts	**—**	2,837
Interest rate swap	**4,667**	4,768
	5,970	7,605
Other financial liabilities		
Trade and other payables	**20,966**	14,901
Amounts due to subsidiaries	**513,587**	338,475
Unsecured borrowings	**371,772**	343,887
Convertible bonds	**—**	134,001
	906,325	831,264

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies

The Group's corporate treasury function provides risk management advice to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments or natural hedges to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

40.2.1 Foreign Currency Risk Management

Subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 24.5% (2011: 24.5%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 38.2% (2011: 38.5%) of purchase are denominated in the group entity's respective functional currency.

The carrying amounts of certain significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
The Group				
Foreign Currency				
EURO	**31,263**	58,877	**150,462**	139,085

	Liabilities		Assets	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
The Company				
Foreign Currency				
EURO	**2,485**	1,251	**344,295**	323,397

Note: For group entities with their functional currency as the United States dollar, monetary assets and monetary liabilities denominated in Hong Kong dollars have no material foreign currency risk exposure as the Hong Kong dollar is pegged with the United States dollar.

The Group requires its group entities to use foreign exchange forward contracts to reduce the currency exposures. The foreign exchange forward contracts must be in the same currency as the hedged item. On this basis, the Group has entered into such forward contracts in relation to the foreign currency denominated monetary liabilities amounting to USD108,826,000 (2011: Nil). It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness (see Note 29 for details).

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.1 Foreign Currency Risk Management *(continued)*

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in the EURO.

The following table details the Group's sensitivity to a 5% increase and decrease in the United States dollar against the EURO without considering the foreign currency forward contracts entered at the end of the reporting period. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and excludes the effect of any foreign currency forward contracts held at year end. A positive number below indicates an increase in pre-tax profit for the year where the United States dollar weakens 5% against the EURO.

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Impact of EURO				
Profit for the year (i)	**5,960**	4,010	**17,091**	16,017

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in EURO at the year end.

40.2.2 Interest Rate Risk Management

The Group's and the Company's cash flow interest rate risk relates primarily to variable-rate borrowing (see Note 41 for details of these borrowings), discounted bills with recourse, bank overdrafts and bank balances, deposits and cash. In relation to these floating-rate borrowings, the Group aims at keeping certain borrowings at fixed rates. In order to achieve this result, the Group may enter into interest rate swap contracts to hedge against part of its exposure to potential variability of cash flows arising from changes in floating rates (see Note 29 for details). The management continuously monitors interest rate fluctuations and will consider further hedging interest rate risk should the need arise.

The Group's and the Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's and the Company's Hong Kong dollar denominated borrowings. In relation to interest bearing bank balances and deposits, the Group considers the interest rate risk is insignificance.

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 41 for details of these borrowings). The Company's fair value interest rate risk related primarily to its loan to subsidiaries (see Note 21).

During the year, the Group obtained new bank borrowings in the amount of USD793 million (2011: USD352 million) which are either LIBOR or Hong Kong best lending rates based. The proceeds were used for refinancing of the Group's borrowings including the repayment of fixed interest rate notes of USD30,000,000 and other borrowings.

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.2 Interest Rate Risk Management *(continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year without considering the interest rate swaps entered at the end of the reporting period. A 50 basis point increase or decrease in LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2012 would decrease/increase by USD4,765,000 (2011: decrease/increase by USD4,831,000). The Company's profit for the year ended December 31, 2012 would decrease/increase by USD1,859,000 (2011: decrease/increase by USD1,719,000). This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate borrowings.

The Group's and the Company's sensitivity to interest rates has decreased and increased during the current period mainly due to the decrease and increase in variable rate debt instruments respectively.

40.2.3 Other Price Risk

The Group and the Company are exposed to price risk through its held-for-trading investments and derivative financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks of equity investments held-for-trading measured at fair value at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower the post-tax profit for the year ended December 31, 2012 of the Group and the Company would increase/decrease by USD598,000 (2011: USD829,000) and USD598,000 (2011: USD829,000) as a result of the changes in fair value of held-for-trading investments.

No sensitivity analysis has been disclosed for exposure to the price risk for the warrants held by the Group and the Company as this would not have a material impact on post-tax profit for the year ended December 31, 2012 of the Group and the Company.

40.2.4 Credit Risk Management

As at December 31, 2012, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in Note 49.

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.4 Credit risk Management *(continued)*

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in North America, where 65.7% (2011: 66.7%) of the total trade receivables as at December 31, 2012 are located.

The Group has concentration of credit risk at 23.7% (2011: 25.9%) and 36.8% (2011: 41.3%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

40.2.5 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at December 31, 2012, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately USD65 million (2011: USD73 million) and USD1,290 million (2011: USD1,161 million) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities as well as non-derivative financial assets which are included in the maturity analysis. For non-derivative financial assets, the tables have been drawn up based on the contractual maturities of the undiscounted cash flow of the financial assets unless specified separately. For non-derivative financial liabilities, the tables reflect the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that the interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the foreign currency exchange rates prevailing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Group								
2012								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	5,980	—	—	—	—	5,980	5,980
Available-for-sale investments (Note)	—	1,270	—	—	—	—	1,270	1,270
Trade and other receivables	—	322,801	315,498	50,624	—	—	688,923	688,923
Bills receivable	—	35,369	12,883	392	—	—	48,644	48,644
Trade receivables from associates	—	18	14	14	—	—	46	46
Bank balances, deposits and cash	0.10% - 0.27%	525,119	92,548	—	—	—	617,667	617,648
		890,557	420,943	51,030	—	—	1,362,530	1,362,511
Non-derivative financial liabilities								
Trade and other payables	—	(473,782)	(204,800)	(31,909)	—	—	(710,491)	(710,491)
Bills payable	—	(9,580)	(29,508)	(134)	—	—	(39,222)	(39,222)
Obligations under finance leases	6.70% - 22.40%	(127)	(253)	(1,138)	(1,301)	(3,679)	(6,498)	(5,225)
Discounted bills with recourse	1.79%	(160,018)	(162,816)	(111,598)	—	—	(434,432)	(432,633)
Variable rate borrowings	1.01% - 4.36%	(98,321)	(110,793)	(48,294)	(162,150)	(104,738)	(524,296)	(513,375)
Fixed rate borrowings	6.70% - 7.44%	—	(3,562)	(44,256)	(7,124)	(99,312)	(154,254)	(134,207)
Bank overdrafts	3.25% - 5.00%	(7,087)	—	—	—	—	(7,087)	(7,087)
Financial guarantee contracts	—	(7,114)	(2)	—	(5,575)	—	(12,691)	—
		(756,029)	(511,734)	(237,329)	(176,150)	(207,729)	(1,888,971)	(1,842,240)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Group								
2012								
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	–	(491)	(1,462)	(1,334)	(1,745)	(5,032)	(4,667)
Foreign currency forward contracts								
– RMB	–	(303)	(531)	(2,986)	–	–	(3,820)	(3,820)
– AUD	–	–	39	–	–	–	39	39
– NZD	–	–	(10)	–	–	–	(10)	(10)
		(303)	(993)	(4,448)	(1,334)	(1,745)	(8,823)	(8,458)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– EUR	–	2,312	14,621	25,841	–	–	42,774	42,774
– RMB	–	17,417	34,753	142,449	–	–	194,619	194,619
– GBP	–	7,750	11,500	52,750	–	–	72,000	72,000
– USD	–	–	29,088	78,483	–	–	107,571	107,571
		27,479	89,962	299,523	–	–	416,964	416,964
– outflow								
– EUR	–	(2,355)	(15,222)	(26,309)	–	–	(43,886)	(43,886)
– RMB	–	(17,000)	(34,000)	(138,000)	–	–	(189,000)	(189,000)
– GBP	–	(7,834)	(11,804)	(53,148)	–	–	(72,786)	(72,786)
– USD	–	–	(29,680)	(79,145)	–	–	(108,825)	(108,825)
		(27,189)	(90,706)	(296,602)	–	–	(414,497)	(414,497)
		290	(744)	2,921	–	–	2,467	2,467

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Group								
2011								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	8,288	—	—	—	—	8,288	8,288
Available-for-sale investments (Note)	—	1,269	—	—	—	—	1,269	1,269
Trade and other receivables	—	542,351	53,166	77,940	—	—	673,457	673,457
Bills receivable	—	14,892	5,423	15,445	—	—	35,760	35,760
Trade receivables from associates	—	190	—	15	—	—	205	205
Bank balances, deposits and cash	0.07% - 0.18%	453,087	6,568	—	—	—	459,655	459,650
		1,020,077	65,157	93,400	—	—	1,178,634	1,178,629
Non-derivative financial liabilities								
Trade and other payables	—	(438,766)	(155,638)	(24,459)	—	—	(618,863)	(618,863)
Bills payable	—	(4,308)	(26,358)	(12,325)	—	—	(42,991)	(42,991)
Trade payable to an associate	—	(380)	(3,263)	(394)	—	—	(4,037)	(4,037)
Obligations under finance leases	6.70% - 22.40%	(180)	(362)	(1,627)	(1,360)	(4,599)	(8,128)	(6,485)
Discounted bills with recourse	1.72%	(238,939)	(267,007)	(13,871)	—	—	(519,817)	(518,897)
Variable rate borrowings	1.03% - 3.80%	(32,180)	(1,822)	(30,465)	(143,323)	(234,186)	(441,976)	(427,315)
Fixed rate borrowings	6.70% - 7.44%	—	(31,076)	(9,769)	(47,824)	(106,443)	(195,112)	(163,587)
Bank overdrafts	3.25% - 5.00%	(19,972)	—	—	—	—	(19,972)	(19,972)
Financial guarantee contracts	—	(2,029)	(285)	(8,544)	—	—	(10,858)	—
Convertible bonds	15.57%	—	—	(156,375)	—	—	(156,375)	(134,001)
		(736,754)	(485,811)	(257,829)	(192,507)	(345,228)	(2,018,129)	(1,936,148)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Group								
2011								
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	—	(413)	(1,263)	(1,592)	(2,102)	(5,370)	(4,768)
Foreign currency forward contracts								
– RMB	—	(2,086)	(729)	20	36	—	(2,759)	(2,759)
– AUD	—	—	(293)	—	—	—	(293)	(293)
– NZD	—	—	3	—	—	—	3	3
		(2,086)	(1,432)	(1,243)	(1,556)	(2,102)	(8,419)	(7,817)
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– RMB	—	25,773	46,863	143,030	—	—	215,666	215,666
– GBP	—	17,000	20,500	19,000	—	—	56,500	56,500
– USD	—	—	4,248	17,134	—	—	21,382	21,382
		42,773	71,611	179,164	—	—	293,548	293,548
– outflow								
– RMB	—	(24,978)	(45,960)	(141,875)	—	—	(212,813)	(212,813)
– GBP	—	(16,062)	(19,414)	(18,408)	—	—	(53,884)	(53,884)
– USD	—	—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		(41,040)	(69,252)	(175,796)	—	—	(286,088)	(286,088)
		1,733	2,359	3,368	—	—	7,460	7,460

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Company								
2012								
Non-derivative financial assets								
Held-for-trading investments (Note)	–	5,980	–	–	–	–	5,980	5,980
Available-for-sale investments (Note)	–	218	–	–	–	–	218	218
Trade and other receivables	–	100	350	7,555	–	–	8,005	8,005
Bank balances, deposits and cash	0.10% - 0.27%	44,978	–	–	–	–	44,978	44,978
Loan to/Amounts due from subsidiaries (Note)	5.28% - 10.15%	4,115	8,231	998,513	49,383	1,340,310	2,400,552	1,507,897
		55,391	8,581	1,006,068	49,383	1,340,310	2,459,733	1,567,078
Non-derivative financial liabilities								
Trade and other payables	–	(2,308)	(3,644)	(15,014)	–	–	(20,966)	(20,966)
Amounts due to subsidiaries	–	–	–	(513,587)	–	–	(513,587)	(513,587)
Unsecured borrowings	1.81% - 2.76%	–	(73,078)	(45,911)	(157,876)	(103,943)	(380,808)	(371,772)
Financial guarantee contracts	–	(293,741)	(229,079)	(149,680)	–	(94,943)	(767,443)	–
		(296,049)	(305,801)	(724,192)	(157,876)	(198,886)	(1,682,804)	(906,325)
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	–	(491)	(1,462)	(1,334)	(1,745)	(5,032)	(4,667)
		–	(491)	(1,462)	(1,334)	(1,745)	(5,032)	(4,667)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2012 USD'000
The Company								
2012								
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– USD	–	–	29,088	78,483	–	–	107,571	107,571
		–	29,088	78,483	–	–	107,571	107,571
– outflow								
– USD	–	–	(29,680)	(79,145)	–	–	(108,825)	(108,825)
		–	(29,680)	(79,145)	–	–	(108,825)	(108,825)
		–	(592)	(662)	–	–	(1,254)	(1,254)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Company								
2011								
Non-derivative financial assets								
Held-for-trading investments (Note)	—	8,288	—	—	—	—	8,288	8,288
Available-for-sale investments (Note)	—	218	—	—	—	—	218	218
Trade and other receivables	—	11,245	119	—	—	—	11,364	11,364
Bank balances, deposits and cash	0.07% - 0.18%	27,032	—	—	—	—	27,032	27,032
Loan to/Amounts due from subsidiaries (note)	5.28% - 10.15%	807,658	12	33,714	47,835	911,302	1,800,521	1,350,204
		854,441	131	33,714	47,835	911,302	1,847,423	1,397,106
Non-derivative financial liabilities								
Trade and other payables	—	(6,144)	(8,757)	—	—	—	(14,901)	(14,901)
Amounts due to subsidiaries	—	—	—	(338,475)	—	—	(338,475)	(338,475)
Unsecured borrowings	1.79% - 2.50%	—	—	(56,400)	(99,607)	(198,951)	(354,958)	(343,887)
Financial guarantee contracts	—	(274,741)	(294,723)	(34,714)	(71,354)	(164,201)	(839,733)	—
Convertible bonds	15.57%	—	—	(156,375)	—	—	(156,375)	(134,001)
		(280,885)	(303,480)	(585,964)	(170,961)	(363,152)	(1,704,442)	(831,264)
Derivatives - net settlement								
Interest rate swap	0.76% - 2.63%	—	(413)	(1,263)	(1,592)	(2,102)	(5,370)	(4,768)
Foreign currency forward contracts – RMB	—	(2,087)	(477)	475	36	—	(2,053)	(2,053)
		(2,087)	(890)	(788)	(1,556)	(2,102)	(7,423)	(6,821)

40. Financial Instruments *(continued)*

40.2 Financial Risk Management Objectives and Policies *(continued)*

40.2.5 Liquidity Risk Management *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	Less than 1 month/ on demand USD'000	1-3 months USD'000	4 months- 1 year USD'000	1-2 years USD'000	2+ years USD'000	Total undiscounted cash flows USD'000	Total carrying amount at December 31, 2011 USD'000
The Company								
2011								
Derivatives - gross settlement								
Foreign currency forward contracts								
– inflow								
– USD	—	—	4,249	17,134	—	—	21,383	21,383
		—	4,249	17,134	—	—	21,383	21,383
– outflow								
– USD	—	—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		—	(3,878)	(15,513)	—	—	(19,391)	(19,391)
		—	371	1,621	—	—	1,992	1,992

Note: Maturities are based on the management's estimation of the expected realisation of these financial assets.

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

40. Financial Instruments *(continued)*

40.3 Fair Value

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

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contract;
- the fair value of the interest rate swap is measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from noted interest rate;
- the fair value of the warrants is measured using the Black-Scholes option pricing model where the main assumptions include the volatility of the share price and the life of the warrants;
- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Other than the convertible bonds, the fair value of financial assets and financial liabilities carried at amortised costs approximate to their carrying amounts.

Fair value measurements recognised in the statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments that are measured subsequent to initial recognition at fair value:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or, liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

40. Financial Instruments *(continued)*

40.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 USD'000	Level 2 USD'000	Total USD'000
The Group			
2012			
Financial assets			
Foreign currency forward contracts	**—**	**5,706**	**5,706**
Held-for-trading investments	**5,980**	**—**	**5,980**
Total	**5,980**	**5,706**	**11,686**
Financial liabilities			
Foreign currency forward contracts	**—**	**(7,030)**	**(7,030)**
Interest rate swap	**—**	**(4,667)**	**(4,667)**
Total	**—**	**(11,697)**	**(11,697)**
2011			
Financial assets			
Foreign currency forward contracts	—	8,645	8,645
Warrants	—	222	222
Held-for-trading investments	8,288	—	8,288
Total	8,288	8,867	17,155
Financial liabilities			
Foreign currency forward contracts	—	(4,234)	(4,234)
Interest rate swap	—	(4,768)	(4,768)
Total	—	(9,002)	(9,002)

40. Financial Instruments *(continued)*

40.3 Fair Value *(continued)*

Fair value measurements recognised in the statement of financial position *(continued)*

	Level 1 USD'000	Level 2 USD'000	Total USD'000
The Company			
2012			
Financial assets			
Foreign currency forward contracts	**—**	**49**	**49**
Held-for-trading investments	**5,980**	**—**	**5,980**
Total	**5,980**	**49**	**6,029**
Financial liabilities			
Foreign currency forward contracts	**—**	**(1,303)**	**(1,303)**
Interest rate swap	**—**	**(4,667)**	**(4,667)**
Total	**—**	**(5,970)**	**(5,970)**
2011			
Financial assets			
Foreign currency forward contracts	—	2,776	2,776
Warrants	—	222	222
Held-for-trading investments	8,288	—	8,288
Total	8,288	2,998	11,286
Financial liabilities			
Foreign currency forward contracts	—	(2,837)	(2,837)
Interest rate swap	—	(4,768)	(4,768)
Total	—	(7,605)	(7,605)

40. Financial Instruments *(continued)*

40.4 Transfer of financial assets

The following were the Group's financial assets as at December 31, 2012 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as discounted bills with recourse (see Note 38). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The bills receivable discounted with banks with full recourse at the year end was as follows:

	2012 **USD'000**	2011 USD'000
Carrying amount of transferred assets	**432,633**	518,897
Carrying amount of associated liabilities	**(432,633)**	(518,897)
Net position	**—**	—

41. Unsecured Borrowings

	The Group		The Company	
	2012 **USD'000**	2011 USD'000	**2012** **USD'000**	2011 USD'000
Trust receipt loans	**1,050**	3,878	**—**	—
Bank advance from factored trade receivables	**75,000**	71,800	**—**	—
Bank loans	**437,325**	351,637	**371,772**	343,887
Bank borrowings	**513,375**	427,315	**371,772**	343,887
Fixed interest rate notes (Note)	**134,207**	163,587	**—**	—
Total borrowings	**647,582**	590,902	**371,772**	343,887

41. Unsecured Borrowings *(continued)*

The borrowings of the Group and the Company are repayable as follows:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Fixed rate				
Within one year	**39,264**	29,972	**—**	—
In more than one year but not more than two years	**—**	39,022	**—**	—
In more than two years but not more than five years	**94,943**	94,593	**—**	—
Floating rate				
Within one year	**259,626**	164,053	**118,023**	80,793
In more than one year but not more than two years	**144,785**	109,131	**144,785**	108,963
In more than two years but not more than five years	**108,964**	154,131	**108,964**	154,131
	647,582	590,902	**371,772**	343,887
Less: Amount due within one year shown under current liabilities	**(298,890)**	(194,025)	**(118,023)**	(80,793)
Amount due after one year	**348,692**	396,877	**253,749**	263,094

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**6.70% to 7.44%**	6.70% to 7.44%
Variable-rate borrowings	**1.01% to 4.36%**	1.03% to 3.80%

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

	USD'000
As at December 31, 2012	**66,603**
As at December 31, 2011	3,861

Note: In 2003, the Group issued fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of USD145,000,000. The notes were issued in two fixed rate tranches, being USD120,000,000 for 10 years at 6.70% per annum and USD25,000,000 for 7 years at 6.09% per annum. The proceeds were used to refinance existing medium term debts and for general working capital purposes. During the year, the Group repaid nil (2011: USD5,625,000) of the first tranche and USD25,000,000 of the second tranche was fully repaid in 2010.

In 2005, the Group issued additional fixed interest rate notes, through its wholly-owned subsidiary in the US, for an aggregate principal amount of USD200,000,000. The notes were issued in two fixed rate tranches of USD150,000,000 for 10 years at 7.44% per annum and USD50,000,000 for 7 years at 7.17% per annum. The proceeds were used to finance the acquisition of subsidiaries. During the year, the Group repaid USD30,000,000 of the second tranche and the second tranche was then fully repaid.

The carrying amount of bank borrowings approximates their fair value as the weighted average interest rates approximate the contracted market rates.

42. Convertible Bonds

The movement of the liability component of the convertible bonds for the year is set out below:

	The Group and the Company	
	2012	2011
	USD'000	USD'000
Liability component at the beginning of the year	**134,001**	127,225
Conversion of convertible bonds	**(134,667)**	—
Effective interest expense	**5,338**	19,059
Interest payment	**(4,672)**	(12,283)
Liability component at the end of the year	**—**	134,001

The fair value of the liability component of the convertible bonds at December 31, 2011, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate at the end of the reporting period date, was approximately USD156,401,000.

In 2009, the Company issued two tranches of 5-year 8.5% coupon convertible bonds with an aggregate principal amount of USD150,000,000 ("Convertible Bonds 2014") and 55,888,500 detachable warrants ("Warrants 2012"). Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds 2014 will be redeemed at their principal amount on the maturity date at April 30, 2014.

The holders of the Convertible Bonds 2014 have the right to convert all or any portion of the Convertible Bonds 2014 into shares of the Company at an initial conversion price of HKD5.20 (to be converted to United States dollars at the fixed exchange rate of HKD7.75 = USD1.0) per share, subject to anti-dilutive adjustment, from October 30, 2010 to April 20, 2014 ("Conversion Rights"). The conversion will result in the Company issuing a fixed number of shares of the Company in settlement of a fixed amount of cash.

At the option of the Convertible Bond 2014's holders, on April 30, 2012, the holders could redeem Convertible Bond 2014 at the principal amount plus accrued interest to the date of redemption. Accordingly, the Convertible Bond 2014 is classified as current liabilities as of December 31, 2011.

The fair value of the liability component on initial recognition was estimated at the issue date using an equivalent market interest rate for a similar bond without the Conversion Rights and Warrants 2012. The residual amount was assigned as the equity component, representing the estimated fair value of the Warrants 2012 with the remaining balance is allocated to the Conversion Rights and included in shareholders' equity.

The weighted average effective interest rate of the Convertible Bonds 2014 is 15.57%.

During the year, all the Convertible Bonds 2014 were converted into 223,557,689 shares of the Company at HKD5.20 per share.

43. Share Capital

	2012 Number of shares	2011 Number of shares	2012 USD'000	2011 USD'000
Ordinary shares				
Authorised:				
Shares of HKD0.10 each	**2,400,000,000**	2,400,000,000	**30,769**	30,769
Issued and fully paid:				
At the beginning of the year	**1,601,564,252**	1,606,625,752	**20,533**	20,598
Issue of shares upon exercise of share options	**8,289,000**	455,000	**107**	6
Repurchase of shares	**(4,330,000)**	(5,516,500)	**(56)**	(71)
Conversion of convertible bonds	**223,557,689**	—	**2,877**	—
At the end of the year	**1,829,080,941**	1,601,564,252	**23,461**	20,533

Details of the share options are set out in Note 50.

During the year, the Company repurchased and cancelled its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares at HKD0.10 each	Price per share Highest HKD	Price per share Lowest HKD	Aggregate consideration paid USD'000
January 2012	200,000	8.01	7.93	205
May 2012	1,980,000	9.85	8.59	2,316
June 2012	1,150,000	9.40	8.75	1,349
December 2012	1,000,000	13.90	13.72	1,783
	4,330,000			5,653

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount equivalent to the par value of the shares cancelled of USD56,000 was transferred to the capital redemption reserve. The consideration paid on the repurchase of the shares of approximately USD5,653,000 was charged to retained profits.

44. Reserves

	Share premium USD'000	Capital redemption reserve USD'000	Convertible bonds equity reserve USD'000	Employee share-based compensation reserve USD'000	Hedging reserve USD'000	Retained profits USD'000	Total USD'000
The Company							
At January 1, 2011	459,866	56	8,833	7,451	—	341,744	817,950
Profit for the year and other comprehensive income	—	—	—	—	—	187,602	187,602
Shares issued at premium on exercise of options	506	—	—	(91)	—	—	415
Repurchase of shares	—	71	—	—	—	(3,817)	(3,746)
Recognition of equity settled share-based payments	—	—	—	1,053	—	—	1,053
Lapse of share options	—	—	—	(1,805)	—	1,805	—
Final dividend - 2010	—	—	—	—	—	(12,907)	(12,907)
Interim dividend - 2011	—	—	—	—	—	(10,347)	(10,347)
At December 31, 2011	460,372	127	8,833	6,608	—	504,080	980,020
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(17,142)**	**(17,142)**
Fair value loss on foreign currency forward contracts in hedge accounting	**—**	**—**	**—**	**—**	**(1,254)**	**—**	**(1,254)**
Other comprehensive loss for the year	**—**	**—**	**—**	**—**	**(1,254)**	**—**	**(1,254)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(1,254)**	**(17,142)**	**(18,396)**
Shares issued at premium on exercise of options	**9,388**	**—**	**—**	**(1,772)**	**—**	**—**	**7,616**
Repurchase of shares	**—**	**56**	**—**	**—**	**—**	**(5,653)**	**(5,597)**
Recognition of equity settled share-based payments	**—**	**—**	**—**	**578**	**—**	**—**	**578**
Lapse of share options	**—**	**—**	**—**	**(2,201)**	**—**	**2,201**	**—**
Conversion of convertible bonds	**143,330**	**—**	**(8,833)**	**—**	**—**	**—**	**134,497**
Final dividend - 2011	**—**	**—**	**—**	**—**	**—**	**(18,185)**	**(18,185)**
Interim dividend - 2012	**—**	**—**	**—**	**—**	**—**	**(15,838)**	**(15,838)**
At December 31, 2012	**613,090**	**183**	**—**	**3,213**	**(1,254)**	**449,463**	**1,064,695**

As at December 31, 2012, the Company's reserves available for distribution to shareholders comprised the retained profits of USD449,463,000 (2011: USD504,080,000).

45. Retirement Benefit Obligations

Defined Contribution Plans:

The Company and its subsidiaries operating in Hong Kong have participated in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance since December 2000. The assets of the MPF Schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll cost to the MPF Schemes with maximum amount of HKD13,750 (2011: HKD12,000) per employee per annum, which contribution is matched by the employee.

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

The Group's overseas subsidiaries operate a number of defined contribution schemes. Contributions to the defined contribution schemes applicable to each year are made at a certain percentage of the employees' payroll.

Defined Benefits Plans:

The Group operates several defined benefit plans for qualifying employees of its subsidiaries in Germany and the US, of which these plans cover substantially all remaining employees that are not covered by defined contribution plans. The major defined benefit plans are as follows:

	2012 **USD'000**	2011 USD'000
Pension plan obligations (Note i)	**82,588**	72,989
Post-retirement medical and dental plan obligations (Note ii)	**602**	840
Life and medical insurance plan (Note ii)	**1,861**	1,940
Post-employment benefit plan obligations (Note iii)	**7,862**	6,648
Others	**409**	520
	93,322	82,937

Note i: Pension plan obligations
The pension plan obligations are provided in the German operations and includes a plan that pays retirement benefits on service and final pay. In general, the benefit plans were closed to new members at the end of 1995. Under the plan, the employees are entitled to retirement benefits varying between 10 and 20 per cent of final salary (based on the average of the last three years) on attainment of a retirement age of 65. The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on October 26, 2012, by BDO Deutsche Warentreuhand Aktiengesellschaft, Germany.

Note ii: Post-retirement medical and dental plan obligations/ Life and medical insurance plan
Milwaukee Electric Tool Corporation, a subsidiary of the Group in the US, operates unfunded post-retirement, medical benefits, dental and life insurance plans. The most recent actuarial valuations of the present value of the obligations were carried out on January 18, 2013 by Willis North America, Inc.

Note iii: Post-employment plan obligations
The pension plan obligations are provided by Hoover Inc. for members of IBEW (International Brotherhood of Electrical Workers) Local 1985 employed by Hoover. The most recent actuarial valuation of the present value of the obligations were carried out on January 15, 2013 by CBIZ Benefits & Insurance Services.

45. Retirement Benefit Obligations *(continued)*

The main actuarial assumptions used were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Discount rate	**3.70%**	4.90%	**0.75%**	1.75%	**2.75%**	3.75%	**3.70%**	4.04%
Expected rate of salary increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**4.04%**	0.00%
Future pension increases	**2.00%**	2.00%	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
Medical cost trend rates	**N/A**	N/A	**5.00%**	5.00%	**5.00%**	5.00%	**N/A**	N/A

The effect of an increase of one percentage point in the assumed medical cost trend rate on the aggregate of the current service cost and interest cost; and the accumulated post-employment benefit obligations are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000
Current service cost and interest cost	**N/A**	N/A	**—**	—	**4**	5	**N/A**	N/A
Accumulated post-employment benefit obligations for medical costs	**N/A**	N/A	**10**	15	**128**	132	**N/A**	N/A

Amounts recognised in profit or loss in respect of the plans are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)
Current service cost	**258**	380	**—**	—	**—**	—	**—**	—
Net interest on defined benefit liabilities	**3,534**	4,009	**12**	58	**69**	52	**269**	552
	3,792	4,389	**12**	58	**69**	52	**269**	552

The charge for the year has been included in staff costs.

45. Retirement Benefit Obligations *(continued)*

Amount recognised in other comprehensive income in respect of the plans are as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)	**2012 USD'000**	2011 USD'000 (Restated)
Actuarial loss (gain)	**9,024**	94	**(240)**	(480)	**(100)**	(100)	**945**	1,669

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of the major plans is as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000
Present value of funded obligations	**—**	—	**—**	—	**—**	—	**13,700**	14,049
Fair value of plan assets	**—**	—	**—**	—	**—**	—	**(5,838)**	(7,401)
	—	—	**—**	—	**—**	—	**7,862**	6,648
Present value of unfunded obligations	**82,588**	72,989	**602**	840	**1,861**	1,940	**—**	—
	82,588	72,989	**602**	840	**1,861**	1,940	**7,862**	6,648

Movements in the present value of the defined benefit obligations in the current year in respect of major plans were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000
At January 1	**72,989**	75,353	**840**	1,686	**1,940**	2,150	**14,049**	13,214
Exchange differences	**1,286**	(2,214)	**—**	—	**—**	—	**—**	—
Current service cost	**258**	380	**—**	—	**—**	—	**—**	—
Actuarial loss (gain)	**9,024**	94	**(240)**	(480)	**(100)**	(100)	**669**	1,581
Interest cost	**3,534**	4,009	**12**	58	**69**	52	**541**	636
Benefit paid	**(4,503)**	(4,633)	**(10)**	(424)	**(48)**	(162)	**(1,559)**	(1,382)
At December 31	**82,588**	72,989	**602**	840	**1,861**	1,940	**13,700**	14,049

45. Retirement Benefit Obligations *(continued)*

Movements in the fair value of the plan assets in the current year in respect of certain major plans were as follows:

	Pension plan		Post-retirement medical and dental plan		Life & medical insurance plan		Post-employment benefit plan	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000	**2012 USD'000**	2011 USD'000
At January 1	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**7,401**	2,316
Exchange differences	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	—
Expected return on plan assets	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**272**	84
Actuarial loss	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(276)**	(88)
Contribution from employer	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**—**	6,506
Benefit paid	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**(1,559)**	(1,417)
At December 31	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A	**5,838**	7,401

The plan assets of the post-employment benefit plan are cash in a Federated Money Market Fund with an expected return of 4.04% (2011: 0%).

The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The Group expects to make a contribution of USD2,000,000 (2011: Nil) to the defined benefit plans during the next financial year.

46. Deferred Tax Assets (Liabilities)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation USD'000	Warranty provision USD'000	Convertible bonds equity reserve USD'000	Employee related provision USD'000	Tax losses USD'000	Inventory provision and LIFO USD'000	Others USD'000	Total USD'000
The Group								
At January 1, 2011	(9,840)	3,324	(3,936)	12,733	64,012	(1,364)	(19,344)	45,585
Currency realignment	(23)	(2)	—	29	(134)	3	606	479
Credit (charge) to profit or loss	3,053	(282)	1,019	(1,505)	(6,783)	(35)	4,129	(404)
At December 31, 2011	**(6,810)**	**3,040**	**(2,917)**	**11,257**	**57,095**	**(1,396)**	**(14,609)**	**45,660**
Currency realignment	**45**	**42**	**—**	**28**	**445**	**8**	**536**	**1,104**
Credit (charge) to profit or loss	**5,162**	**295**	**210**	**10,995**	**(3,836)**	**2,836**	**(9,880)**	**5,782**
Credit to equity	**—**	**—**	**2,707**	**2,962**	**—**	**—**	**—**	**5,669**
At December 31, 2012	**(1,603)**	**3,377**	**—**	**25,242**	**53,704**	**1,448**	**(23,953)**	**58,215**

	Tax loss USD'000	Accelerated tax depreciation USD'000	Convertible bonds equity reserve USD'000	Total USD'000
The Company				
At January 1, 2011	2,013	(871)	(3,936)	(2,794)
Credit to profit or loss	754	397	1,019	2,170
At December 31, 2011	**2,767**	**(474)**	**(2,917)**	**(624)**
(Charge) credit to profit or loss	**(2,589)**	**296**	**210**	**(2,083)**
Credit to equity	**—**	**—**	**2,707**	**2,707**
At December 31, 2012	**178**	**(178)**	**—**	**—**

Note: Included in Others are the deferred tax impact of the restructuring provision, intellectual properties and other temporary differences.

46. Deferred Tax Assets (Liabilities) *(continued)*

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

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Deferred tax assets	**73,892**	73,633	**—**	—
Deferred tax liabilities	**(15,677)**	(27,973)	**—**	(624)
	58,215	45,660	**—**	(624)

At the end of the reporting period, the Group has unused tax losses of USD510 million (2011: USD460 million) available for the offset against future taxable profits that carry forward for at least fifteen years. No deferred tax asset has been recognised in respect of tax losses of USD234 million (2011: USD251 million) due to the lack of probable future taxable profits.

47. Major Non-Cash Transactions

During the year ended December 31, 2012, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of USD536,000 (2011: USD870,000).

48. Lease Commitments

At the end of the reporting period, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Within one year	**29,662**	29,734	**707**	704
In the second to fifth year inclusive	**62,398**	61,922	**—**	—
After five years	**28,707**	25,582	**—**	—
	120,767	117,238	**707**	704

Operating lease payments represent rentals payable by the Group and the Company for certain of its plant and machinery, motor vehicles, office properties and other assets. Leases are negotiated for a term ranging from 1 year to 10 years.

49. Contingent Liabilities

	The Group		The Company	
	2012	2011	**2012**	2011
	USD'000	USD'000	**USD'000**	USD'000
Guarantees given to banks in respect of credit facilities utilised by associates	**12,691**	10,858	**12,691**	10,858

In addition, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries as at December 31, 2012 amounted to USD754,752,000 (2011: USD828,876,000).

50. Share Options

Scheme adopted on March 28, 2002 ("Scheme C") and terminated on March 27, 2007

Scheme C was adopted pursuant to a resolution passed on March 28, 2002 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme expired on March 27, 2007. Under Scheme C, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors); or

(iii) suppliers or customers; or

(iv) any person or entity that provides research, development or other technological support; or

(v) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the fifth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme C is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme C. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

50. Share Options *(continued)*

Scheme adopted on May 29, 2007 ("Scheme D")

Following the termination of Scheme C, a new share option scheme was adopted pursuant to a resolution passed on May 29, 2007 for recognition of the contribution to the development and growth of the Group by the eligible persons. This scheme will expire on May 28, 2017. Under Scheme D, the Board of Directors of the Company may grant share options to the following eligible persons (and their wholly owned companies) of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

(i) employees; or

(ii) Non-executive Directors (including Independent Non-executive Directors or officers); or

(iii) secondees; or

(iv) business partners, agents, consultants; or

(v) suppliers or customers; or

(vi) any person or entity that provides research, development or other technological support; or

(vii) shareholders.

Share options granted must be taken up within 21 days of the date of grant, upon payment of HKD1 in cash by way of consideration for the grant thereof. Share options may be exercised at any time, subject to vesting conditions from the date of grant to the tenth anniversary thereof. The subscription price is set at the highest of: the closing price of the shares on the date of offer of the share option; or the average closing price of shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; or the nominal value of shares on the date of offer.

The maximum number of shares in respect of which share options may be granted under Scheme D is not permitted to exceed 30% of the issued share capital of the Company from time to time or 10% of shares in issue as at the adoption date of Scheme D. No person shall be granted an option which exceeds 1% of the shares in issue as at the date of offer in any 12-month period up to the date thereof.

50. Share Options *(continued)*

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

2012 Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HKD	Exercise period
Directors									
Mr Horst Julius Pudwill	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 – 15.11.2019
	26.11.2010	D	600,000	—	—	—	600,000	8.310	26.11.2010 – 25.11.2020
	21.5.2012	D	—	570,000	—	—	570,000	8.742	21.5.2012 – 20.5.2022
Mr Joseph Galli Jr	6.3.2007	C	1,000,000	—	—	(1,000,000)	—	10.572	6.3.2007 – 5.3.2012
	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Kin Wah Chan	16.11.2009	D	1,000,000	—	—	—	1,000,000	6.770	16.11.2009 – 15.11.2019
Mr Chi Chung Chan	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 – 15.11.2019
Mr Stephan Horst Pudwill	16.11.2009	D	1,000,000	—	(1,000,000)	—	—	6.770	16.11.2009 – 15.11.2019
	21.5.2012	D	—	1,000,000	—	—	1,000,000	8.742	21.5.2012 – 20.5.2022
Prof Roy Chi Ping Chung BBS JP	16.11.2009	D	600,000	—	—	—	600,000	6.770	16.11.2009 – 15.11.2019
Mr Joel Arthur Schleicher	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Christopher Patrick Langley OBE	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Manfred Kuhlmann	16.11.2009	D	400,000	—	(400,000)	—	—	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	(100,000)	—	100,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Peter David Sullivan	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Mr Vincent Ting Kau Cheung	16.11.2009	D	400,000	—	—	—	400,000	6.770	16.11.2009 – 15.11.2019
	23.5.2011	D	200,000	—	—	—	200,000	9.872	23.5.2011 – 22.5.2021
	21.5.2012	D	—	250,000	—	—	250,000	8.742	21.5.2012 – 20.5.2022
Total for directors			**9,800,000**	**2,820,000**	**(2,900,000)**	**(1,000,000)**	**8,720,000**		

50. Share Options *(continued)*

The following table discloses movements in the Company's share options during the year: *(continued)*

Share option holders	Date of share options granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of the year	Subscription price HKD	Exercise period
Employees	1.1.2007	C	150,000	—	—	(150,000)	—	10.080	1.1.2007 – 31.12.2011
	6.3.2007	C	4,325,000	—	—	(4,325,000)	—	10.572	6.3.2007 – 5.3.2012
	20.7.2007	D	200,000	—	(200,000)	—	—	10.060	20.7.2007 – 19.7.2017
	24.8.2007	D	2,060,000	—	(880,000)	—	1,180,000	8.390	24.8.2007 – 23.8.2017
	16.10.2007	D	75,000	—	—	—	75,000	8.810	16.10.2007 – 15.10.2017
	7.11.2007	D	40,000	—	—	—	40,000	8.088	7.11.2007 – 6.11.2017
	23.11.2007	D	500,000	—	(500,000)	—	—	7.578	23.11.2007 – 22.11.2017
	14.1.2008	D	970,000	—	(265,000)	(100,000)	605,000	7.566	14.1.2008 – 13.1.2018
	17.4.2008	D	1,575,000	—	(425,000)	(375,000)	775,000	7.780	17.4.2008 – 16.4.2018
	14.5.2008	D	40,000	—	—	—	40,000	7.500	14.5.2008 – 13.5.2018
	30.5.2008	D	490,000	—	(24,000)	(40,000)	426,000	7.546	30.5.2008 – 29.5.2018
	1.9.2008	D	150,000	—	(150,000)	—	—	7.450	1.9.2008 – 31.8.2018
	11.9.2008	D	50,000	—	—	—	50,000	7.430	11.9.2008 – 10.9.2018
	2.10.2008	D	75,000	—	(75,000)	—	—	7.068	2.10.2008 – 1.10.2018
	1.12.2008	D	100,000	—	—	—	100,000	2.340	1.12.2008 – 30.11.2018
	16.11.2009	D	7,080,000	—	(2,245,000)	(1,265,000)	3,570,000	6.770	16.11.2009 – 15.11.2019
	7.12.2009	D	100,000	—	—	—	100,000	6.790	7.12.2009 – 6.12.2019
	21.12.2009	D	225,000	—	(75,000)	(100,000)	50,000	6.350	21.12.2009 – 20.12.2019
	28.12.2009	D	30,000	—	—	—	30,000	6.390	28.12.2009 – 27.12.2019
	13.9.2010	D	1,050,000	—	(550,000)	—	500,000	7.390	13.9.2010 – 12.9.2020
	17.1.2011	D	20,000	—	—	—	20,000	10.436	17.1.2011 – 16.1.2021
	16.12.2011	D	100,000	—	—	(100,000)	—	7.530	16.12.2011 – 15.12.2021
Total for employees			**19,405,000**	**—**	**(5,389,000)**	**(6,455,000)**	**7,561,000**		
Total for all categories			**29,205,000**	**2,820,000**	**(8,289,000)**	**(7,455,000)**	**16,281,000**		

50. Share Options *(continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Option type	Outstanding at January 1, 2012	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2012
Scheme C	**5,475,000**	**—**	**—**	**(5,475,000)**	**—**
Scheme D	**23,730,000**	**2,820,000**	**(8,289,000)**	**(1,980,000)**	**16,281,000**
	29,205,000	**2,820,000**	**(8,289,000)**	**(7,455,000)**	**16,281,000**
Exercisable at the end of the year					**12,951,000**

Option type	Outstanding at January 1, 2011	Granted during the year	Exercised during the year	Lapsed or cancelled during the year	Outstanding at December 31, 2011
Scheme C	9,734,000	—	—	(4,259,000)	5,475,000
Scheme D	23,515,000	1,120,000	(455,000)	(450,000)	23,730,000
	33,249,000	1,120,000	(455,000)	(4,709,000)	29,205,000
Exercisable at the end of the year					27,060,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2012	**9,800,000**	**2,820,000**	**(2,900,000)**	**(1,000,000)**	**8,720,000**

	Outstanding at January 1	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at December 31
2011	10,300,000	1,000,000	—	(1,500,000)	9,800,000

50. Share Options *(continued)*

The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Date of grant	Exercise price HKD	Expected life of share options	Expected volatility based on historical volatility of share prices	Hong Kong Exchange Fund Notes rate	Expected annual dividend yield
For the year ended December 31, 2012					
21.5.2012	**8.742**	**3 years**	**41%**	**0.298%**	**1.5%**
For the year ended December 31, 2011					
17.1.2011	10.436	3 years	41%	0.926%	1.5%
23.5.2011	9.872	3 years	41%	0.829%	1.5%
16.12.2011	7.530	3 years	41%	0.523%	1.5%

The share options are vested in parts over 3 years from the date of grant.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

The weighted average closing prices of shares immediately before the options grant date during 2012 and 2011 were HKD8.65 and HKD9.70 respectively.

The closing price of the Company's shares immediately before date of grant was HKD8.65 in 2012 and ranged from HKD7.30 to HKD10.04 in 2011.

The weighted average closing prices of the Company's shares immediately before various dates during 2012 and 2011 on which the share options were exercised were HKD14.12 and HKD10.10 respectively.

The Group recognised a total expense of USD578,000 for the year ended December 31, 2012 (2011: USD1,053,000) in relation to share options granted by the Company.

The fair values of the share options granted in 2012 and 2011 measured at date of grant was HKD2.11 and ranged from HKD1.92 to HKD2.58 per option respectively. The weighted average fair value of the share options granted in 2011 was HKD2.40 per option.

The Company had 16,281,000 share options outstanding, which represented approximately 0.89% of the issued share capital of the Company as at December 31, 2012. No option was cancelled during the year.

51. Capital Commitments

	The Group		The Company	
	2012 USD'000	2011 USD'000	**2012 USD'000**	2011 USD'000
Capital expenditure in respect of the purchase of property, plant and equipment and a licence:				
Contracted for but not provided	**16,669**	15,484	**79**	273
Authorised but not contracted for	**1,297**	287	**—**	—

52. Related Party Transactions

During the year, the Group entered into the following transactions with its associates:

	2012 USD'000	2011 USD'000
Sales income	**19**	14
Equipment charge income	**115**	138
Purchases	**—**	24,814

The remuneration of directors and other members of key management during the year was as follows:

	2012 USD'000	2011 USD'000
Short-term benefits	**29,424**	29,648
Post-employment benefits	**190**	170
Share-based payments	**575**	823
	30,189	30,641

Details of the balances and transactions with related parties are set out in the statements of financial position and Notes 21, 22, 27, 28, 35 and 49.

53. Particulars of Principal Subsidiaries

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
A&M Industries S.à.r.l.	Luxembourg	EUR 537,900	—	100	Investment holding
AC (Macao Commercial Offshore) Limited	Macau	MOP 780,000	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries GmbH (formerly known as AEG Electric Tools GmbH)	Germany `	EUR 20,452,500	—	100	Trading and manufacture of power equipment products
Baja, Inc.	US	USD 17.36	—	100	Trading of outdoor power equipment products
DreBo Werkzeugfabrik GmbH *	Germany	EUR 1,000,000	—	100	Trading and manufacture of power equipment products
Homelite Consumer Products, Inc.	US	USD 10	—	100	Trading of outdoor power equipment products
Hoover Inc.	US	USD 1	—	100	Trading and manufacture of floor care products
MacEwen Property Co., Inc.	US	USD 100	100	—	Property holding
Marco Polo Industries & Merchandising Company Limited	Hong Kong	HKD 100,000	100	—	Trading of household electronic and electrical products
Milwaukee Electric Tool Corporation	US	USD 50,000,000	—	100	Trading and manufacture of power equipment products
One World Technologies, Inc.	US	USD 10	—	100	Trading of power equipment products
OWT France S.A.S.	France	EUR 1,750,000	—	100	Investment holding
OWT Industries, Inc.	US	USD 10	—	100	Manufacture of electric components and power equipment products
Royal Appliance International GmbH	Germany	EUR 2,050,000	100	—	Trading of floor care products

53. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Proportion of nominal value of issued capital held by the Company Indirectly %	Principal activities
Royal Appliance Mfg. Co.	US	USD 1	—	100	Trading and manufacture of floor care products
Sang Tech Industries Limited	Hong Kong	HKD 1,000,000	100	—	Manufacture of plastic parts
Santo Industries Limited	Hong Kong	HKD 2,000,000	100	—	Manufacture of metallic parts
Solar Wide Industrial Limited	Hong Kong	HKD 2,000,000	75.725	—	Manufacture of electronic products
Techtronic Floor Care Technology Limited	BVI	USD 1	100	—	Investment and intellectual properties holding
Techtronic Industries (Dongguan) Co. Ltd.#	PRC	USD 47,000,000	—	100	Manufacture of power equipment, floor care and outdoor power equipment products
Techtronic Industries (Taiwan) Co. Ltd.	Taiwan	NTD 5,000,000	100	—	Provision of inspection services
Techtronic Industries (UK) Ltd	United Kingdom	GBP 4,000,000	—	100	Trading of power equipment products
Techtronic Industries Australia Pty. Limited	Australia	AUD 19,400,000	—	100	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries Central Europe GmbH*	Germany	EUR 25,600	—	100	Trading of power equipment products
Techtronic Industries ELC GmbH*	Germany	EUR 25,000	—	100	Trading of power equipment products and outdoor power equipment products
Techtronic Industries France SAS	France	EUR 14,919,832	—	100	Trading of power equipment products
Techtronic Industries Germany Holding GmbH	Germany	EUR 25,000	—	100	Investment holding
Techtronic Industries Mexico, S.A. de C.V.	Mexico	MXN 50,000 (Serie I) MXN 722,095 (Serie II)	—	100	Trading of power equipment, floor care and outdoor power equipment products

53. Particulars of Principal Subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly %	Indirectly %	Principal activities
Techtronic Industries N.Z. Limited	New Zealand	NZD 1,165,500	100	—	Trading of power equipment, floor care and outdoor power equipment products
Techtronic Industries North America, Inc.	US	USD 10	98.4	1.6	Investment holding
Techtronic Outdoor Products Technology Limited	Bermuda	USD 12,000	100	—	Investment and intellectual properties holding
Techtronic Power Tools Technology Limited	BVI	USD 1	100	—	Investment and intellectual properties holding
Techtronic Product Development Limited	Hong Kong	HKD 2	100	—	Engage in research & development activities
Techtronic Trading Limited	Hong Kong	HKD 2	100	—	Trading of power equipment, floor care and outdoor power equipment products
TTI Investments (Dongguan) Company Limited	Hong Kong	HKD 2	100	—	Investment holding
Vax Appliances (Australia) Pty. Ltd.	Australia	AUD 3,200,008 (ordinary shares) AUD 13,900,000 (Class A Redeemable Preference Shares)	100	—	Investment holding
Vax Limited	United Kingdom	GBP 30,000 (Ordinary A shares) GBP 2,500 (Ordinary B shares)	100	—	Trading of household electrical and floor care products

* Exempt from the obligation to publish local financial statements.

\# A wholly foreign owned enterprise.

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

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

54. Particulars of Associates

Particulars of the associates are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly		Principal activities
			2012 **%**	2011 %	
Gimelli International (Holdings) Limited	The Cayman Islands	USD 6,250	**40.8**	40.8	Investment holding
Precision Technology Industries Limited	Bermuda	USD 12,000,000	**—**	25.0	Manufacture of power equipment products