



TONGDA GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 698

Interim Report 2011

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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

Mr. Wang Ya Nan
 Mr. Choi Wai Sang
 Mr. Ting Leung Huel, Stephen
 Mr. Cheung Wah Fung, Christopher
 Dr. Yu Sun Say

Remuneration Committee

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

Company Secretary

Ms. Chan Sze Man

Auditors

Ernst & Young
Certified Public Accountants

Authorised Representatives

Mr. Wang Ya Nan
 Mr. Wang Ya Hua

Principal Bankers

In Hong Kong:

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

In PRC:

Bank of China Limited
 China Construction Bank Corporation

Corporate Information (Continued)

Legal Advisers

As to Hong Kong law:

Michael Li & Co.
Hui & Lam

As to PRC law:

Fujian Xieli & Partners Law Firm

As to Cayman Islands law:

Conyers Dill & Pearman, Cayman

Registered Office

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

Head Office and Principal Place of Business

Rooms 1201–03, 12th Floor
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2570 8128
Fax: (852) 2510 0991
Website: <http://www.tongda.com>
Email (Investor Relations):
ir@tongda.com.hk

Listing Information

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

Hong Kong Branch Share Registrar

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

Principal Share Registrar

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

Management Discussion and Analysis

1. Business and Financial Review

For the six months ended 30 June 2011 (the "Period"), the Group's overall sales continued to increase steadily by approximately 23.1% to HK\$1,279.9 million (six months ended 30 June 2010: HK\$1,039.5 million) over the corresponding period of last year. Gross profit increased by 26.7% to HK\$238.4 million (six months ended 30 June 2010: HK\$188.1 million) over the corresponding period of last year and profit attributable to owners of the Company increased by 18.0% to HK\$102.1 million (six months ended 30 June 2010: HK\$86.5 million) from the corresponding period of last year.

Looking back on the first half of 2011, despite the challenges posed by global economic instability and the aftermath of the earthquake in Japan, the Group still achieved solid and continuous growth in sales, gross profit and net profit through continuously optimizing our product portfolio and effectively controlling cost.

Although faced with challenging business environment and rising operational cost, we managed a net profit margin of approximately 8.0% (six months ended 30 June 2010: 8.3%).

As at 30 June 2011, the Group had pledged deposit, restricted bank balance and cash and cash equivalents balances of approximately HK\$186.4 million (31 December 2010: HK\$228.0 million).

Management Discussion and Analysis (Continued)

2. Operational Information by Division

a. Electrical Fittings Division

The Group's unique IML* printing technology is mainly applied to products developed in the electrical fittings division, namely handsets, notebook computers and electrical appliances. During the Period, the division recorded a satisfactory revenue growth of 31.6% over the corresponding period of last year, to HK\$1,045.3 million (six months ended 30 June 2010: HK\$794.4 million). The Group has a R&D team of over 100 research professionals, focusing on product R&D. During the period, besides worked to further integrate our electronic fittings decoration printing and precise injection moulding technology, the Group also successfully developed our own IMD** printing technology, which has already completed bulk shipments. This not only complemented our product portfolio but also greatly enhanced our core competitiveness, strengthened the business operation of the Group and further established the Group's leadership position in both domestic and international electronics fitting market.

* IML: In-Mould Lamination, surface of the product is covered by a hardening transparent film, with printed layer in the middle and plastic layer on the back. The characteristic of this technology is that it can prevent the surface of the product from scratches and frictions as the printed layer was covered by transparent film, thus its color remains longer and does not fade easily, providing more kinds of surface texture than other plastic printing.

** IMD: In-Mould Decoration, an in-mould technology used for plastic surfaces decoration. The technology carries out decoration with a carrier foil placed inside the opened mould. It carries the dried paint layers which are to be transferred to the plastic part.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

i. *Handsets*

Raising demand of middle-to-high-end handsets coupled with the popularity for smartphones globally, the handset sales maintained a rapid growth during the Period. Turnover from the Group's handset business increased from HK\$373.6 million to HK\$453.4 million from the corresponding period of last year, marking a growth of 21.4%, which is mainly driven by product portfolio adjustment and improvement in sales volume.

According to a report from the International Data Corporation (IDC), a consulting and research institute in the U.S., the global shipment of smartphones is expected to reach 472 million units in 2011, an increase of 55% over 305 million units shipped in 2010. As consumers increasingly prefer more advanced mobile devices, global shipment of smartphones is expected to reach 982 million units by the end of 2015. In view of the strong development potential of the smartphone market, in addition to engaging proactively in R&D on the design and printing technologies for high-precision plastic handset casings, the Group also commenced mass production of glass touch panel for smartphone producers including Huawei, ZTE and TCL. The production of glass touch panel includes a series of high-tech processing procedures. Leveraging our R&D team's vast experience in high-tech, the Group is able to quickly master the relevant production technology. By developing high-tech and high value-added products, the Group is expected to further strengthen its leading position as an expert in surface decoration while enhancing its overall profitability. In view of the rising demand for glass touch panel driven by a fast-growing smartphone market, the Group expects relevant orders to grow gradually. The Group will aptly allocate more resources and effectively enhance its production capacity to meet the enormous demand of the market. The production target for glass touch panel for 2011 remains at the annual production of 12.5 million pieces.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

i. *Handsets* (Continued)

Acting as strategic partners with renowned mobile phone producers such as Huawei, ZTE TCL, Nokia and Motorola, the Group seeks to maintain win-win cooperation through adding value to their products with our high-precision case fittings.

ii. *Electrical Appliances*

The Group's electrical appliances business generally performed well and recorded consistently strong growth across the first half of 2011. Thanks to stable income from the major customers including Haier, Midea, Gree, Little Swan, Hitachi and Philips, the turnover of the electrical appliances division grew remarkably by 68.8% to HK\$416.3 million over the corresponding period of last year. With continuous investments in R&D to improve our printing technology and implementation of effective cost control measures, the Group has managed to provide our customers with products at a more competitive price. This has encouraged the customers to widely use our products in their product lines rather than only in high-end products like before.

During the period, the orders of mid-range to high end products from Media and Haier increased significantly. An added boost was provided by the Group's successful development of glass cover components for Haier electrical appliances and which has already been utilized in market applications, which helped spur the substantial rise in sales of electrical appliances business.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

ii. *Electrical Appliances* (Continued)

In the first half of 2011, the national economy of China recorded sound performances. According to data from National Bureau of Statistics of China, the total retail sales of consumer goods in China for the first half of 2011 grew 16.8% to RMB8.58 trillion compared with corresponding period of last year, among which the growth for consumer electronics and audio-visual equipment sector was 21.5%. Meanwhile, the National Bureau of Statistics of China reported a GDP growth of 9.6% for the first half of 2011 over the corresponding period of last year. Although the financial crisis affecting global consumer electronics industry in the past two years, the domestic and overseas sales of consumer electronics in China was on up trend driven by the rapid development in its consumer market. During the Twelfth Five-Year Plan period, the consumer electronics industry in China will enter an era of overall upgrading and transition characterized by a structural adjustment, technological innovation and development towards higher environmental efficiency.

The consumer electronics market in China shows a trend of overall renewal with high-end products, such as edge lit LED TVs, variable frequency air-conditioners, front-loading washing machines and three-door refrigerators, emerging as a new mainstream in the consumer electronics market. As we always strive to expand our expertise into high-end products, we expect a steady growth on orders for our high-end consumer electronics products in the second half of 2011. Motivated by the economic stimulus plan of macro economic policy in China and the rapid development of consumer electronics market, the Group will seek to maintain our industry leadership in terms of size by fully utilizing our existing resources and strengths according to market demands. Through developing fashionable, innovative, eco-friendly and efficient high-end products with high design standards, actively strengthening our collaboration with strategic partners, and combining a sound business and profit-generating model, we will maintain a stable and rapid development of our electrical appliance business.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

ii. *Electrical Appliances* (Continued)

LED Light Guide Plate for LED TV

To meet with the call for green, low carbon footprint and environmental friendly lifestyle, low-carbon economy themed on green and efficiency is sure to become the trend for consumer electronics development. To reflect our commitment to high-precision product line and high-tech environmental product strategy, the Group joined forces with Matsushita Shokai last year to develop and produce high quality light guide plates, the core component of LED TV sets, and mainly supply to Japanese brands. The light guide plates business has been put into production during the first quarter of 2011.

As our light guide plate business for LED TVs was still at a preliminary stage of development, and the earthquake in Japan disrupted the supply chain of the LED TV manufacturers in March and April of this year, which has slowed down the pace for LED TV manufactures to launch new TV sets, our light guide plate business was under severe pressure. With extensive market experience accumulated for years and the efforts of its management, the Group fully understood the situation and core issues in the industry and dealt with market impacts and changes in a decisive and swift manner before putting into force various strategic measures, which began to alleviate those pressures and has helped to resume the orders and shipments of light guide plates to their normal levels since May. In view of the robust development of consumer electronics market in China, in addition to supplying existing clients in Japan and Korea, the Group sought to capture a greater share of the burgeoning domestic consumer electronics market through collaborating with major TV set manufactures in China, such as TCL, Skyworth and Hisense. Given more and more customers preferring TVs with a high-quality image and LCD TVs becoming gradually obsolete, the Group expects shippings will rise significantly in the second half of this year.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

iii. *Notebook Computers*

During the period, turnover from the Group's notebook computer division was HK\$175.6 million compared to HK\$174.2 million in the corresponding period of last year. The marginally slight increase of the turnover in the first half of 2011 compared to the corresponding period of last year was mainly due to generally weaker performance of the notebook computer market.

The major customers of the Group's notebook business were Lenovo, Dell, HP, Toshiba and NEC as well as Taiwan's top four computer manufacturers, namely Asus, Acer, Quanta and Compal.

During the period, the Group not only continued to enhance its IML printing technology, but also successfully developed its own IMD printing technology and started bulk shipments of relevant products, with the main customer being those worldly renowned computer brands. By developing certain materials necessary for its IMD printing technology, the Group has managed to control production cost effectively and enhance our profit margin. In addition, in order to satisfy consumers' demands and optimize the product portfolio of the Group's notebook business, the Group increased shipment of the aluminum casings and fittings during the period, offering more choices of higher qualities for computer manufacturers.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

iii. *Notebook Computers* (Continued)

Looking forward, the Group will seek to enhance our advantages in the manufacturing of notebook computer's casings and fittings with the aim to further increase its market shares. In the mean time, the Group will utilize its technical advantages in the manufacturing of notebook computer's casings to expand to the manufacturing of the casings and fittings for other personal digital and consumer electronics products such as tablet PCs. The Group is committed to continuously optimizing its product portfolio so as to boost up the gross profit margin of the business.

b. Ironware Parts Division

During the period, the turnover of this division was HK\$185.6 million, representing an increase of approximately 11.0% over the corresponding period of last year (for the six months ended 30 June 2010: HK\$167.2 million). This business segment mainly focus on precision metal parts provision. Although the turnover of the ironware parts division slightly increased, the gross profit margin has seen a downward trend, which was mainly due to the substantial increase of operating cost, and such increase could not be totally transferred to customers in time. As a result, both gross profit margin and segment results decreased during the period. However, the Group will continue to adopt measures to control costs.

Management Discussion and Analysis (Continued)

2. Operational Information by Division (Continued)

c. Communication Facilities Division and Other Business

The Communication Facilities Division of the Group focuses on the production of such communication facilities as satellite TV receivers and set top boxes. As economies in the United States and Europe kept slowing down and orders in the business segment kept decreasing, only resulting in a turnover of approximately HK\$49.0 million (for the six months ended 30 June 2010: HK\$77.9 million). Since the profitability of the communication facilities division and other business is lower than that of the electrical fittings division, the Group has allocated a significant part of resources to other core business segments. The contribution from the sales volume of this business to the total turnover will be gradually scaled down.

d. Turnover Breakdown of Products for the Six Months Ended 30 June 2011 and 2010

| | 2011 | 2010 |
|--|------|------|
| Electrical Fittings Division | 82% | 76% |
| i. Handset | 35% | 36% |
| ii. Electrical Appliances | 33% | 23% |
| iii. Notebook Computers | 14% | 17% |
| Ironware Parts Division | 14% | 16% |
| Communication Facilities and Other Business | 4% | 8% |

Management Discussion and Analysis (Continued)

3. Prospects

Looking forward to the second half of 2011 and the coming years, we expect the global economy will continue to grow steadily. However, some economies may see certain fluctuations subject to various uncertainties, such as the increasing concern over the European debt crisis and implications of weakness in U.S. economic data. As a pioneer in the industry that is capable of manufacturing the exterior cover of electrical fittings and handling precise and multi-layered designs, the Group will further strengthen its own IML and IMD printing technology (such as fully-automatic 7-colour screen process printing technology, 3D crushing technology and glass accessory moulding) to enhance our pricing power and product competitiveness; strengthen the cooperation with various world-class brands, deepen our close strategic relationship and keep focusing on our existing major clients; continue to research and develop new projects and products to optimize the product mix and enrich the product lines of the Group; reach end customers directly to coordinate in the development and import of the Company's new products for those customers' exclusive use of our products in their module plants; and better control production cost to promote the Group's profit margin.

Looking ahead, having clear strategies in place and the commitment to success, the management remains fully confident of the Group's operational performance in the second half of 2011 and the coming years despite various challenges ahead. The management believes that the Group can continue to achieve solid performance and create better returns for shareholders through successfully implementing our key strategies and balanced growth.

Management Discussion and Analysis (Continued)

4. Liquidity and Financial Resources

At 30 June 2011, the Group had total assets of HK\$3,136.1 million (31 December 2010: HK\$3,016.5 million); net current assets of HK\$759.7 million (31 December 2010: HK\$681.9 million) and total equity of HK\$1,763.5 million (31 December 2010: HK\$1,662.5 million). The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2011 was maintained at about HK\$186.4 million (31 December 2010: HK\$222.8 million), out of which about HK\$46.3 million has been pledged to bank to secure banking facilities granted (31 December 2010: HK\$39.1 million). The gearing ratio (consolidated net borrowings/total equity) was 0.16 (31 December 2010: 0.14). As at 30 June 2011, total bank loans of the Group amounted to approximately HK\$469.8 million was floating-rate loan.

Except for the pledged deposits as shown in the condensed consolidated statement of financial position, no other assets were pledged as at 30 June 2011 and 31 December 2010.

5. Foreign Currency Risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 71% (2010: 85%) of the Group's sales and purchases transactions are denominated in RMB while the remaining balance of sales and purchases transactions denominated mainly in Hong Kong dollars and United States dollars. As the foreign currencies risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. Considering the appreciation of RMB, the Group will maintain a comparatively higher level of Hong Kong dollars borrowings than RMB borrowings to minimize the possible currency risk therefrom.

Condensed Consolidated Income Statement

| | Notes | Unaudited Six months ended 30 June | |
|---|-------|---------------------------------------|--------------------------------|
| | | 2011 HK\$'000 | 2010 HK\$'000 (restated) |
| REVENUE | 4 | 1,279,880 | 1,039,473 |
| Cost of sales | | (1,041,522) | (851,371) |
| Gross profit | | 238,358 | 188,102 |
| Other income and gains, net | | 16,448 | 7,498 |
| Selling and distribution costs | | (29,704) | (21,674) |
| Administrative expenses | | (70,575) | (64,200) |
| Other operating income/(expenses), net | | (7,656) | 1,495 |
| Finance costs | | (22,312) | (8,284) |
| Share of profits and losses of associates | | 712 | 2,010 |
| PROFIT BEFORE TAX | 5 | 125,271 | 104,947 |
| Income tax expense | 6 | (21,271) | (15,999) |
| PROFIT FOR THE PERIOD | | 104,000 | 88,948 |
| Attributable to: | | | |
| Owners of the Company | | 102,118 | 86,506 |
| Non-controlling interests | | 1,882 | 2,442 |
| | | 104,000 | 88,948 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 8 | | |
| — Basic | | HK2.19 cents | HK1.94 cents |
| — Diluted | | HK2.13 cents | HK1.92 cents |

Details of the dividends are disclosed in Note 7.

Condensed Consolidated Statement of Comprehensive Income

| | Unaudited | |
|---|--------------------------|------------------------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 (restated) |
| PROFIT FOR THE PERIOD | 104,000 | 88,948 |
| OTHER COMPREHENSIVE INCOME | | |
| Gain on revaluation | 5,524 | 4,158 |
| Income tax effect | (911) | (686) |
| | 4,613 | 3,472 |
| Exchange differences on translation of foreign operations | | |
| — subsidiaries | 26,229 | (50) |
| — associates | 659 | — |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | 31,501 | 3,422 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 135,501 | 92,370 |
| ATTRIBUTABLE TO: | | |
| Owners of the Company | 131,990 | 89,928 |
| Non-controlling interests | 3,511 | 2,442 |
| | 135,501 | 92,370 |

Condensed Consolidated Statement of Financial Position

| | | Unaudited 30 June 2011 HK\$'000 | Audited 31 December 2010 HK\$'000 |
|---|-------|--|--|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 995,775 | 957,035 |
| Prepaid land lease payments | | 31,285 | 30,968 |
| Investment property | 10 | 49,703 | 46,977 |
| Goodwill | | 22,751 | 22,751 |
| Available-for-sale investment | 11 | 8,061 | 8,061 |
| Prepayments | | 58,378 | 56,354 |
| Interests in associates | | 38,901 | 34,408 |
| Long term deposits | | 45,970 | 17,482 |
| Deferred tax assets | | 3,713 | 3,703 |
| Total non-current assets | | 1,254,537 | 1,177,739 |
| CURRENT ASSETS | | | |
| Inventories | | 606,742 | 472,249 |
| Trade and bills receivables | 12 | 941,608 | 1,019,725 |
| Prepayments, deposits and other receivables | | 146,747 | 112,745 |
| Tax recoverable | | 30 | 6,057 |
| Pledged deposits | | 46,334 | 39,109 |
| Restricted bank balance | | — | 5,199 |
| Cash and cash equivalents | | 140,076 | 183,698 |
| Total current assets | | 1,881,537 | 1,838,782 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 13 | 656,500 | 655,883 |
| Accrued liabilities and other payables | | 92,808 | 92,079 |
| Due to non-controlling shareholders of subsidiaries | | 120 | 189 |
| Due to a related company | | 175 | 1,862 |
| Tax payable | | 122,283 | 124,436 |
| Interest-bearing bank borrowings | 14 | 249,969 | 282,392 |
| Total current liabilities | | 1,121,855 | 1,156,841 |

Condensed Consolidated Statement of Financial Position (Continued)

| | <i>Notes</i> | Unaudited 30 June 2011 HK\$'000 | Audited 31 December 2010 HK\$'000 |
|---|--------------|--|--|
| NET CURRENT ASSETS | | 759,682 | 681,941 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,014,219 | 1,859,680 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | 14 | 219,825 | 169,750 |
| Loan from a non-controlling shareholder of a subsidiary | | 7,331 | 7,331 |
| Deferred tax liabilities | | 23,541 | 20,066 |
| Total non-current liabilities | | 250,697 | 197,147 |
| Net assets | | 1,763,522 | 1,662,533 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 15 | 46,783 | 46,049 |
| Reserves | | 1,666,691 | 1,569,947 |
| Non-controlling interests | | 1,713,474 50,048 | 1,615,996 46,537 |
| Total equity | | 1,763,522 | 1,662,533 |

Condensed Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2011
Attributable to owners of the Company

| | Share issued capital | Share premium account | Share option reserve | Capital reserve | Warrant reserve | Asset revaluation reserve | Statutory reserve | Capital redemption reserve | Exchange fluctuation reserve | Retained profits | Total | Non- controlling interests | Total equity |
|---|----------------------------|-----------------------------|----------------------------|--------------------|--------------------|---------------------------------|----------------------|----------------------------------|------------------------------------|---------------------|-----------|----------------------------------|-----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2011 | 46,049 | 613,649 | 23,212 | 16,092 | 1,180 | 17,612 | 22,697 | 287 | 101,937 | 773,281 | 1,615,996 | 46,537 | 1,662,533 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 102,118 | 102,118 | 1,882 | 104,000 |
| Other comprehensive income | - | - | - | - | - | 4,613 | - | - | 25,259 | - | 29,872 | 1,629 | 31,501 |
| Total comprehensive income for the period | - | - | - | - | - | 4,613 | - | - | 25,259 | 102,118 | 131,990 | 3,511 | 135,501 |
| Shares issued upon exercises of share options (note 15(iv)) | 190 | 6,254 | (1,167) | - | - | - | - | - | - | - | 5,277 | - | 5,277 |
| Exercise of warrants (note 15(v)) | 544 | 16,206 | - | - | (430) | - | - | - | - | - | 16,320 | - | 16,320 |
| Final 2010 dividend declared and paid (note 7) | - | - | - | - | - | - | - | - | - | (56,109) | (56,109) | - | (56,109) |
| At 30 June 2011 | 46,783 | 636,109 | 22,045 | 16,092 | 750 | 22,225 | 22,697 | 287 | 127,196 | 819,290 | 1,713,474 | 50,048 | 1,763,522 |

Condensed Consolidated Statement of Changes in Equity (Continued)

Unaudited six months ended 30 June 2010
Attributable to owners of the Company

| | Share issued capital | Share premium account | Share option reserve | Capital reserve | Warrant reserve | Asset revaluation reserve | Statutory reserve | Capital redemption reserve | Exchange fluctuation reserve | Retained profits | Total | Non- controlling interests | Total equity |
|---|----------------------------|-----------------------------|----------------------------|--------------------|--------------------|---------------------------------|----------------------|----------------------------------|------------------------------------|---------------------|------------|----------------------------------|-----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | | | | (restated) | | | | | (restated) | (restated) | | (restated) |
| At 1 January 2010 | 43,058 | 535,759 | 15,431 | 993 | — | 12,160 | 287 | 5,078 | 81,664 | 639,093 | 1,333,523 | 47,287 | 1,380,810 |
| Profit for the period | — | — | — | — | — | — | — | — | — | 86,506 | 86,506 | 2,442 | 89,948 |
| Other comprehensive income | — | — | — | — | — | 3,472 | — | — | (50) | — | 3,422 | — | 3,422 |
| Total comprehensive income for the period | — | — | — | — | — | 3,472 | — | — | (50) | 86,506 | 89,928 | 2,442 | 92,370 |
| Share issued (note 15(f)) | 1,600 | 36,800 | — | — | — | — | — | — | — | — | 38,400 | — | 38,400 |
| Transaction costs attributable to issue of shares | — | (425) | — | — | — | — | — | — | — | — | (425) | — | (425) |
| Issued of warrants | — | — | — | — | 1,521 | — | — | — | — | — | 1,521 | — | 1,521 |
| Equity-settled share option arrangements | — | — | 7,897 | — | — | — | — | — | — | — | 7,897 | — | 7,897 |
| Final 2009 dividend declared and paid (note 7) | — | — | — | — | — | — | — | — | — | (22,329) | (22,329) | — | (22,329) |
| Capital contribution from non-controlling interest | — | — | — | — | — | — | — | — | — | — | — | 127 | 127 |
| Acquisition of non-controlling interests | — | — | — | (615) | — | — | — | — | 163 | — | (452) | (10,679) | (11,131) |
| At 30 June 2010 | 44,658 | 572,134 | 23,328 | 378 | 1,521 | 15,632 | 287 | 5,078 | 81,777 | 703,270 | 1,448,063 | 39,177 | 1,487,240 |

Condensed Consolidated Statement of Cash Flows

| | Unaudited | |
|--|--------------------------|------------------|
| | Six months ended 30 June | |
| | 2011 HK\$'000 | 2010 HK\$'000 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 67,503 | 91,626 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (98,505) | (94,514) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | (16,860) | (84,807) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (47,862) | (87,695) |
| Cash and cash equivalents at beginning of period | 183,698 | 225,808 |
| Effects of foreign exchange rate changes, net | 4,240 | 113 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 140,076 | 138,226 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents stated in the condensed consolidated statement of financial position | 140,076 | 138,226 |

Notes to Condensed Consolidated Interim Financial Statements

1. Corporate Information

Tongda Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands.

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are manufacture and sale of accessories for electrical appliance products and other electronic products and ironware products. There were no significant changes in the nature of the subsidiaries’ principal activities during the period.

2. Basis of Presentation

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

2. Basis of Presentation (Continued)

Corresponding period of last year adjustment

Accounting treatment of warrants

On 15 January 2010, the Company issued 192,000,000 unlisted warrants at price of HK\$0.008 per warrant to four placees, all being independent third parties to the Group for total cash consideration of approximately HK\$1,521,000, these warrants were classified as derivative financial liabilities, carried at fair value net of transaction costs of HK\$1,521,000 at initial recognition. At 30 June 2010, the fair value of the outstanding warrants was determined using the binomial option pricing model at HK\$6,662,000. Accordingly, a change in fair value of warrants of HK\$5,141,000 has been charged to the condensed consolidated income statement of the Group. No warrants were exercised up to 30 June 2010.

After the issuance of interim report of the Group dated 23 August 2010 and prior to the issuance of 2010 annual report of the Group dated 16 March 2011, the directors have undertaken a detailed review on the terms and conditions of the warrants and considered it is more appropriate to reclassify and re-measure the warrants as equity instruments. Accordingly, the consideration received from the subscription of warrants, i.e. HK\$1,521,000 representing the fair value of the warrants, was recognised in equity (warrant reserve) on the date of issue. The warrant reserve will be transferred to share premium accounts upon the subsequent exercise of warrants. Where the warrants remained unexercised upon expiry, the amount will be released to the retained earnings.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

2. Basis of Presentation (Continued)

Corresponding period of last year adjustment (Continued)

Accounting treatment of warrants (Continued)

Comparative information has been restated to reflect the above change and the effects are summarised below:

| | HK\$'000 |
|---|----------|
| <hr/> | |
| Unaudited condensed consolidated income statement and unaudited condensed consolidated statement of other comprehensive income for the six months ended 30 June 2010 | |
| Reversal of change in fair value of warrants | 5,141 |
| <hr/> | |
| | HK\$'000 |
| <hr/> | |
| Unaudited condensed consolidated statement of financial position as at 30 June 2010 | |
| Decrease in warrants classified as derivative financial liabilities | 6,662 |
| <hr/> | |
| Increase in warrant reserve | 1,521 |
| Increase in retained profits | 5,141 |
| <hr/> | |
| | 6,662 |
| <hr/> | |

The corresponding period of last year adjustment represents the reclassification of warrants of HK\$1,521,000 from derivative financial liabilities to warrant reserve at initial recognition, and reversal of change in fair value of warrants of HK\$5,141,000 during the period ended 30 June 2010 when the change occurs.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

2. Basis of Presentation (Continued)

Corresponding period of last year adjustment (Continued)

Accounting treatment of warrants (Continued)

As a result, unaudited basic and diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2010 were restated from HK1.83 cents and HK1.81 cents to HK1.94 cents and HK1.92 cents respectively. The above reclassification has already been reflected in the audited annual consolidated financial statements for the Group for the year ended 31 December 2010.

Furthermore, the directors have made reclassification on certain items as shown on the face of the condensed consolidated income statement in the current period and hence the comparative amounts in corresponding period of last year were reclassified to conform the current period's presentation. Further details are set out in note 20.

3. Accounting Policies

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2010, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and interpretations, which are generally effective for accounting periods beginning on or after 1 January 2011.

| | |
|--------------------------------|--|
| HKAS 24 (Revised) | <i>Related Party Disclosures</i> |
| HKAS 32 Amendments | <i>Amendments to HKAS 32</i> <i>Financial Instruments: Presentation</i> <i>— Classification of Rights Issues</i> |
| Amendments to HK(IFRIC)-Int 14 | <i>Prepayments of a Minimum Funding Requirement</i> |
| HK(IFRIC)-Int 19 | <i>Extinguishing Financial Liabilities with Equity Instruments</i> |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

3. Accounting Policies (Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for the reporting period.

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

4. Operating Segment Information

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

- (a) the electrical fittings segment produces accessories for electrical appliance products;
- (b) the ironware parts segment is a supplier of metallic casings and other ironware parts for electrical and electronic appliances; and
- (c) the communication facilities and others segment comprises a supply of electronic components and the trading of electrical appliances, the Group's management services business and the corporate income and expense items.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

4. Operating Segment Information (Continued)

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

Segment assets exclude available-for-sale investment, interests in associates, goodwill, deferred tax assets, tax recoverable, pledged deposits, restricted bank balances and cash and cash equivalents as these assets are managed on a group basis.

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

4. Operating Segment Information (continued)

The following tables present unaudited revenue, profit, certain assets and liabilities information for the Group's operating segments for the periods ended 30 June 2011 and 2010.

| | Unaudited six months ended 30 June 2011 | | | | Consolidated HK\$'000 |
|--|---|----------------------------|---|--------------------------|--------------------------|
| | Electrical fittings HK\$'000 | Ironware parts HK\$'000 | Communication facilities and others HK\$'000 | Eliminations HK\$'000 | |
| Segment revenue: | | | | | |
| Sales to external customers | 1,045,262 | 185,642 | 48,976 | — | 1,279,880 |
| Intersegment sales | 4,235 | 7,442 | 4,599 | (16,276) | — |
| Total | 1,049,497 | 193,084 | 53,575 | (16,276) | 1,279,880 |
| Segment results before depreciation and amortisation | 186,886 | 17,164 | (4,046) | — | 200,004 |
| Depreciation | (48,767) | (6,115) | (1,533) | — | (56,415) |
| Amortisation | (344) | (711) | (38) | — | (1,093) |
| Segment results | 137,775 | 10,338 | (5,617) | — | 142,496 |
| Unallocated income | | | | | 16,448 |
| Corporate and other unallocated expenses | | | | | (12,073) |
| Finance costs | | | | | (22,312) |
| Share of profits and losses of associates | | | | | 712 |
| Profit before tax | | | | | 125,271 |
| Income tax expense | | | | | (21,271) |
| Profit for the period | | | | | 104,000 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

4. Operating Segment Information (continued)

| | Unaudited six months ended 30 June 2010 (restated) | | | | |
|--|--|----------------|-------------------------------------|----------------|------------------|
| | Electrical fittings | Ironware parts | Communication facilities and others | Eliminations | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | |
| Sales to external customers | 794,418 | 167,189 | 77,866 | — | 1,039,473 |
| Intersegment sales | 3,862 | 1,919 | — | (5,781) | — |
| Total | 798,280 | 169,108 | 77,866 | (5,781) | 1,039,473 |
| Segment results before depreciation and amortisation | 142,599 | 21,859 | (5,364) | — | 159,094 |
| Depreciation | (38,946) | (5,545) | (1,259) | — | (45,750) |
| Amortisation | (328) | (664) | (37) | — | (1,029) |
| Segment results | 103,325 | 15,650 | (6,660) | — | 112,315 |
| Unallocated income | | | | | 7,498 |
| Corporate and other unallocated expenses | | | | | (8,592) |
| Finance costs | | | | | (8,284) |
| Share of profits and losses of associates | | | | | 2,010 |
| Profit before tax | | | | | 104,947 |
| Income tax expense | | | | | (15,999) |
| Profit for the period | | | | | 88,948 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

4. Operating Segment Information (continued)

| | Unaudited six months ended 30 June 2011 | | | | Consolidated HK\$'000 |
|-------------------------|---|-------------------------------|---|--------------------------|--------------------------|
| | Electrical fittings HK\$'000 | Ironware parts HK\$'000 | Communication facilities and others HK\$'000 | Eliminations HK\$'000 | |
| Segment assets | 2,726,799 | 381,803 | 637,407 | (869,801) | 2,876,208 |
| Unallocated assets | | | | | 259,866 |
| Total assets | | | | | 3,136,074 |
| Segment liabilities | 1,678,249 | 170,301 | 231,930 | (1,323,546) | 756,934 |
| Unallocated liabilities | | | | | 615,618 |
| Total liabilities | | | | | 1,372,552 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

4. Operating Segment Information (continued)

| | Audited 31 December 2010 | | | | Consolidated HK\$'000 |
|-------------------------|---------------------------------|----------------------------|---|--------------------------|--------------------------|
| | Electrical fittings HK\$'000 | Ironware parts HK\$'000 | Communication facilities and others HK\$'000 | Eliminations HK\$'000 | |
| Segment assets | 2,593,128 | 364,415 | 594,644 | (838,652) | 2,713,535 |
| Unallocated assets | | | | | 302,986 |
| Total assets | | | | | 3,016,521 |
| Segment liabilities | 1,634,427 | 173,344 | 208,346 | (1,258,773) | 757,344 |
| Unallocated liabilities | | | | | 596,644 |
| Total liabilities | | | | | 1,353,988 |

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2011 and 2010.

| | Unaudited six months ended 30 June | | | | | | | | | |
|-----------------------------|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Mainland China | | Southeast Asia | | Middle East | | Others | | Consolidated | |
| | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 1,176,363 | 879,501 | 7,095 | 21,083 | 25,092 | 66,189 | 71,330 | 72,700 | 1,279,880 | 1,039,473 |

For the six months ended 30 June 2011, revenue of approximately HK\$138,727,000, representing 10.8% of the Group's revenue, was derived from sales by the electrical fittings segment to a single customer, include sales to a group of entities which are known to be under common control of that customer. None of the customers accounted for more than 10% of the Group's revenue during the period ended 30 June 2010.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

5. Profit before Tax

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

| | Unaudited | |
|--|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Amortisation of prepaid land lease payments | 382 | 365 |
| Amortisation of prepayments | 711 | 664 |
| Depreciation of property, plant and equipment | 56,415 | 45,750 |
| Impairment of trade receivables | 5,373 | — |
| Write-back of impairment of trade receivables | (106) | (2,216) |
| Write-off of trade receivables | 1,134 | 782 |
| Write-down of inventories to net realisable values | 2,976 | 768 |
| Foreign exchange differences, net | (13,313) | 1,194 |
| Gain on disposal of property, plant and equipment | (57) | (72) |
| Change in fair value of an investment property | (1,665) | — |
| Gain on disposal of an investment property | — | (453) |
| Interest income | (403) | (453) |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

With the PRC Corporate Income Tax Law (the “Corporate Income Tax Law”) being effective on 1 January 2008, the Corporate Income Tax (the “CIT”) rate was changed from 33% to 25%. Under the relevant laws and regulations in the PRC, certain subsidiaries of the Group operating in Mainland China are exempted from CIT for two years from their respective first profit-making years and are eligible for a 50% reduction in CIT for the following three years. In addition, a reduced tax rate of 24% (2010: 22%) can be enjoyed by the subsidiary in the year 2011 if it is located in the Special Economic Zone of the PRC.

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) and 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) are awarded as High New Technology Enterprises during the six months period ended 30 June 2011 and subject to a preferential tax rate of 15%.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

6. Income Tax (Continued)

| | Unaudited | |
|---------------------------------------|--------------------------|----------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Current — Hong Kong | | |
| Charge for the period | 127 | 674 |
| Overprovision in prior years | (62) | — |
| | 65 | 674 |
| Current — Elsewhere | | |
| Charge for the period | 18,849 | 15,530 |
| Under/(over) provision in prior years | 4 | (11) |
| | 18,853 | 15,519 |
| Deferred tax | 2,353 | (194) |
| Total tax charge for the period | 21,271 | 15,999 |

The share of tax attributable to associates amounting to HK\$86,000 (30 June 2010: HK\$32,700) is included in “share of profits and losses of associates” on the face of the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

7. Dividends

| | Unaudited | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Dividends paid during the period: | | |
| Final and special in respect of the financial year ended 31 December 2010 — HK1 cent and HK0.2 cent per ordinary share (2010: final dividend of HK0.5 cent per ordinary share, in respect of the financial year ended 31 December 2009) | 56,109 | 22,329 |

At the board meeting held on 22 August 2011, the board of directors declared and approved an interim dividend of HK0.7 cent per ordinary share (2010: HK0.6 cent), totalling HK\$32,748,100 (2010: HK\$26,794,800).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

8. Earnings per Share

| | Unaudited | |
|--|--------------------------|---------------|
| | Six months ended 30 June | |
| | 2011 | 2010 |
| | HK\$ | HK\$ |
| | | (restated) |
| Profit: | | |
| Profit for the period attributable to owners of the Company | 102,118,000 | 86,506,000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 4,668,141,989 | 4,452,540,331 |
| Effect of dilutive potential ordinary shares: | | |
| Options | 91,321,429 | 26,673,107 |
| Warrants | 26,785,714 | 21,873,418 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | 4,786,249,132 | 4,501,086,856 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$73,239,000 (30 June 2010: HK\$87,407,000). In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$3,289,000 (30 June 2010: HK\$4,585,000) for proceeds of approximately HK\$3,346,000 (30 June 2010: HK\$4,657,000).

At 30 June 2011, the Group's leasehold buildings situated in Hong Kong were revalued by Asset Appraisal Ltd., an independent firm of professionally qualified appraisers, at an open market value of HK\$37,200,000 (31 December 2010: HK\$32,000,000). The resulting revaluation surplus of HK\$5,524,000 (30 June 2010: HK\$4,158,000) has been credited to the asset revaluation reserve during the six months ended 30 June 2011. The resulting deferred tax liability of HK\$911,000 (30 June 2010: HK\$686,000) arising from the revaluation has also been debited to the asset revaluation reserve.

10. Investment Property

During the six months ended 30 June 2010, the Group disposed of an investment property located in Hong Kong with a carrying amount of HK\$4,350,000 at a cash consideration of approximately HK\$4,803,000 resulting in a gain on disposal of HK\$453,000.

The Group's investment property in Shanghai was valued by Asset Appraisal Ltd., an independent firm of professionally qualified appraisers, on an open market existing use basis at HK\$49,703,000 (31 December 2010: HK\$46,977,000) as at 30 June 2011. Consequently, gain in fair value change of an investment property of HK\$1,665,000 and exchange realignment of HK\$1,061,000 have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2011 (30 June 2010: nil).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

10. Investment Property (Continued)

The investment properties are leased to an associate and a related company controlled by a director of the Company under operating lease, further details of which are included in note 16(a) to these Interim Financial Statements.

11. Available-for-Sale Investment

| | Unaudited | Audited |
|-------------------------------------|------------------|-------------|
| | 30 June | 31 December |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Unlisted equity investment, at cost | 8,061 | 8,061 |

As at 30 June 2011, the above unlisted equity investment with a carrying amount of HK\$8,061,000 (2010: HK\$8,061,000) was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

The Group does not intend to dispose of the investment in the near future.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

12. Trade and Bills Receivables

| | Unaudited 30 June 2011 HK\$'000 | Audited 31 December 2010 HK\$'000 |
|-----------------------|--|--|
| Trade receivables | 801,597 | 888,559 |
| Impairment allowances | (27,623) | (22,174) |
| | 773,974 | 866,385 |
| Bills receivables | 167,634 | 153,340 |
| | 941,608 | 1,019,725 |

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

12. Trade and Bills Receivables (Continued)

An aged analysis of the Group's trade and bills receivables as at 30 June 2011, based on the invoice date, is as follows:

| | Unaudited | Audited |
|----------------------------|------------------|-------------|
| | 30 June | 31 December |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Within 3 months | 814,750 | 906,218 |
| 4 to 6 months, inclusive | 105,301 | 100,410 |
| 7 to 9 months, inclusive | 18,104 | 10,446 |
| 10 to 12 months, inclusive | 5,385 | 1,433 |
| More than 1 year | 25,691 | 23,392 |
| | 969,231 | 1,041,899 |
| Impairment allowances | (27,623) | (22,174) |
| | 941,608 | 1,019,725 |

13. Trade and Bills Payables

| | Unaudited | Audited |
|----------------|------------------|-------------|
| | 30 June | 31 December |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Trade payables | 478,620 | 491,534 |
| Bills payables | 177,880 | 164,349 |
| | 656,500 | 655,883 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

13. Trade and Bills Payables (Continued)

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 30 June 2011, based on the invoice date, is as follows:

| | Unaudited | Audited |
|----------------------------|------------------|-------------|
| | 30 June | 31 December |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Within 3 months | 456,453 | 516,664 |
| 4 to 6 months, inclusive | 166,353 | 114,499 |
| 7 to 9 months, inclusive | 19,975 | 15,211 |
| 10 to 12 months, inclusive | 1,611 | 2,949 |
| More than 1 year | 12,108 | 6,560 |
| | 656,500 | 655,883 |

14. Interest-Bearing Bank Borrowings

During the six months ended 30 June 2011, the Group repaid bank loans totaling of approximately HK\$282,979,000 (30 June 2010: HK\$123,128,000) and raised new bank loans of approximately HK\$300,631,000 during the period (30 June 2010: HK\$21,154,000). All borrowings bear interest at prevailing market rates and are repayable within five years.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

15. Share Capital

| | Number of shares | Amount HK\$'000 |
|--|---------------------|--------------------|
| Ordinary shares of HK\$0.01 each, authorised: | | |
| Balance at 1 January 2010, 31 December 2010, 1 January 2011 and 30 June 2011 | 20,000,000,000 | 200,000 |
| Ordinary shares of HK\$0.01 each, issued and fully paid: | | |
| At 1 January 2010 | 4,305,800,000 | 43,058 |
| Issue of shares (<i>note i</i>) | 160,000,000 | 1,600 |
| Share issued upon exercise of share options (<i>note ii</i>) | 1,500,000 | 15 |
| Share issued upon exercise of warrants (<i>note iii</i>) | 137,600,000 | 1,376 |
| At 31 December 2010 | 4,604,900,000 | 46,049 |
| Share issued upon exercise of shares option (<i>note iv</i>) | 19,000,000 | 190 |
| Share issued upon exercise of warrants (<i>note v</i>) | 54,400,000 | 544 |
| At 30 June 2011 | 4,678,300,000 | 46,783 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

15. Share Capital (Continued)

Notes:

- (i) Pursuant to a placing and subscription agreement entered into on 15 January 2010, the Company allotted and issued 160,000,000 new ordinary shares of HK\$0.01 each at the subscription price of HK\$0.24 per share to E-Growth, a shareholder holding 296,000,000 ordinary issued shares representing approximately 6.87% of the entire issued share capital (before the replacement of 160,000,000 new ordinary shares) of the Company.
- (ii) The subscription rights attaching to 1,500,000 share options were exercised at the subscription price of HK\$0.28 per share, resulting in the issue of 1,500,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$420,000. An amount of HK\$116,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (iii) 137,600,000 shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.30 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$41,280,000. An amount of HK\$1,090,000 was transferred from the warrant reserve to the share premium account upon the exercise of the warrants.
- (iv) During the six months ended 30 June 2011, the subscription rights attaching to 8,000,000 shares, 5,000,000 shares and 6,000,000 shares of share options were exercised at the subscription prices of HK\$0.315 per share, HK\$0.280 per share and HK\$0.2262 per share respectively, resulting in the issue of 19,000,000 shares of HK\$0.01 each for a total cash consideration, before expense, of HK\$5,277,000. An amount of HK\$1,167,000 was transferred from the share option reserve to the share premium account upon the exercises of the share options.
- (v) 54,400,000 new ordinary shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.30 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$16,320,000. An amount of HK\$430,000 was transferred from the warrant reserve to the share premium reserve upon the exercise of the warrants.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

16. Operating Lease Arrangements

(a) As lessor

The Group leases its investment property (note 10) under operating lease arrangements, with leases negotiated for terms of ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | Unaudited | Audited |
|---|------------------|-------------|
| | 30 June | 31 December |
| | 2011 | 2010 |
| | HK\$'000 | HK\$'000 |
| Within one year | 4,495 | 4,279 |
| In the second to fifth years, inclusive | 16,159 | 15,741 |
| After five years | 23,042 | 24,817 |
| | 43,696 | 44,837 |

(b) As lessee

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

16. Operating Lease Arrangements (continued)

(b) As lessee (continued)

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Unaudited 30 June 2011 HK\$'000 | Audited 31 December 2010 HK\$'000 |
|---|--|--|
| Within one year | 10,998 | 10,848 |
| In the second to fifth years, inclusive | 13,497 | 17,570 |
| After five years | 18,900 | 19,650 |
| | 43,395 | 48,068 |

17. Commitments

In addition to the operating lease commitments set out in note 16(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

| | Unaudited 30 June 2011 HK\$'000 | Audited 31 December 2010 HK\$'000 |
|--|--|--|
| Purchases of property, plant and equipment | 21,992 | 36,118 |
| Acquisition of an investment classified as available-for-sale investment | 7,800 | 7,800 |
| | 29,792 | 43,918 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

18. Contingent Liabilities

At 30 June 2011, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries, which were utilised to the extent of approximately HK\$66,333,000 (2010: HK\$82,499,000). Save as disclosed above, the Group did not have any significant contingent liabilities as at the end of the reporting period.

19. Related Parties Transactions

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period.

| | Notes | Unaudited | |
|---|-------|--------------------------|----------|
| | | Six months ended 30 June | |
| | | 2011 | 2010 |
| | | HK\$'000 | HK\$'000 |
| Associates: | | | |
| Technology consultancy fee | (i) | 300 | 300 |
| Sales of products | (ii) | 1,602 | 1,457 |
| Purchases of raw materials and finished goods | (iii) | 378 | 369 |
| Rental income | (iv) | 665 | 636 |
| Dividend income | | 1,500 | 3,000 |
| Related companies controlled by directors of the Company: | | | |
| Sales of machineries | (v) | — | 2,318 |
| Sales of products | (ii) | 55 | — |
| Purchase of raw materials | (iii) | 11 | — |
| Rental income | (vi) | 1,427 | 1,364 |

Notes to Condensed Consolidated Interim Financial Statements (Continued)

19. Related Parties Transactions (continued)

(a) (Continued)

Notes:

- (i) The technology consultancy fee charged at HK\$50,000 (2010: HK\$50,000) per month was received from an associate for the provision of technology support provided by the Group.
- (ii) The sales to associates and a related company were made according to the terms similar to those offered to the Group's non-related customers.
- (iii) The purchases from associates and a related company were made according to the terms similar to those offered to the Group's non-related suppliers.
- (iv) The rental income received from an associate represented the subleasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC.
- (v) The sales of machineries to a related company controlled by directors of the Company were made at cost.
- (vi) The rental income received from a related company controlled by a director of the Company were charged at monthly rental of RMB200,000.

The related party transaction in respect of item (vi) above also constitute continuing connected transaction as defined in chapter 14A or the Listing Rules.

- (b) A banking facility of a subsidiary of the Company has been guaranteed to the extent of RMB50,000,000 (equivalent to HK\$59,453,000) by a related company controlled by directors of the Company at nil consideration. The banking facility of HK\$52,940,000 was utilised as at 30 June 2011 (31 December 2010: nil).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

20. Comparative Amounts

Save as disclosed in note 2, the Group has made reclassification on certain items as shown on the face of the condensed consolidated income statement in the current period as follows:

In the corresponding period of last year, the write-back of impairment of trade receivable of HK\$2,216,000 and the gain on disposal of property, plant and equipment of HK\$72,000 were both included in “other income and gains, net”, while the write-off of trade receivable of HK\$782,000 was included in “administrative expenses”. During the current period, the Group has changed the presentation, as in the opinion of the directors, it is more appropriate to include all the above items as “other operating income/(expenses), net”. To conform with the current period’s presentation, the amounts of “other income and gains, net” and “administrative expenses” in corresponding period of last year were decreased by HK\$2,288,000 and decreased by HK\$782,000 respectively, while the other operating expenses of HK\$11,000 was changed to other operating income of HK\$1,495,000.

21. Approval of the Interim Financial Statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 22 August 2011.

Supplementary Information

Interim Dividends

The board of directors (the "Board") of the Company declared an interim dividend of HK0.7 cent (2010: HK0.6 cent) per ordinary share for the period ended 30 June 2011 payable on or about 23 September 2011 to shareholders whose names appear on the register of members of the Company on 15 September 2011.

Closure of register of members

The Register of Members will be closed from 16 September 2011 to 20 September 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on 15 September 2011.

Supplementary Information (Continued)

Directors' Interest and Short Positions in Shares and Underlying Shares

At 30 June 2011, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

| Name of directors | Number of shares held, capacity and nature of interest through | | | Total | Percentage of the Company's issued share capital |
|--------------------------------------|--|---|------|---------------|--|
| | Directly beneficially owned | interest through corporation controlled | Note | | |
| Mr. Wang Ya Nan | 111,700,000 | 2,296,490,000 | 1,2 | 2,408,190,000 | 51.48 |
| Mr. Wang Ya Hua | 19,920,000 | 2,000,490,000 | 1 | 2,020,410,000 | 43.19 |
| Mr. Wong Ah Yu | 25,160,000 | 2,000,490,000 | 1 | 2,025,650,000 | 43.30 |
| Mr. Wong Ah Yeung | 32,000,000 | 2,000,490,000 | 1 | 2,032,490,000 | 43.45 |
| Mr. Choi Wai Sang | 19,750,000 | 78,750,000 | 3 | 98,500,000 | 2.11 |
| Mr. Cheung Wah Fung, Christopher, JP | — | — | — | — | — |
| Dr. Yu Sun Say | 2,500,000 | — | — | 2,500,000 | 0.05 |

Notes:

- 2,000,490,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% each by Wong Brothers.
- 296,000,000 shares are held by E-Growth entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.
- These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

Supplementary Information (Continued)

Directors' Interest and Short Positions in Shares and Underlying Shares (Continued)

Saved as disclosed above, as at 30 June 2011 none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' Rights to Acquire Shares or Debentures

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

Share Option Scheme

The Company operates a share option scheme ("Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include all executive directors and any fulltime employee of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

Supplementary Information (Continued)

Share Option Scheme (Continued)

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

| Name or category of participants | Number of share options | | | | Date of grant of share options* | Exercise period of share options | Exercise price of share options** HK\$ per share |
|----------------------------------|-------------------------|---------------------------|-----------------------------|-----------------|--|---|--|
| | At 1 January 2011 | Granted during the period | Exercised during the period | At 30 June 2011 | | | |
| Directors | | | | | | | |
| Mr. Wang Ya Nan | 59,300,000 | — | — | 59,300,000 | 3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010 | 4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.586, 0.315, 0.2262 and 0.28 |
| Mr. Wang Ya Hua | 59,300,000 | — | — | 59,300,000 | 3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010 | 4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.586, 0.315, 0.2262 and 0.28 |
| Mr. Wong Ah Yu | 59,300,000 | — | — | 59,300,000 | 3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010 | 4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.586, 0.315, 0.2262 and 0.28 |
| Mr. Wong Ah Yeung | 59,300,000 | — | — | 59,300,000 | 3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010 | 4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.586, 0.315, 0.2262 and 0.28 |

Supplementary Information (Continued)

Share Option Scheme (Continued)

| Name or category of participants | Number of share options | | | | Date of grant of share options* | Exercise period of share options | Exercise price of share options** HK\$ per share |
|--------------------------------------|-------------------------|---------------------------|-----------------------------|-----------------|--|---|--|
| | At 1 January 2011 | Granted during the period | Exercised during the period | At 30 June 2011 | | | |
| Directors | | | | | | | |
| (Continued) | | | | | | | |
| Mr. Choi Wai Sang | 13,500,000 | — | 3,500,000 | 10,000,000 | 16 February 2008, and 31 May 2010 | 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013 | 0.315 and 0.28 |
| Mr. Ting Leung Huel, Stephen | 8,450,000 | — | — | 8,450,000 | 3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010 | 4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.586, 0.315, 0.2262 and 0.28 |
| Mr. Cheung Wah Fung, Christopher, JP | 8,450,000 | — | — | 8,450,000 | 3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010 | 4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.586, 0.315, 0.2262 and 0.28 |

Supplementary Information (Continued)

Share Option Scheme (Continued)

| Name or category of participants | Number of share options | | | | Date of grant of share options* | Exercise period of share options | Exercise price of share options** HK\$ per share |
|--|-------------------------|---------------------------|-----------------------------|-----------------|---|--|--|
| | At 1 January 2011 | Granted during the period | Exercised during the period | At 30 June 2011 | | | |
| Directors | | | | | | | |
| (Continued) | | | | | | | |
| Dr. Yu Sun Say, <i>GBS, SBS, JP</i> | 6,450,000 | — | 2,500,000 | 3,950,000 | 16 February 2008, and 31 May 2010 | 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013 | 0.315 and 0.28 |
| Mr. Wang Ming Che | 16,000,000 | — | — | 16,000,000 | 25 September 2009 and 31 May 2010 | 25 September 2010 to 24 September 2012 and 31 May 2010 to 30 May 2013 | 0.2262 and 0.28 |
| Other employees | | | | | | | |
| In aggregate | 38,500,000 | — | 13,000,000 | 25,500,000 | 9 March 2007, 16 February 2008 and 31 May 2010 | 10 March 2007 to 9 March 2017, 16 February 2008 to 15 February 2018, 31 May 2010 to 30 May 2013 | 0.485, 0.315 and 0.28 |
| | 328,550,000 | — | 19,000,000 | 309,550,000 | | | |

Supplementary Information (Continued)

Share Option Scheme (Continued)

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The weighted average share price at the date of exercises for share options exercised during the period was HK\$0.42 per share.

At the date of approval of these interim financial statements, the Company had 309,550,000 share options outstanding under the New Scheme, which represented approximately 6.62% of the Company's share in issue as at that date.

Substantial Shareholders

At 30 June 2011, the interests and short positions of the substantial shareholders, other than directors or chief executives of the Company, in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in the ordinary shares of the Company:

| Name of shareholder | Notes | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share capital |
|-------------------------------------|-------|---------------------------------|--------------------------------|--|
| Landmark Worldwide Holdings Limited | 1 | Directly beneficially owned | 2,000,490,000 | 42.76 |
| E-Growth | 2 | Directly beneficially owned | 296,000,000 | 6.33 |

Supplementary Information (Continued)

Substantial Shareholders (Continued)

1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers.
2. The issued share capital of E-Growth is held and beneficially owned as to 100% by Mr. Wang Ya Nan.

Save as disclosed above, as at 30 June 2011, the Company had not been notified by any substantial shareholders other than directors or chief executives of the Company, who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

Purchase, Redemption or Sales of Listed Securities

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

Corporate Governance

The Company has complied throughout the Period with the Code Provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the deviations as mentioned below.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye Laws.

The roles of Chairman and Chief Executive should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Wang Ya Nan currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The present structure is considered to be appropriate under the circumstances.

Supplementary Information (Continued)

Remuneration Committee

The Remuneration Committee (the “RC”) consists of the Chairman and Chief Executive Officer of the Company and three independent non-executive directors. Members of the RC include Mr. Ting Leung Huel, Stephen (Chairman), Mr. Wang Ya Nan, Mr. Cheung Wah Fung, Christopher, *J.P.* and Dr. Yu Sun Say, *J.P.* The main responsibility is to discuss, review and determine the remuneration of all directors and senior management.

Audit Committee

The Audit Committee (the “AC”) consists of three independent non-executive directors. In establishing and adopting the terms of reference of the AC, the board of directors had regarded to the “Guide for the Formation of an Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants.

The AC has reviewed the principal accounting policies and internal control adopted by the Group at the meeting held during the Period. The AC had also reviewed the unaudited interim results of the group for the six months ended 30 June 2011 prior to the submission to the Board for approval.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

Supplementary Information (Continued)

Board of Directors

As at the date of this report, the Board comprises Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yu, Mr. Wong Ah Yeung, Mr. Choi Wai Sang and Mr. Wang Ming Che as executive directors; and Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung Christopher, *J.P.* and Dr. Yu Sun Say, *J.P.* as independent non-executive directors.

On behalf of the Board

Wang Ya Nan

Chairman

Hong Kong, 22 August 2011