

TONGDA GROUP HOLDINGS LIMITED

# Interim Report

2018

# CONTENTS

Corporate Information	2
Management Discussion and Analysis	5
Condensed Consolidated Income Statement	14
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	20
Notes to Condensed Consolidated Interim Financial Statements	22
Supplementary Information	51

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-executive Director

Mr. Wong Ah Yu

#### Independent Non-executive Directors

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

Ms. Chan Sze Man

### AUDITORS

Ernst & Young  
*Certified Public Accountants*

### AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan  
Mr. Wang Ya Hua

### PRINCIPAL BANKERS

#### *In Hong Kong:*

The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited  
The Bank of Tokyo-Mitsubishi  
UFJ Limited  
KBC Bank N.V., Hong Kong Branch  
Band of China (Hong Kong) Limited  
China Construction Bank (Asia)  
Corporation Limited  
Standard Chartered Bank  
(Hong Kong) Limited  
BNP Paribas Hong Kong Branch

#### *In the PRC:*

The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited  
Bank of China Limited  
China Construction Bank Corporation  
China Merchant Bank

### LEGAL ADVISERS

*As to Hong Kong laws:*  
Michael Li & Co.

*As to PRC laws:*  
Fujian Rede Law Firm

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

## **INVESTOR RELATIONS**

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

## **REGISTERED OFFICE**

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

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 1201-02, 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](mailto:ir@tongda.com.hk)

## **LISTING INFORMATION**

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

## **HONG KONG BRANCH SHARE REGISTRAR**

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

## **PRINCIPAL SHARE REGISTRAR**

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report 2018 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of Tongda Group Holdings Limited (the “Company”, and together with its subsidiaries the “Group”). These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like “potential”, “estimated”, “expects”, “anticipates”, “objective”, “intends”, “plans”, “believes”, “estimates”, and similar expressions or variations on such expressions may be considered “forward-looking statements”.

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group’s results of operations are described in the section headed “Management Discussion and Analysis” below.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group's turnover grew from HK\$3,618.2 million in the corresponding period of last year by 14.7% to HK\$4,150.3 million. Profit attributable to owners of the Company increased from HK\$290.5 million in the corresponding period of last year by 44.2% to HK\$418.9 million.

### Revenue

During the Period, the Group mainly benefited from the growth in shipment volume of handset casings, resulting in an increase in revenue by 14.7% as compared with the corresponding period of last year.

### Gross Profit and Margin

The Group's gross profit for the Period increased by 4.3% to HK\$958.7 million and the gross profit margin was 23.1%, which was 2.3 percentage points lower than that for the corresponding period of last year. The decrease in gross profit margin was mainly due to the decrease of gross profit margin of handset casings, which is the largest business segment in proportion of sales. As the trend in the handset market shifted from being dominated by metal casings last year to introducing In-Mold Transfer (IMT) uni-body casings, the gross profit margin decreased in 2.6 percentage points correspondingly. In spite of the fact that the gross profit margin decreased, a large shipment volume and a high price-performance ratio on IMT resulted in the increase in the gross profit.

### Other Income and Gains, net

During the Period under Review, other income and gains, net decreased by 19.8% or HK\$10.1 million to HK\$40.8 million as compared with the corresponding period of last year. The decrease in other income and gains, net was mainly attributable to the decrease in government subsidy.

## **Selling and Distribution Expenses**

During the Period under Review, selling and distribution expenses increased by 26.0% or HK\$15.7 million to HK\$76.1 million, accounting for 1.8% of the Group's revenue, which was approximately 0.1 percentage point higher than that for the corresponding period of last year. The increase was mainly attributable to the increase in freight expenses.

## **Administrative Expenses**

During the Period under Review, administrative expenses increased by 7.1% or HK\$27.9 million to HK\$423.2 million, accounting for 10.2% of the Group's revenue, which was approximately 0.7 percentage point lower than that for the corresponding period of last year. The increase in administrative expenses was mainly attributable to the increase in research and development ("R&D") expenses. The increase in R&D expenses was attributable to the continuous investment in R&D projects and further business development.

## **Other Operating Income/(Expenses), net**

During the Period under Review, other operating income/(expenses), net, recorded an income of HK\$82.7 million, as compared with an expense of HK\$88.8 million for the corresponding period of last year, which was mainly attributable to the increase in write-back of impairment of trade receivables and net gain from exchange differences.

## **Finance Costs**

During the Period under Review, finance costs increased by 89.9% or HK\$38.4 million to HK\$81.1 million. The increase was mainly attributable to the increase in bank borrowings and increase in interest rate.

## **Profit before Tax**

For the six months ended 30 June 2018, profit before tax amounted to HK\$502.8 million, representing a period-on-period increase of 30.3% from HK\$385.8 million, which was attributable to the increase in write-back of impairment of trade receivables and net gain from exchange differences.

## Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company increased 44.2% from HK\$290.5 million in the corresponding period of last year to HK\$418.9 million, and the net profit margin attributable to owners of the Company increased to 10.1% (30 June 2017: 8.0%), which was mainly attributable to the increase in gross profit, write-back of impairment of trade receivables and net gain from exchange differences.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities.

The table below summarises the Group's cash flows for the six months ended 30 June 2018 and 30 June 2017:

	For the six months ended 30 June	
	2018	2017
	HK\$ million	HK\$ million
Net cash from operating activities	203.5	224.8
Net cash used in investing activities	(814.1)	(885.5)
Net cash from financing activities	725.6	487.0

The Group derives its working capital mainly from cash on hand and net cash generated from operating activities. The Board expects that the Group will rely on net cash generated from operating activities, bank borrowings and debt financing to meet its working capital and other capital expenditure requirements in the short run. In the long run, the Group will be funded by net cash from operating activities, and if necessary, by additional bank borrowings and debt financing. There were no material changes in the funding and financial policies of the Group for the six months ended 30 June 2018.

As at 30 June 2018, the Group has cash and cash equivalents and pledged deposits balance of HK\$1,496.5 million (31 December 2017: HK\$1,274.2 million) without holding any structural investment contract.



The Group's cash and bank balances remained at about HK\$1,496.5 million (31 December 2017: HK\$1,274.2 million), of which approximately HK\$485.5 million (31 December 2017: HK\$481.7 million) has been pledged to banks as security for trade financing.

As at 30 June 2018, the Group had total assets of HK\$14,489.1 million (31 December 2017: HK\$13,623.7 million), net current assets of HK\$2,411.9 million (31 December 2017: HK\$2,140.4 million) and equity of HK\$6,505.4 million (31 December 2017: HK\$5,885.3 million).

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

## **CAPITAL EXPENDITURE**

The total capital expenditure incurred for the Period was HK\$707.2 million (31 December 2017: HK\$1,353.1 million), which was mainly used in acquisition of production equipments and construction of new manufacturing plants.

## **TREASURY POLICY**

The Group's sales were principally denominated in Hong Kong dollars, RMB and US dollars while purchases were transacted mainly in Hong Kong dollars, RMB, US dollars and Japanese Yen. As the foreign currency risks generated from the sales and purchases can be off set against each other and the fluctuation of RMB during the period did not materially affect the costs and operations of the Group for the period, the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

## CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK\$485.5 million (31 December 2017: HK\$481.7 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK\$51.3 million (31 December 2017: HK\$50.2 million) mortgaged by the Group as at 30 June 2018, the Group had not pledged its assets to any financial institutions.

## HUMAN RESOURCES

As at 30 June 2018, the Group employed a total of approximately 19,000 permanent employees (30 June 2017: 20,000 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2018 amounted to HK\$969.8 million (30 June 2017: HK\$754.6 million).

The Group offers remuneration packages for employees mainly based on their performance and experiences, and with reference to prevailing industry practices. In addition to enrolling our new employees into the mandatory provident fund scheme in Hong Kong and State-managed pension scheme in mainland China and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options and discretionary bonuses to employees based on employees' individual performance and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

## GEARING RATIO AND INDEBTEDNESS

As at 30 June 2018, the gearing ratio of the Group (consolidated net borrowings/total equity) was 41.6% (31 December 2017: 45.0%).

As at 30 June 2018, other than the non-current portion of bank borrowings of HK\$1,634.6 million (31 December 2017: HK\$1,240.3 million), the Group had bank and other borrowings of HK\$2,567.8 million (31 December 2017: bank loans of HK\$2,235.0 million and convertible bonds of HK\$445.8 million) which will be repayable within one year from the end of the reporting period.

Bank borrowings carry interest rate ranging from 2.4% per annum (“p.a.”) to 6.97% p.a. (31 December 2017: carry interest rate ranging from 2.05% p.a. to 6.175% p.a.).

## **BUSINESS REVIEW**

The Group is a world-leading solutions provider of high-precision structures for smart mobile communications and consumer electronic products, which principally engages in the design, research and development (“R&D”), manufacture and sales of exterior parts and high-precision components. Its major products cover the markets of handsets, home appliances, automotive, household and sports goods and network communications facilities, etc. During the Period, with the growth in the shipment volume from major handset customers, revenue grew by 14.7% from HK\$3,618.2 million in the corresponding period of last year to approximately HK\$4,150.3 million and the gross profit margin decreased slightly to 23.1%. Net profit attributable to owners of the Company increased from HK\$290.5 million in the corresponding period of last year by 44.2% to approximately HK\$418.9 million.

### **Handset Casings and High-precision Components**

This business primarily consists of various handset casings, tri-proof (waterproof/dustproof/shockproof) high-precision components, high-precision insert molding parts and high-precision rubber molding parts. This business recorded an increase of 22.9% from HK\$2,355.5 million in the corresponding period of last year to HK\$2,894.9 million, representing 69.7% of the total turnover. During the Period, the major growth of a variety of domestic handset brands were derived from export markets. The performances of the Group’s major customers in overseas markets have been satisfactory. Therefore the Group has continued to adjust the customer mix and product portfolio during the Period, and to expand the scope of its cooperation with major handset customers.

In order to cater to the physical demand for wireless charging and changes in design of international high-end handsets, the trend in the handset market shifted from being dominated by metal casings last year to introducing In-Mold Transfer (IMT) uni-body casings with a texture similar to glass or metal middle frames with

non-metal back covers (such as 2.5D/3D IMT, composite materials, glass or ceramic back covers) as fashionable specifications. As a major domestic supplier of IMT casings, the Group focuses on providing non-metal back covers and uni-body casings for handset models with a large shipment volume and a high price-performance ratio. The demand for these models has risen rapidly during the Period while that for traditional metal handset casings has remained stable.

As for the tri-proof and high-precision components, the Group's additional production capacity for these components was gradually put into production in the first half of the year. In addition, the Group proactively carried out product R&D, staff recruitment and training for the new project of a major customer in the second half of the year, in order to deal with further diversified products and orders during that time. The expansion of production capacity, increase in staff and major R&D and trial production for new products has combined to affect our profit margin. The specialised team of the Group worked closely with its customers and is currently participated in their different business divisions to achieve horizontal expansion of multiple products and lay a firm foundation for long-term partnership.

### **Smart Electrical Appliances Casings**

During the Period under Review, the sales of the smart electrical appliances casings business has increased by 32.4% from HK\$381.8 million in the corresponding period of last year to HK\$505.6 million, representing 12.2% of the total turnover. This business primarily engages in manufacturing control panels, metal accessories and casings for high-end electrical appliances for Chinese and international brands, and its products include smart home appliances, such as air-conditioners, washing machines and refrigerators, which are applicable to the Internet of Things (IoT).

### **Household and Sports Goods**

During the Period under Review, revenue of this division increased by 33.2% from HK\$267.7 million in the corresponding period of last year to HK\$356.6 million, representing 8.6% of the turnover. The Group primarily supplies durable household goods, household utensils and sports goods to European and American brands.

## Network Communications Facilities and Others

During the Period under Review, revenue of this division has decreased by 16.0% from HK\$368.9 million in the corresponding period of last year to HK\$309.7 million, representing 7.5% of the turnover. The Group mainly produces set top boxes casings and interior decorations of automotive for customers in Europe and the United States of America (the “U.S.”). The Group has currently secured over 30 orders from ten automotive brands, for part of which the design and trial production have been undergone in the first half of this year. Together with the stable production for the existing projects, the overall business has rapidly developed.

A percentage breakdown of total revenue by product categories for the six months ended 30 June 2018 and a comparison with the corresponding period of last year are as follows:

	<b>2018</b>	2017
i. Handset Casings and High-precision Components	<b>69.7%</b>	65.1%
ii. Smart Electrical Appliances Casings	<b>12.2%</b>	10.6%
iii. Household and Sports Goods	<b>8.6%</b>	7.4%
iv. Network Communications Facilities and Others	<b>7.5%</b>	10.2%
v. Notebook Computers	<b>2.0%</b>	6.7%

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## Prospects

With the rapid growth in the past few years, the handset industry is reaching its maturity with the continuous integration of various brands in China. The Group faces increasingly intensified competition, which requires it to optimise its own competitive advantages in order to secure its market share in a saturated market. The surface decorating technology owned by the Group is applicable to different materials, forming a matrix with various craftsmanship techniques and technologies for a wide range of products to lead the market in quality and scale. Some examples include the film processing technology applicable to high-precision plastics, composite materials and glass back covers, techniques applied to metal casings including compound die casting, Nano molding technology, CNC processing and anodization, the hot bending technology for manufacturing 3D glass, molding technologies for producing high-precision rubber and liquid-silicone rubber and the high-precision molding craftsmanship necessary for various high-precision customized products. All of these enable the Group to cater to shifting trends more efficiently.

The proportion of the high-precision components business will keep increasing at a fast pace. The Group is working closely with various business divisions of its major customers. In the future, more efforts will be devoted to R&D so as to broaden its own technical capabilities. The Group will be dedicated to closely coordinate and carry out development with them in close concert at the initial design stage in order to seize greater involvements in projects and a larger share of their business. It would also proactively expand the product lines with its customers so as to forge a more solid and lasting partnership.

In face of the unstable global markets and maturing handset industry, together with the potential risks of a U.S.-China trade dispute and the swift depreciation of the Renminbi, our gross profit margin may be subject to continuous pressure if situation worsens. The Group will keep abreast of the market conditions based on its technological development and quality customer base. It is committed to increase the Company's production efficiency and comprehensive competitiveness through enhancing its capacity for product innovation, and improving cost control and management, in order to ultimately achieve sustainable and stable growth.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	2017
	Notes	<b>HK\$'000</b>	HK\$'000
REVENUE	4	<b>4,150,302</b>	3,618,238
Cost of sales		<b>(3,191,557)</b>	(2,698,715)
Gross profit		<b>958,745</b>	919,523
Other income and gains, net		<b>40,843</b>	50,898
Selling and distribution expenses		<b>(76,119)</b>	(60,353)
Administrative expenses		<b>(423,221)</b>	(395,263)
Other operating income/(expenses), net		<b>82,668</b>	(88,756)
Finance costs		<b>(81,122)</b>	(42,713)
Share of profit of a jointly-controlled entity		<b>979</b>	2,483
PROFIT BEFORE TAX	5	<b>502,773</b>	385,819
Income tax expense	6	<b>(85,488)</b>	(86,303)
PROFIT FOR THE PERIOD		<b>417,285</b>	299,516
Attributable to:			
Owners of the Company		<b>418,943</b>	290,499
Non-controlling interests		<b>(1,658)</b>	9,017
		<b>417,285</b>	299,516
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		<b>HK6.91 cents</b>	HK4.92 cents
– Diluted		<b>HK6.66 cents</b>	HK4.64 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
PROFIT FOR THE PERIOD	<b>417,285</b>	299,516
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	<b>1,706</b>	1,614
Income tax effect	<b>(281)</b>	(266)
	<b>1,425</b>	1,348
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	<b>394,547</b>	(157,532)
– jointly-controlled entity	<b>4,310</b>	–
Release of exchange fluctuation reserve upon disposal of a subsidiary	<b>(116)</b>	–
	<b>398,741</b>	(157,532)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<b>400,166</b>	(156,184)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>817,451</b>	143,332
ATTRIBUTABLE TO:		
Owners of the Company	<b>818,171</b>	134,627
Non-controlling interests	<b>(720)</b>	8,705
	<b>817,451</b>	143,332



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>4,865,221</b>	4,238,665
Investment property	10	<b>72,125</b>	63,807
Prepaid land lease payments		<b>290,204</b>	272,120
Investments in associates		<b>134</b>	134
Investment in a jointly-controlled entity		<b>72,900</b>	67,611
Prepayments		<b>55,211</b>	52,669
Long term deposits		<b>433,823</b>	344,751
Loan receivables		<b>59,636</b>	59,439
Deferred tax assets		<b>3,703</b>	3,703
<b>Total non-current assets</b>		<b>5,852,957</b>	5,102,899
<b>CURRENT ASSETS</b>			
Inventories	11	<b>2,973,989</b>	2,676,519
Trade and bills receivables	12	<b>3,317,931</b>	3,890,809
Prepayments, deposits and other receivables		<b>652,872</b>	514,132
Due from a jointly-controlled entity		<b>32,961</b>	18,944
Loans to a jointly-controlled entity		<b>153,585</b>	144,380
Tax recoverable		<b>8,393</b>	1,825
Pledged deposits		<b>485,492</b>	481,700
Cash and cash equivalents		<b>1,010,959</b>	792,494
<b>Total current assets</b>		<b>8,636,182</b>	8,520,803
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>2,768,209</b>	2,755,932
Accrued liabilities and other payables		<b>472,621</b>	501,454
Interest-bearing bank and other borrowings	14	<b>2,567,829</b>	2,234,998
Convertible bonds	15(iv)	<b>–</b>	445,838
Due to a jointly-controlled entity		<b>229,722</b>	211,086
Tax payable		<b>185,917</b>	231,120
<b>Total current liabilities</b>		<b>6,224,298</b>	6,380,428

		<b>Unaudited 30 June 2018 HK\$'000</b>	Audited 31 December 2017 HK\$'000
NET CURRENT ASSETS		<b>2,411,884</b>	2,140,375
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>8,264,841</b>	7,243,274
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	<b>1,634,647</b>	1,240,301
Due to a former non-controlling shareholder of a subsidiary		<b>30,034</b>	30,034
Deferred tax liabilities		<b>94,798</b>	87,642
Total non-current liabilities		<b>1,759,479</b>	1,357,977
Net assets		<b>6,505,362</b>	5,885,297
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	<b>62,972</b>	60,517
Reserves		<b>6,404,318</b>	5,773,900
NON-CONTROLLING INTERESTS		<b>6,467,290</b>	5,834,417
		<b>38,072</b>	50,880
Total equity		<b>6,505,362</b>	5,885,297

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2018  
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018	60,517	1,340,928	3,541	22,708	(125,657)	37,928	297,507	884	(64,364)	4,280,425	5,834,417	50,880	5,885,297
Profit for the period	-	-	-	-	-	-	-	-	-	418,943	418,943	(1,658)	417,285
Other comprehensive income/(expense) for the period:													
Gain on property revaluation, net of tax	-	-	-	-	-	1,425	-	-	-	-	1,425	-	1,425
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	397,919	-	397,919	938	398,857
Release of exchange fluctuation reserve upon disposal of a subsidiary (note 5)	-	-	-	-	-	-	-	-	(116)	-	(116)	-	(116)
Total comprehensive income for the period	-	-	-	-	-	1,425	-	-	397,803	418,943	818,171	(720)	817,451
Transfer to statutory reserve	-	-	-	-	-	-	38,000	-	-	(38,000)	-	-	-
Shares issued upon conversion of convertible bonds	2,455	405,753	(3,208)	-	-	-	-	-	-	-	405,000	-	405,000
Redemption of convertible bonds (note 15(iv))	-	333	(333)	-	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	5,836	-	-	-	-	-	-	5,836	-	5,836
Final 2017 dividend declared (note 7)	-	(229,965)	-	-	-	-	-	-	-	-	(229,965)	-	(229,965)
Release upon distribution of Tongda Hong Tai Holdings Limited	-	-	-	-	-	-	(15,078)	-	808	14,270	-	-	-
Special interim dividend (note 7)	-	(366,174)	-	-	-	-	-	-	-	-	(366,174)	-	(366,174)
Release of reserves and retained earnings upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	5	5	-	5
Dividend distributed to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(12,088)	(12,088)
At 30 June 2018	62,972	1,150,875*	-*	28,544*	(125,657)*	39,353*	320,429*	884*	334,247*	4,655,643*	6,467,290	38,072	6,505,362

Unaudited six months ended 30 June 2017  
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Equity component		Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
			Share of convertible bonds HK\$'000	Share option reserve HK\$'000									
At 1 January 2017	57,805	1,228,053	6,972	32,412	(125,657)	32,240	286,087	287	(116,618)	3,266,317	4,667,898	(1,593)	4,666,305
Profit for the period	-	-	-	-	-	-	-	-	-	290,499	290,499	9,017	299,516
Other comprehensive income/(expense) for the period:													
Gain on property revaluation, net of tax	-	-	-	-	-	1,348	-	-	-	-	1,348	-	1,348
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(157,220)	-	(157,220)	(312)	(157,532)
Total comprehensive income for the period	-	-	-	-	-	1,348	-	-	(157,220)	290,499	134,627	8,705	143,332
Repurchase and cancellation of shares	(597)	(130,171)	-	-	-	-	-	597	-	(597)	(130,768)	-	(130,768)
Shares issued upon conversion of convertible bonds	2,405	434,026	(3,431)	-	-	-	-	-	-	-	433,000	-	433,000
Shares issued upon exercise of share options	904	100,414	-	(26,520)	-	-	-	-	-	-	74,798	-	74,798
Equity-settled share option arrangements	-	-	-	9,554	-	-	-	-	-	-	9,554	-	9,554
Final 2016 dividend declared (note 7)	-	(195,565)	-	-	-	-	-	-	-	-	(195,565)	-	(195,565)
At 30 June 2017	60,517	1,436,757*	3,541*	15,446*	(125,657)*	33,588*	286,087*	884*	(273,838)*	3,556,219*	4,993,544	7,112	5,000,656

\* These reserve accounts comprise the consolidated reserves of HK\$6,404,318,000 (30 June 2017: HK\$4,993,027,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<b>203,500</b>	224,824
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	<b>5,483</b>	3,842
Purchases of items of property, plant and equipment	<b>(362,106)</b>	(397,679)
Increase in prepaid land lease prepayments	<b>(4,287)</b>	(807)
Proceeds from disposal of items of property, plant and equipment	<b>13,583</b>	44,666
Increase in loans to a jointly-controlled entity	<b>(9,205)</b>	(26,348)
Decrease in loan receivables	<b>3,250</b>	–
Increase in long term deposits	<b>(433,823)</b>	(406,398)
Increase in pledged deposits	<b>(3,792)</b>	(102,803)
Disposal of a subsidiary (note 5)	<b>(512)</b>	–
Spin-off of subsidiaries	<b>(22,699)</b>	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(814,108)</b>	(885,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	<b>2,936,430</b>	1,598,418
Repayment of bank loans	<b>(1,938,855)</b>	(859,886)
Repurchase of shares	–	(130,768)
Proceeds from exercise of share options	–	74,798
Redemption of convertible bonds (note 15(iv))	<b>(42,000)</b>	–
Dividends paid (note 7)	<b>(229,965)</b>	(195,565)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<b>725,610</b>	486,997

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>115,002</b>	(173,706)
Cash and cash equivalents at beginning of period	<b>792,494</b>	869,082
Effect of foreign exchange rate changes, net	<b>103,463</b>	(92,902)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,010,959</b>	602,474
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<b>1,010,959</b>	602,474

# 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 address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are manufacture and sale of components of handsets, notebook computers and electrical appliances, ironware products and other electronic 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 of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKASs”) 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 2017.

### 3. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted are consistent with those adopted in the Group's financial statements for the year ended 31 December 2017 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, which are effective for accounting period beginning on 1 January 2018 and as disclosed below.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below, the adoption of the new and revised HKFRSs and HKASs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented.



## **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's condensed consolidated interim financial statements.

## **HKFRS 9 Financial Instruments**

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

### *(a) Classification and measurement*

To determine their classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of cash and cash equivalents, pledged deposits, loan receivables, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, loans to a jointly-controlled entity, and an amount due from a jointly-controlled entity, have been replaced by debt instruments at amortised cost under HKFRS 9.

The accounting for financial liabilities remains largely the same as it was under HKAS 39.

(b) *Impairment*

The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. The Group applies the general approach and record twelve months expected losses on its financial assets included in prepayments, deposits and other receivables, loans to a jointly-controlled entity and an amount due from a jointly-controlled entity.

All the other amendments and interpretations applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

#### 4. OPERATING SEGMENT INFORMATION

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

- (a) the handset casings and high-precision components segment consists of various handset casings, tri-proof (waterproof/dustproof/shockproof) high-precision components, high-precision insert molding parts and high-precision rubber molding parts;
- (b) the smart electrical appliances casings segment engages in manufacturing control panels, metal accessories and casings for high-end electrical appliances, and its products include smart home appliances, such as air-conditioners, washing machines and refrigerators;
- (c) the household and sports goods segment consists of durable household goods, household utensils and sports goods;
- (d) the network communications facilities and others segment produces set top boxes casings and interior decorations of automotive; and
- (e) the notebook computers segment produces notebook and tablet casings made of precision metal and plastics. The Group has spun off its notebook and tablet casings manufacturing business, which was listed on the Main Board of The Stock Exchange of Hong Kong Limited, on 16 March 2018, so as to concentrate resources on its development of handset-related core businesses. Upon completion of the spin-off, the Group would no longer be involved in the computer hardware business.

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

Segment assets exclude investments in associates, an investment in a jointly-controlled entity, deferred tax assets, loan receivables, tax recoverable, loans to a jointly-controlled entity, amounts due from a jointly-controlled entity, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

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

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

During the Period, management changed its reporting segments to (i) handset casings and high-precision components; (ii) smart electrical appliances casings; (iii) household and sports goods; (iv) network communications facilities and others; and (v) notebook computers as a result of reorganisation of business units and spin-off of Tongda Hong Tai Holdings Limited ("THT").

For the notebook computers segment, the operation was discontinued upon the spin-off of THT.

The corresponding information for the period ended 30 June 2017 and at 31 December 2017 has been re-presented accordingly.

	Unaudited six months ended 30 June															
	Handset casings and high-precision components				Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Notebook computers		Consolidated			
	2018		2017		2018		2017		2018		2017		2018		2017	
	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	HK\$'000	HK\$'000	
<b>Segment revenue:</b>																
Sales to external customers	2,894,931	2,355,479	505,625	381,767	356,629	267,718	309,676	368,939	83,441	244,335	4,150,302	3,618,238				
Segment results before depreciation and amortisation	596,179	469,159	46,902	29,927	69,749	71,196	67,243	(620)	1,009	20,664	781,082	590,326				
Depreciation	(139,699)	(132,818)	(20,072)	(20,066)	(6,341)	(2,613)	(37,497)	(23,448)	(2,953)	(7,912)	(206,562)	(186,857)				
Amortisation	(1,052)	(720)	(1,835)	(977)	-	-	(1,458)	(1,435)	-	-	(4,345)	(3,132)				
Segment results	455,428	335,621	24,995	8,884	63,408	68,583	28,288	(25,503)	(1,944)	12,752	570,175	400,337				
Unallocated income												40,843	50,898			
Corporate and other unallocated expenses												(28,102)	(25,186)			
Finance costs												(81,122)	(42,713)			
Share of profit of a jointly-controlled entity												979	2,483			
Profit before tax												502,773	385,819			
Income tax expense												(85,488)	(86,303)			
Profit for the period												417,285	299,516			

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Unaudited 30 June 2018					Consolidated HK\$'000
	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	Notebook computers HK\$'000	
Segment assets	8,663,329	2,137,258	334,903	1,525,886	-	12,661,376
Unallocated assets						1,827,763
Total assets						14,489,139
Segment liabilities	2,280,794	445,552	147,274	367,210	-	3,240,830
Unallocated liabilities						4,742,947
Total liabilities						7,983,777
	31 December 2017					
	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	Notebook computers HK\$'000	Consolidated HK\$'000
Segment assets	7,540,646	2,008,363	296,871	1,511,444	696,148	12,053,472
Unallocated assets						1,570,230
Total assets						13,623,702
Segment liabilities	2,127,230	453,767	159,940	404,178	112,271	3,257,386
Unallocated liabilities						4,481,019
Total liabilities						7,738,405

The following table presents unaudited revenue for the Group's geographical information for the six months ended 30 June 2018 and 2017.

	Unaudited six months ended 30 June							
	Mainland China		Southeast Asia		Others		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<b>3,799,260</b>	3,258,415	<b>83,295</b>	142,354	<b>267,747</b>	217,469	<b>4,150,302</b>	3,618,238

### Information about major customers

For the six months ended 30 June 2018, revenue of approximately HK\$1,822,547,000 (30 June 2017: HK\$916,656,000), representing 43.9% (30 June 2017: 25.3%) of the Group's revenue, was derived from sales by the handset casings and high-precision components segment to one customer, including sales to a group of entities which are known to be under common control of this customer.

## 5. PROFIT BEFORE TAX

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid land lease payments	<b>3,530</b>	2,395
Amortisation of prepayments	<b>815</b>	737
Depreciation	<b>206,562</b>	186,857
Research and development costs	<b>212,099</b>	167,397
Salaries and wages	<b>969,772</b>	754,637
Impairment of trade receivables	<b>7,364</b>	43,879
Impairment of other receivables	<b>–</b>	9,939
Write-back of impairment of trade receivables	<b>(13,496)</b>	–
Provision against obsolete inventories	<b>9,094</b>	15,821
Foreign exchange differences, net	<b>(84,073)</b>	22,690
Loss on disposal of items of property, plant and equipment	<b>2,922</b>	6,555
Gain on disposal of a subsidiary (Note)	<b>(3,568)</b>	–
Change in fair value of an investment property	<b>(4,250)</b>	(938)
Interest income	<b>(5,092)</b>	(2,497)
Equity-settled share option expense	<b>5,836</b>	9,554

Note: During the period ended 30 June 2018, the Group entered into an agreement with an independent third party, to dispose of 100% interest in 重慶新通達科技有限公司, resulting in a gain on disposal of HK\$3,568,000. The disposal was completed on 29 June 2018.



## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian), 深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited), 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited), 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited) and 廈門市創智實業有限公司 (Tongda (Xiamen) Smart Tech Industry Company Limited) are subject to a preferential tax rate of 15% under High New Technology Enterprises.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong	<b>10,736</b>	9,996
Current – Elsewhere		
Charge for the period	<b>69,950</b>	74,596
Overprovision in prior years	<b>(1,229)</b>	(1,402)
	<b>68,721</b>	73,194
Deferred	<b>6,031</b>	3,113
Total tax charge for the period	<b>85,488</b>	86,303

## 7. DIVIDENDS

**Unaudited**  
**Six months ended 30 June**

<b>2018</b>	2017
<b>HK\$'000</b>	HK\$'000

Dividends paid during the period:

Final dividend declared of HK3.8 cents per ordinary share in respect of the financial year ended 31 December 2017 (2017: final dividend declared and paid in respect of the financial year ended 31 December 2016 – HK3.2 cents per ordinary share)

<b>229,965</b>	195,565
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Special interim dividend (Note)

<b>366,174</b>	–
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Note: On 14 February 2018, the board of directors declared a special interim dividend in relation to the spin-off of THT. The qualifying shareholders were entitled to one THT Share for every 40 Shares of the Company. On the basis of 6,051,725,553 Shares in issue as of 14 February 2018, a total of 151,293,138 THT Shares, representing all the THT Shares in issue on the same date, was distributed to the qualifying shareholders on a pro rata basis.

At the board meeting held on 21 August 2018, the board of directors declared and approved an interim dividend of HK2.0 cents per ordinary share (2017: HK1.6 cents) totalling HK\$125,944,000 (2017: HK\$96,828,000).

## 8. EARNINGS PER SHARE

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company used in the basic earnings per share calculation	<b>418,943</b>	290,499
Interest on convertible bonds	<b>1,369</b>	3,366
	<b>420,312</b>	293,865
	<b>'000</b>	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>6,064,925</b>	5,908,663
Effect of dilutive potential ordinary shares arising from		
– share options	<b>–</b>	28,025
– convertible bonds	<b>250,045</b>	391,197
	<b>6,314,970</b>	6,327,885

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$702,923,000 (30 June 2017: HK\$596,043,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$16,505,000 (30 June 2017: HK\$51,221,000) for proceeds of approximately HK\$13,583,000 (30 June 2017: HK\$44,666,000).

At 30 June 2018, the Group's leasehold building situated in Hong Kong was revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$51,300,000 (31 December 2017: HK\$50,200,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong is its highest and best use.

A revaluation surplus of HK\$1,706,000 (30 June 2017: HK\$1,614,000), resulting from the above valuation, has been credited to asset revaluation reserve. The resulting increase in deferred tax liability of HK\$281,000 (30 June 2017: HK\$266,000) arising from the revaluation has also been debited in the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong with a net carrying amount of HK\$51,300,000 (31 December 2017: HK\$50,200,000) was pledged to secure bank loans granted to the Group.

## 10. INVESTMENT PROPERTY

The Group's investment property was revalued on 30 June 2018 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers at HK\$72,125,000 (31 December 2017: HK\$63,807,000). Consequently, gain in fair value change of an investment property of HK\$4,250,000 (30 June 2017: HK\$938,000) and credit exchange realignment of HK\$4,068,000 (30 June 2017: HK\$1,649,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2018. In the opinion of the directors, the current use of the investment property is its highest and best use.

## 11. INVENTORIES

	<b>Unaudited 30 June 2018 HK\$'000</b>	Audited 31 December 2017 HK\$'000
Raw materials	<b>771,145</b>	602,622
Work in progress	<b>643,945</b>	726,350
Finished goods	<b>1,558,899</b>	1,347,547
	<b>2,973,989</b>	2,676,519

As at 30 June 2018, moulds of HK\$543,654,000 (31 December 2017: HK\$430,710,000) are included in the finished goods.

## 12. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>3,330,365</b>	3,654,865
Impairment allowances	<b>(46,107)</b>	(53,266)
	<b>3,284,258</b>	3,601,599
Bills receivables	<b>33,673</b>	289,210
	<b>3,317,931</b>	3,890,809

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing. At the end of reporting period, 52.7% (31 December 2017: 37.9%) and 62.5% (31 December 2017: 59.6%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

The following is an analysis of trade and bills receivables by age, presented based on the invoice date:

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>HK\$'000</b>	Audited 31 December 2017 HK\$'000
Within 3 months	<b>3,075,870</b>	3,632,123
4 to 6 months, inclusive	<b>229,390</b>	212,220
7 to 9 months, inclusive	<b>10,430</b>	23,240
10 to 12 months, inclusive	<b>4,931</b>	11,821
More than 1 year	<b>43,417</b>	64,671
	<b>3,364,038</b>	3,944,075
Impairment allowances	<b>(46,107)</b>	(53,266)
	<b>3,317,931</b>	3,890,809

### 13. TRADE AND BILLS PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>HK\$'000</b>	Audited 31 December 2017 HK\$'000
Trade payables	<b>1,386,256</b>	1,446,832
Bills payable	<b>1,381,953</b>	1,309,100
	<b>2,768,209</b>	2,755,932

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. The following is an analysis of trade and bills payables by age, presented based on the invoice date:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>2,008,740</b>	1,965,095
4 to 6 months, inclusive	<b>671,422</b>	753,955
7 to 9 months, inclusive	<b>28,185</b>	6,221
10 to 12 months, inclusive	<b>39,178</b>	11,117
More than 1 year	<b>20,684</b>	19,544
	<b>2,768,209</b>	2,755,932

#### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2018, the Group repaid bank and other borrowings of approximately HK\$1,938,855,000 (30 June 2017: HK\$859,886,000) and raised new bank and other borrowings of approximately HK\$2,936,430,000 (30 June 2017: HK\$1,598,418,000).



## 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each, authorised:		
Balance at 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2017	5,780,450,000	57,805
Shares issued upon exercise of share options (note (i))	90,400,000	904
Conversion of convertible bonds (note (ii))	240,555,553	2,405
Shares repurchased (note (iii))	(59,680,000)	(597)
At 31 December 2017 and 1 January 2018	6,051,725,553	60,517
Conversion of convertible bonds (note (iv))	245,454,544	2,455
At 30 June 2018	6,297,180,097	62,972

Notes:

- (i) During the year ended 31 December 2017, an aggregate of 90,400,000 share options have been exercised at a weighted average subscription price of HK\$0.8274 per share resulting in the issue of 90,400,000 shares of HK\$0.01 each for a total amount of HK\$74,798,000, representing new share capital of HK\$904,000 and share premium of HK\$73,894,000 for a total cash consideration, before expenses, of HK\$74,798,000. An amount of HK\$26,520,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (ii) During the year ended 31 December 2017, the convertible bonds with a principal amount of HK\$432,999,000 were converted into 240,555,553 shares of HK\$0.01 each at the conversion price of HK\$1.80 per share, of which HK\$2,405,000 was credited to share capital and HK\$434,025,000 was credited to share premium.
- (iii) During the year ended 31 December 2017, the Company repurchased its 59,680,000 shares at prices ranging from HK\$1.97 to HK\$2.46 per share at a total consideration of HK\$130,768,000. The 59,680,000 repurchased ordinary shares were canceled during the period. The premium of HK\$130,171,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK\$597,000 was transferred from retained profits of the Company to the capital redemption reserve.
- (iv) During the period ended 30 June 2018, the convertible bonds with a principal amount of HK\$405,000,000 was converted into 245,454,544 shares of HK\$0.01 each at the conversion price of HK\$1.65 per share, of which HK\$2,455,000 was credited to share capital and share premium of HK\$405,753,000 was credited to share premium. Upon the maturity of the convertible bonds, the remaining amount was paid to bond holders and the equity component of convertible bonds was debited.

## 16. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 June 2013 for the primary purpose of providing incentives or rewards to the selected eligible participants who contribute to the success of the Group's operations, and will expire on 24 June 2023. Details of the Scheme were disclosed in the consolidated financial statements for the year ended 31 December 2017.

The table below discloses movement of the Company's share options held by the Group's employees and directors:

	Number of share options '000
Outstanding as at 1 January 2017	148,400
Exercised during the year	(90,400)
Balance at 31 December 2017	58,000
Exercised during the period	–
Outstanding as at 30 June 2018	58,000

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at the end of the reporting period	Vesting period	Exercise period	Exercise Price
September 2016	9/9/2016	14,200,000	9/9/2016-8/9/2017	9/9/2017-8/9/2020	HK\$1.80
		43,800,000	9/9/2016-8/9/2018	9/9/2018-8/9/2020	HK\$1.80

The Group recognised an expense of HK\$5,836,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$9,554,000) in relation to the share options granted by the Company.

## 17. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

During the period ended 30 June 2018, the Group sub-leases one of its factories under operating lease arrangements with leases negotiated for terms of three years. The terms of the leases also require the tenant to pay security deposits and monthly utilities expenses.

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	<b>Unaudited 30 June 2018 HK\$'000</b>	Audited 31 December 2017 HK\$'000
Within one year	<b>4,990</b>	4,691
In the second to fifth years, inclusive	<b>4,158</b>	6,254
	<b>9,148</b>	10,945

### (b) As lessee

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited 30 June 2018 HK\$'000</b>	Audited 31 December 2017 HK\$'000
Within one year	<b>18,203</b>	34,015
In the second to fifth years, inclusive	<b>29,355</b>	39,760
After five years	<b>11,303</b>	17,067
	<b>58,861</b>	90,842

## 18. COMMITMENTS

In addition to the operating lease commitments set out in note 17(b) above, the Group had the following capital commitments contracted but not provided for, at the end of the reporting period:

	<b>Unaudited</b> <b>30 June</b> <b>2018</b> <b>HK\$'000</b>	Audited 31 December 2017 HK\$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	<b>330,331</b>	429,430
– Construction of leasehold buildings in Mainland China	<b>382,750</b>	237,540
	<b>713,081</b>	666,970

## 19. CONTINGENT LIABILITIES

At 30 June 2018, 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\$2,504,794,000 (31 December 2017: HK\$2,554,467,000). Save as disclosed above, the Group did not have any significant contingent liabilities as at the end of the reporting period.

## 20. RELATED PARTIES TRANSACTIONS

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	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
A related company controlled by directors of the Company:			
Rental expense	(i)	<b>2,475</b>	2,237
A jointly-controlled entity:			
Rental income and utility charges	(ii)	<b>16,001</b>	10,067
Subcontracting fee	(iii)	<b>137,793</b>	147,705
Interest income	(iv)	<b>390</b>	–
Purchase of property, plant and equipment	(v)	<b>48,077</b>	–

Notes:

- (i) The rental expense paid to a related company controlled by a director of the Company was charged at a monthly rate of RMB330,000 for the period ended 30 June 2018 (2017: RMB330,000) by reference to a lease agreement entered into between the related company and the Group on 23 December 2015.
- (ii) The rental income and utility charges from a jointly-controlled entity represented rental charged for a factory premises at a monthly rate of RMB332,640 for the period ended 30 June 2018 (2017: RMB166,800) by reference to lease agreements entered into between the jointly-controlled entity and the Group on 1 May 2017 and the related utility charges.
- (iii) The subcontracting fee to a jointly-controlled entity was made on a basis mutually agreed by both parties.
- (iv) The interest income was charged at 2% per annum on the loan balances to the jointly-controlled entity.
- (v) The purchase of property, plant and equipment from the jointly-controlled entity was made on a basis mutually agreed by both parties.

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

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, amounts due from a jointly-controlled entity, loan receivables, loans to a jointly-controlled entity, financial assets included in prepayments, deposits and other receivables, financial liabilities included in accrued liabilities and other payables, trade and bills payables, amounts due to a jointly-controlled entity and a former non-controlling shareholder of a subsidiary, convertible bonds and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

During the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 22. TRANSFERRED FINANCIAL ASSETS

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

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

	Unaudited 30 June 2018		
	Trade receivables Note (a) HK\$'000	Bills receivable Notes (b) and (c) HK\$'000	Total HK\$'000
Carrying amount of assets that continued to be recognised	225,876	17,121	242,997
Carrying amount of associated liabilities	206,739	17,121	223,860
	Audited 31 December 2017		
	Trade receivables Note (a) HK\$'000	Bills receivable Notes (b) and (c) HK\$'000	Total HK\$'000
Carrying amount of assets that continued to be recognised	401,211	101,813	503,024
Carrying amount of associated liabilities	364,333	101,813	466,146



Notes:

**(a) Trade receivables factoring**

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “Factoring Arrangement”) and transferred certain trade receivables to a bank. Under the Factoring Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 30 days. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Factoring Arrangement that have not been settled as at 30 June 2018 was HK\$225,876,000 (31 December 2017: HK\$401,211,000). The carrying amount of the assets that the Group continued to recognise as at 30 June 2018 was HK\$225,876,000 (31 December 2017: HK\$401,211,000) and that of the associated liabilities as at 30 June 2018 was HK\$206,739,000 (31 December 2017: HK\$364,333,000).

**(b) Discounting of bills receivable**

At 31 December 2017, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$9,164,000 to certain local banks and certain local financial institutions in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loans recognised due to the Discounted Bills was HK\$9,164,000 as at 31 December 2017.

**(c) Bills endorsement under the Law of Negotiable Instruments of the PRC**

At 30 June 2018, the Group endorsed certain bills receivable accepted by certain local banks and certain local financial institutions in the PRC (the “Endorsed Bills”) with a carrying amount of HK\$17,121,000 (31 December 2017: HK\$92,649,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was HK\$17,121,000 (31 December 2017: HK\$92,649,000) as at 30 June 2018.

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

**(a) Discounting of bills receivable**

At 30 June 2018, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$275,388,000 (31 December 2017: HK\$310,901,000) to certain reputable banks and a financial institution in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have maturity period from three to six months.

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

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

At 30 June 2018, the Group endorsed certain bills receivable accepted by certain reputable banks in the PRC (the “Derecognised Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK\$144,453,000 (31 December 2017: HK\$100,802,000). The Derecognised Endorsed Bills have a maturity from one to seven months at the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Endorsed Bills are not significant.

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

## **23. COMPARATIVE AMOUNTS**

During the Period under Review, certain comparative amounts have been reclassified to conform with the current period’s presentation of the financial statements.

## **24. 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 21 August 2018.

## **SUPPLEMENTARY INFORMATION**

### **INTERIM DIVIDEND**

The Board declared an interim dividend of HK2.0 cents (2017: HK1.6 cents) per ordinary share for the six months ended 30 June 2018 payable on or about 5 October 2018 to shareholders whose names appear on the register of members of the Company on 12 September 2018.

### **CLOSURE OF REGISTER OF MEMBERS**

The record date for the interim dividend will be 12 September 2018. The register of members of the Company will be closed from 10 September 2018 to 12 September 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on 7 September 2018.

### **DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 June 2018, 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:

**Number of shares held, capacity and nature of interest**

Name of directors	Directly beneficially owned	Through controlled corporation	Note	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	406,810,000 (L)	1,724,490,000 (L) 155,010,000 (S)	1, 2, 4	2,131,300,000 (L) 155,010,000 (S)	33.85 2.46
Mr. Wang Ya Hua	91,220,000 (L)	1,428,490,000 (L) 155,010,000 (S)	1, 4	1,519,710,000 (L) 155,010,000 (S)	24.13 2.46
Mr. Wong Ah Yeung	119,300,000 (L)	1,428,490,000 (L) 155,010,000 (S)	1, 4	1,547,790,000 (L) 155,010,000 (S)	24.58 2.46
Mr. Wong Ah Yu	96,460,000 (L)	1,428,490,000 (L) 155,010,000 (S)	1, 4	1,524,950,000 (L) 155,010,000 (S)	24.22 2.46
Mr. Choi Wai Sang	32,750,000 (L)	78,750,000 (L)	3	111,500,000 (L)	1.77
Mr. Wang Ming Che	3,000,000 (L)	-		3,000,000 (L)	0.05
Dr. Yu Sun Say	21,610,000 (L)	-		21,610,000 (L)	0.34
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	-		5,950,000 (L)	0.09
Mr. Ting Leung Huel Stephen	6,450,000 (L)	-		6,450,000 (L)	0.10

L: Long position

S: Short position

Notes:

- 1,428,490,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").
- 296,000,000 shares are held by E-Growth Resources Limited ("E-Growth"), the 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.
- 155,010,000 shares were lent by Landmark Worldwide Holdings Limited to PAG-P Asia Fund L.P, pursuant to the stock lending agreement entered into between PAG-P Asia Fund L.P. and Landmark Worldwide Holdings Limited on 26 June 2015.

Save as disclosed above, as at 30 June 2018 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, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## **SHARE OPTION 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.

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

Name or category of participants	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	Number of share options			At 30 June 2018
					At 1 January 2018	Granted during the period	Exercised during the period	
<b>Directors</b>								
Mr. Wang Ya Nan	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
Mr. Wang Ya Hua	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
Mr. Wong Ah Yu	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
Mr. Wong Ah Yeung	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
Mr. Choi Wai Sang	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Mr. Wang Ming Che	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000

Name or category of participants	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	Number of share options			At 30 June 2018
					At 1 January 2018	Granted during the period	Exercised during the period	
Mr. Ting Leung Huel Stephen	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Mr. Cheung Wah Fung, Christopher, SBS, JP	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Dr. Yu Sun Say, GBM, GBS, SBS, JP	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
<b>Other employees</b>								
In aggregate	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	7,700,000	-	-	7,700,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	20,300,000	-	-	20,300,000
					58,000,000	-	-	58,000,000

\* 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.

At the date of approval of these interim financial statements, the Company had 58,000,000 share options outstanding under the Scheme, which represented approximately 0.92% of the Company's share in issue as at that date.



## SUBSTANTIAL SHAREHOLDERS

At 30 June 2018, 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 and short positions in the ordinary shares of the Company:

<b>Name of shareholder</b>	<b>Note</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	1,428,490,000 (L) 155,010,000 (S)	22.68 2.46
Mondrian Investment Partners Limited		Investment Manager	425,590,000 (L)	6.76
Wellington Management Group LLP		Investment Manager	398,267,157 (L)	6.32

L: Long position

S: Short position

- The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers. 155,010,000 shares were lent by Landmark Worldwide Holdings Limited to PAG-P Asia Fund L.P, pursuant to the stock lending agreement entered into between PAG-P Asia Fund L.P. and Landmark Worldwide Holdings Limited on 26 June 2015.

Save as disclosed above, as at 30 June 2018, 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, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period under Review.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, throughout the Period, 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 Articles of Association.

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 most appropriate under the circumstances.

## **AUDIT COMMITTEE**

The Audit Committee (the "AC") comprises three independent non-executive Directors, Mr. Ting Leung Huel Stephen ("Mr. Ting"), Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible for reviewing and supervising the risk management and internal control system of the Group.

The AC had reviewed the unaudited interim results of the Group for the six months ended 30 June 2018 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.

## EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Company nor any of its subsidiaries after the end of the financial period requiring disclosure in this report.

## BOARD OF DIRECTORS

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

On behalf of the Board

**Tongda Group Holdings Limited**

**Wang Ya Nan**

*Chairman*

Hong Kong, 21 August 2018