TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

Interim Report 2013

Incorporated in the Cayman Islands with limited liability

Stock Code: 698

CONTENTS

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(HK), FHKIoD
Mr. Cheung Wah Fung, Christopher, *JP*
Dr. Yu Sun Say, *GBS, SBS, JP*

Audit Committee

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

Nomination 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
China Construction Bank (Asia) Corporation Limited

In PRC:
Bank of China Limited
China Construction Bank Corporation
China Merchant Bank

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

Investor Relations

Strategic Financial Relations Limited
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18 Harcourt Road
Hong Kong

Registered Office

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P.O. Box 2681GT
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Grand Cayman, Cayman Islands

Head Office and Principal Place of Business

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Shui On Centre
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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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business and Financial Review

Tongda Group Holdings Limited (the "Group") achieved sustained and steady growth in the first half of 2013.

The weakness in the global economy extended into 2013. However, being the world's leading supplier of high-precision components of consumer electronic products, the Group seized the opportunity presented by the rapid take-up of smartphones markets and experienced growth through close partnerships with leading domestic and international brands. For the six months ended 30 June 2013 (the "Review Period"), turnover increased by 20.9% year-on-year to HK$1,689.7 million.

Despite the growing competitions in the industry, the Group leveraged its core technology of In-Mould Lamination ("IML") and focused on developing products with higher profit margin, gross profit increased by 15.1% to HK$355.6 million compared with HK$308.9 million for the corresponding period last year. The overall gross profit margin remained high at 21.0% (22.1% in the corresponding period last year).

As the expenses for research and development (R&D) of new and high technology increased and the wage level in the country rose slightly, administrative expenses increased to HK$128.6 million from HK$95.9 million for the corresponding period last year. Through automation of production process, stringent cost control measures and optimisation of resource and product mix, profit attributable to owners of the Company increased by 15.0% to HK$130.3 million compared with HK$113.3 million for the corresponding period last year. Net profit margin reached approximately 7.7% (8.1% in the corresponding period last year).

2. Operational Information by Division

a. Electrical Fittings Division

The Group has strategically diversified its businesses over the years to broaden income sources while balancing risks. The electrical fittings division was divided into three segments, namely handsets, notebook computers and electrical appliances. During the Review Period, revenue from electrical fittings division increased by HK$209.0 million to HK$1,355.9 million compared with HK$1,146.9 million for the corresponding period last year and accounted for 80.2% of the Group's total turnover. Turnover from handsets business increased significantly by 35.2%, turnover from electrical appliances increased by 6.3% and turnover from notebook computers decreased by 9.5%.

i. Handsets

The demand for smartphones has rapidly grown, the reputation and market share of domestic handset brands in the international market are also growing. As the main driver of the Group, handsets business was benefited from such growth and the sales contribution increased from 43.6% to 48.7%. Turnover of handsets division reached HK$823.1 million, representing a rapid growth of 35.2% from HK$608.9 million for the corresponding period last year. The Group has been working closely with a number of renowned fast growing domestic and international handset brands, such as Huawei, ZTE, Lenovo, Coolpad, TCL and Nokia. The Group's outstanding R&D team, product innovation capabilities and its investment in smartphone design technology, has enhanced the diversity and flexibility of its customers' products, while shortening the production lead time. Such advantages are well recognized by customers and enable the Group to capture both domestic and international markets and maintain its gross profit margin at a high level.

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

i. Handsets (Continued)

To deepen the partnership with our core customers, the Group will continue to focus on designing quality and fashionable handset casings, while developing ultra slim and functional components to provide products at reasonable prices with reliable quality. Of which, the Group has introduced Laser Direct Structuring ("LDS") technology to design a new generation of antenna system, and became the only supplier providing a vertical integrated supply chain of such system in China. The principle of LDS technology is using laser to activate metallic particles of plastic casings with metal components and metalize the plastic materials with copper sheets, this turns handset casing into antenna directly to receive signals. Such equipment was ready for operation in the Review Period and consensus was reached with its core customers. Small scale trial production is expected to begin in the second half of this year and commercial production will begin next year.

ii. Electrical Appliances

The China housing market has been gradually stabilized in the second half of 2012. The Central Government also decided to provide one-year subsidies for five types of energy efficient appliances such as air conditioners, refrigerators, washing machines and flat-screen TVs starting from June last year. Benefiting from the growth of domestic demand, sales of the Group's electrical appliances rebounded by 6.3% to HK$309.1 million from HK$290.7 million for the corresponding period of last year.

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

ii. Electrical Appliances (Continued)

The Group has maintained a solid partnership with leading domestic appliances brands including Midea, Haier and Gree for years. High-end electrical appliances accessories of the Group, such as IML large plastic appliance casings, are in line with the increasing demand for upmarket electrical appliances, which has made the Group a market leader in high-end appliance casings.

iii. Notebook Computers

Global notebook computer market is full of uncertainties and challenges, global shipments of notebook computer shrank in the first half of the year due to the increasing popularity of smartphones and tablets. The Group's notebook computer business was affected, with sales decreasing by 9.5% to HK$223.7 million. However, as the Group actively developed tablet market during the Review Period and the Group maintained good cooperative relationship with world renowned notebook computer brands such as Lenovo, Toshiba, Sony, NEC and Quanta, Compal, Asus and Acer, the four largest computer manufacturers in Taiwan, while our majors customers are from China and Japan, so the adverse industry only minimally effected the group as the demand in both markets are relatively stable.

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

iii. Notebook Computers (Continued)

High quality metal and ultra-thin computer casings are the main focus of mid-to-high-end notebook computer market. To ride on the market trend, the Group utilized technologies such as IML, In-Mould Decoration ("IMD"), laminated metal filming ("LMF") which mainly used in metallic materials, together with enhanced R&D, to produce sturdy and ultra-thin metal covers and accessories with different texture. As a one-stop precision structural components supplier, our leading capability of applying decorative materials, as well as R&D capacity are well recognized by our long-term customers. The newly developed LMF casings effectively maintain the hardness of metals while preserving the attractiveness of IML technology decoration, thus it was widely accepted by a number of brands in the period. The Group will continue to monitor market trends closely and satisfy the diverse needs of customers to ensure stable growth of the division.

b. Ironware Parts Division

To provide one-stop parts and components services and enhance its competitiveness, Tongda Group has focused on the production of aluminum parts and precision metal structures with different surface effects over years. Benefiting from the increasing trend of using metallic parts and casings on appliance casings, sales of the division increased by 63.8% to HK$224.3 million from HK$136.9 million in the corresponding period of last year.

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 digital satellite TV receivers and set top boxes and its major customers are from the Middle-East, Europe and United States. Sales of the division maintained to reach HK$109.5 million during the Review Period, representing a decrease of 4.1%.

d. Revenue Breakdown and Comparison of Products segments for the Six Months Ended 30 June 2013 and 2012

	2013	2012
Electrical Fittings Division	**80.2%**	82.0%
i. Handsets	***48.7%***	*43.6%*
ii. Electrical Appliances	***18.3%***	*20.7%*
iii. Notebook Computers	***13.2%***	*17.7%*
Ironware Parts Division	**13.3%**	9.8%
Communication Facilities Division and Other Business	**6.5%**	8.2%

3. Prospects

The Group is committed to developing casings and components for consumer electronics products with a goal of maintaining high gross profit margins and providing one-stop solution for casings and components through utilizing quality and diversified technologies. Despite of the weak global market, China's economy has maintained a stable development, which together with rapid increase in global smartphone demand, has provided a good foundation for a number of Chinese handset brands to rank among the world's ten largest mobile phone suppliers. Such development has proven the success of the Group's strategies.

Looking to the future, the Group will continue to increase investment in the handsets business and at the same time focus on electrical appliances and notebook computers business, allocate more resources to the application and research on new technology, materials and process, as well as provide high-end casings and precision structural components to customers. With our advantages of one-stop services, the Group can further broaden the customer base, and hence increase utilization rate of production facilities and enhance profitability in order to respond to the rapidly-changing and challenging markets. The Group will uphold the principle of prudent financial management, analyze carefully the market situation and actively strengthen operational capabilities to promote sustainable and steady development.

For handsets business, according to China Academy of Telecommunication Research of MIIT, shipments of the Chinese handset market increased 44.7% to 291 million units from January to June 2013 on a yearly basis, of which 3G handsets increased by 85% year-on-year. It is expected that granting of the license of the fourth generation wireless communication system (4G) will result in the next smartphone craze. To capture the market opportunities, the Group completed the development of LDS antenna technology during the Review Period and small-scale production is expected to begin in the second half of this year, mass production will commence next year. As the only supplier providing vertically integrated supply chain in China, the Group offers one-stop service from antenna design to production and installation. Such technology can be widely applied to smartphones, notebook computers and tablets and provides a unique competitive advantage for the Group. At the same time, the Group will expand production capacity timely by planning to set up a new handset production base in Xiamen to satisfy the strong customer demand for precision handset casings of the Group.

3. Prospects (Continued)

For electrical appliances, due to the rising living standards in China, high-tech products such as energy efficient and environmentally friendly smart appliances have become an inevitable trend for household appliances industry. The Group will continue to provide cost-effective exterior decorative parts and functional structural components, deepen our partnership with long-term customers, actively explore cooperation projects of new products and further expand our customer base for electrical appliances. During the year, the Group successfully applied the IML one-piece shaping process and technology on the casings of floor standing air conditioners and has become the sole domestic supplier of such product.

For notebook computers, ultra-slim notebook computers with streamlined design are still the mainstream and the demand for LMF and other metallic casings has also increased significantly. The Group will provide a wider range of fashionable casings and one-stop design for precision components to cope with the market pace. At the same time it will be committed to promoting the core technology of IML to the application of other computer related products such as tablets, portable hard disks and computer mouse casings, in order to enhance the value and profit margin of products through the provision of best services.

The management is confident with our future business development and growth. The Group will maintain its rapid response capability and continue to strengthen its core business, further optimize and share resources, consolidate and streamline the structure, achieve synergy for each business segment to provide maximum profits and competitiveness for the Group, while maintaining healthy financial position and stable dividend policy to bring greater returns for shareholders and employees.

4. Liquidity and Financial Resources

At at 30 June 2013, the Group had total assets of HK$4,541.1 million (31 December 2012: HK$4,204.0 million); net current assets of HK$1,136.2 million (31 December 2012: HK$859.9 million) and total equity of HK$2,340.0 million (31 December 2012: HK$2,192.9 million).

The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2013 were maintained at about HK$263.5 million (31 December 2012: HK$313.9 million), of which about HK$73.6 million has been pledged to bank to secure banking facilities (31 December 2012: HK$92.4 million).

The gearing ratio (net debt/total equity) was 21.6% (31 December 2012: 15.8%).

The Company's bank loans are with annual effective interest rates of Hong Kong Interbank Offered rate ("HIBOR") plus 1.5% and 1.85%. Other than the Company's bank loans, the effective interest rates of bank and other borrowings range from 5.05% to 7.87% per annum, respectively.

5. Capital Expenditure

The total capital expenditure incurred as at 30 June 2013 was HK$84,144,000 (30 June 2012: HK$125,745,000), mainly used to acquire production equipments.

6. Treasury Policy

The Group's sales were principally denominated in Hong Kong dollars, RMB and United States dollars while purchases were transacted mainly in Hong Kong dollars, RMB and United States dollars. As the foreign currency risks generated from the sales and purchases can be set off with each other and the fluctuation of RMB in the Review Period did not materially affect the costs and operations of the Group for Review 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.

6. Treasury Policy (Continued)

On 29 May 2013, the Group acquired the remaining 45% equity interest in a subsidiary, Tongda Optical Company Limited ("Tongda Optical"), from the non-controlling shareholder of Tongda Optical, at a total cash consideration of Japanese Yen 135,000,000 (approximately HK$11,000,000). Thereafter, Tongda Optical became a wholly-owned subsidiary of the Group.

On 5 August 2013, the Group entered into a memorandum of understanding, pursuant to which the Group placed a tender for the acquisition of a piece of land located at Xiamen at a cash consideration of approximately RMB23 million. Up to the date of this report, the tender is still in process.

Other than the information disclosed above, the Group had no other material acquisitions nor disposals of subsidiaries and associated companies as at 30 June 2013, no contingent liabilities as at 30 June 2013 and at the reporting date, and no future plans for material investments nor acquisitions of material capital assets as at 30 June 2013 and at the reporting date.

7. Human Resources

As at 30 June 2013, the Group employed a total of 13,700 employees (30 June 2012: 11,100 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2013 amounted to HK$324,832,000 (2012: HK$267,115,000).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Notes	**HK$'000**	HK$'000
REVENUE	4	**1,689,658**	1,397,945
Cost of sales		**(1,334,039)**	(1,089,072)
Gross profit		**355,619**	308,873
Other income and gains, net		**14,781**	12,834
Selling and distribution expenses		**(39,700)**	(43,399)
Administrative expenses		**(128,566)**	(95,868)
Other operating expenses, net		**(5,275)**	(511)
Finance costs		**(21,404)**	(26,476)
Share of profits and losses of associates		**(26)**	918
PROFIT BEFORE TAX	5	**175,429**	156,371
Income tax expense	6	**(37,198)**	(26,913)
PROFIT FOR THE PERIOD		**138,231**	129,458
Attributable to:			
Owners of the Company		**130,283**	113,332
Non-controlling interests		**7,948**	16,126
		138,231	129,458
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		**HK2.72 cents**	HK2.42 cents
– Diluted		**HK2.69 cents**	HK2.41 cents

Details of the dividends are disclosed to note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**138,231**	129,458
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent periods:		
Gain on revaluation	**423**	685
Income tax effect	**(70)**	(113)
	353	572
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**41,719**	18,990
– associates	**722**	371
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**42,794**	19,933
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**181,025**	149,391
ATTRIBUTABLE TO:		
Owners of the Company	**170,796**	132,187
Non-controlling interests	**10,229**	17,204
	181,025	149,391

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,261,652**	1,229,728
Prepaid land lease payments		**34,038**	33,723
Investment property	10	**53,191**	51,961
Goodwill		**22,751**	22,751
Prepayments		**63,443**	62,921
Investments in associates		**40,161**	40,881
Long term deposits		**58,927**	32,452
Deferred tax assets		**3,703**	3,703
Total non-current assets		**1,537,866**	1,478,120
CURRENT ASSETS			
Inventories	11	**1,097,560**	801,981
Trade and bills receivables	12	**1,451,152**	1,455,801
Prepayments, deposits and other receivables		**189,464**	151,557
Due from a related company		**1,539**	2,528
Tax recoverable		**53**	82
Pledged deposits		**73,611**	92,439
Cash and cash equivalents		**189,854**	221,460
Total current assets		**3,003,233**	2,725,848
CURRENT LIABILITIES			
Trade and bills payables	13	**1,002,359**	1,014,378
Accrued liabilities and other payables		**138,555**	115,185
Due to non-controlling shareholders of subsidiaries		**54**	54
Tax payable		**176,286**	172,047
Interest-bearing bank and other borrowings	14	**491,502**	564,311
Dividend payable		**58,306**	–
Total current liabilities		**1,867,062**	1,865,975

	Notes	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
NET CURRENT ASSETS		**1,136,171**	859,873
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,674,037**	2,337,993
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**278,336**	88,769
Loan from a non-controlling shareholder of a subsidiary		**–**	7,331
Deferred tax liabilities		**55,724**	49,016
Total non-current liabilities		**334,060**	145,116
Net assets		**2,339,977**	2,192,877
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital	15	**48,589**	47,633
Reserves		**2,195,394**	2,054,473
		2,243,983	2,102,106
NON-CONTROLLING INTERESTS		**95,994**	90,771
Total equity		**2,339,977**	2,192,877

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30 June 2013											
	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2013	47,633	659,964	16,567	16,092	25,552	70,759	287	162,767	1,102,485	2,102,106	90,771	2,192,877
Profit for the period	–	–	–	–	–	–	–	–	130,283	130,283	7,948	138,231
Other comprehensive income for the period:												
Gain on property revaluation, net of tax	–	–	–	–	353	–	–	–	–	353	–	353
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	40,160	–	40,160	2,281	42,441
Total comprehensive income for the period	–	–	–	–	353	–	–	40,160	130,283	170,796	10,229	181,025
Acquisition of non-controlling interests	–	–	–	916	–	–	–	1,717	–	2,633	(5,006)	(2,373)
Shares issued upon exercise of share options (note 15(ii))	956	33,192	(7,394)	–	–	–	–	–	–	26,754	–	26,754
Final 2012 dividend declared (note 7)	–	–	–	–	–	–	–	–	(58,306)	(58,306)	–	(58,306)
At 30 June 2013	48,589	693,156	9,173	17,008	25,905	70,759	287	204,644	1,174,462	2,243,983	95,994	2,339,977

Unaudited six months ended 30 June 2012

	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Capital redemption reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2012	46,783	636,109	22,045	16,092	22,543	48,779	287	156,210	909,399	1,858,247	56,893	1,915,140
Profit for the period	–	–	–	–	–	–	–	–	113,332	113,332	16,126	129,458
Other comprehensive income for the period:												
Gain on property revaluation, net of tax	–	–	–	–	572	–	–	–	–	572	–	572
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	18,283	–	18,283	1,078	19,361
Total comprehensive income for the period	–	–	–	–	572	–	–	18,283	113,332	132,187	17,204	149,391
Dividend paid to non-controling interest	–	–	–	–	–	–	–	–	–	–	(2,525)	(2,525)
Shares issued upon exercise of share options (note 15(i))	50	1,403	(322)	–	–	–	–	–	–	1,131	–	1,131
Final 2011 dividend declared and paid (note 7)	–	–	–	–	–	–	–	–	(46,833)	(46,833)	–	(46,833)
At 30 June 2012	46,833	637,512	21,723	16,092	23,115	48,779	287	174,493	975,898	1,944,732	71,572	2,016,304

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(87,896)**	259,359
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(90,781)**	(192,790)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**132,092**	(131,302)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(46,585)**	(64,733)
Cash and cash equivalents at beginning of period	**221,460**	253,784
Effects of foreign exchange rate changes, net	**14,979**	6,052
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**189,854**	195,103
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	**189,854**	195,103

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 consists of investment holding. The principal activities of the Company's subsidiaries are manufacturing and sale of high-precision components of consumer electrical products, electrical appliances, 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 2012.

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 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and interpretations, which are effective for accounting periods beginning on or after 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 –*Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of amendments to HKAS 1 and HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

3. Accounting Policies (continued)

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated interim financial statements. HKFRS 13 has been applied prospectively.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair value.

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 include handsets, notebook computers and other electrical appliance products;

(b) the ironware parts segment is a supplier of 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.

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 investments in associates, goodwill, deferred tax assets, tax recoverable, 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, tax payable, deferred tax liabilities and dividend payable 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.

4. Operating Segment Information (continued)

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

	Unaudited six months ended 30 June 2013				
	Electrical fittings HK$'000	Ironware parts HK$'000	Communication facilities and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	1,355,896	224,264	109,498	–	1,689,658
Intersegment sales	4,909	8,238	–	(13,147)	–
Total	1,360,805	232,502	109,498	(13,147)	1,689,658
Segment results before depreciation and amortisation	232,189	27,152	5,793	–	265,134
Depreciation	(68,741)	(6,269)	(2,193)	–	(77,203)
Amortisation	(362)	(816)	(41)	–	(1,219)
Segment results	163,086	20,067	3,559	–	186,712
Unallocated income					14,781
Corporate and other unallocated expenses					(4,634)
Finance costs					(21,404)
Share of profits and losses of associates					(26)
Profit before tax					175,429
Income tax expense					(37,198)
Profit for the period					138,231

4. Operating Segment Information (continued)

	Unaudited six months ended 30 June 2012				
	Electrical fittings HK$'000	Ironware parts HK$'000	Communication facilities and others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	1,146,869	136,864	114,212	–	1,397,945
Intersegment sales	15,378	29,173	–	(44,551)	–
Total	1,162,247	166,037	114,212	(44,551)	1,397,945
Segment results before depreciation and amortisation	225,571	11,056	4,826	–	241,453
Depreciation	(59,108)	(6,751)	(2,123)	–	(67,982)
Amortisation	(357)	(784)	(40)	–	(1,181)
Segment results	166,106	3,521	2,663	–	172,290
Unallocated income					12,834
Corporate and other unallocated expenses					(3,195)
Finance costs					(26,476)
Share of profits and losses of associates					918
Profit before tax					156,371
Income tax expense					(26,913)
Profit for the period					129,458

During the period, the Group performed a review on its businesses and rationalised the allocation for certain revenue and expenses to the respective reporting segments. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

4. Operating Segment Information (continued)

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

	Unaudited six months ended 30 June 2013			
	Electrical fittings HK$'000	Ironware parts HK$'000	Communication facilities and others HK$'000	Consolidated HK$'000
Segment assets	3,621,704	490,921	98,341	4,210,966
Unallocated assets				330,133
Total assets				4,541,099
Segment liabilities	897,687	191,609	51,672	1,140,968
Unallocated liabilities				1,060,154
Total liabilities				2,201,122

4. Operating Segment Information (continued)

	Audited 31 December 2012			
	Electrical fittings HK$'000	Ironware parts HK$'000	Communication facilities and others HK$'000	Consolidated HK$'000
Segment assets	3,290,755	437,242	94,655	3,822,652
Unallocated assets				381,316
Total assets				4,203,968
Segment liabilities	932,435	157,865	46,648	1,136,948
Unallocated liabilities				874,143
Total liabilities				2,011,091

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2013 and 2012.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Segment revenue:										
Sales to external customers	1,508,107	1,239,477	67,957	35,796	38,187	48,837	75,407	73,835	1,689,658	1,397,945

4. Operating Segment Information (continued)

Information about major customers

For the six months ended 30 June 2013, revenue of approximately HK$374,288,000, representing 22.2% of the Group's revenue, was derived from sales by the electrical fittings segment to a single customer, including sales to a group of entities which are known to be under common control of that customer.

For the six months ended 30 June 2012, revenue of approximately HK$234,018,000 and HK$146,504,000, representing 16.7% and 10.5% of the Group's revenue, respectively, were derived from sales by the electrical fittings segment to two customers, including sales to a group of entities which are known to be under common control of the respective customers.

5. Profit before Tax

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

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Amortisation of prepaid land lease payments	**403**	397
Amortisation of prepayments	**816**	784
Depreciation of property, plant and equipment	**77,203**	67,982
Impairment of trade receivables	**3,635**	611
Write-back of impairment of trade receivables	**(655)**	(119)
Write-off of trade receivables	**2,039**	–
Provision against obsolete inventories	**410**	6,000
Foreign exchange differences, net	**(6,210)**	(7,277)
Loss on disposal of property, plant and equipment	**750**	136
Change in fair value of an investment property	**(125)**	(247)
Interest income	**(827)**	(791)

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

Pursuant to the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") being effective on 1 January 2008, the PRC income tax rate is unified at 25% for all enterprises.

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) and 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) are awarded as High New Technology Enterprises and are subject to a preferential tax rate of 15%.

6. Income Tax (Continued)

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Current – Hong Kong		
Charge for the period	**28**	25
	28	25
Current – Elsewhere		
Charge for the period	**30,835**	23,690
Overprovision in prior years	**(88)**	–
	30,747	23,690
Deferred	**6,423**	3,198
Total tax charge for the period	**37,198**	26,913

The share of tax attributable to associates amounting to HK$197,000 (30 June 2012: HK$174,000) is included in "share of profits and losses of associates" on the face of the condensed consolidated income statement.

7. Dividends

	Unaudited Six months ended 30 June 2013 HK$'000	 2012 HK$'000
Final dividend declared of HK1.2 cents per ordinary share in respect of the financial year ended 31 December 2012 (2012: final dividend declared and paid in respect of the financial year ended 31 December 2011 – HK1 cent per ordinary share)	**58,306**	46,833

At the board meeting held on 20 August 2013, the board of directors declared and approved an interim dividend of HK0.9 cent per ordinary share (2012: HK0.8 cent) totalling HK$43,729,650 (2012: HK$38,106,400).

8. Earnings per Share

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

	Unaudited Six months ended 30 June 2013 HK$	2012 HK$
Earnings:		
Profit for the period attributable to owners of the Company	**130,283,000**	113,332,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,785,281,215**	4,681,129,670
Effect of dilutive potential ordinary shares:		
Options	**64,169,647**	16,204,446
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,849,450,862**	4,697,334,116

9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK$84,144,000 (30 June 2012: HK$125,745,000). In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK$933,000 (30 June 2012: HK$379,000) for proceeds of approximately HK$183,000 (30 June 2012: HK$243,000).

At 30 June 2013, 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$40,000,000 (31 December 2012: HK$40,000,000). The resulting revaluation surplus of HK$423,000 (30 June 2012: HK$685,000) has been credited to the asset revaluation reserve during the six months ended 30 June 2013. The resulting deferred tax liability of HK$70,000 (30 June 2012: HK$113,000) arising from the revaluation has also been debited to the asset revaluation reserve.

10. Investment Property

The Group's investment property in Shanghai was revalued by Asset Appraisal Ltd., an independent firm of professionally qualified appraisers, on an open market existing use basis at HK$53,191,000 (31 December 2012: HK$51,961,000) as at 30 June 2013. Consequently, gain in fair value change of an investment property of HK$125,000 (30 June 2012: HK$247,000) and exchange realignment of HK$1,105,000 (30 June 2012: HK$629,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2013.

The investment property is leased to a related company controlled by a director of the Company under operating lease, further details of which are included in note 16 to these Interim Financial Statements.

11. INVENTORIES

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Raw materials	**424,914**	313,022
Work in progress	**221,765**	176,691
Finished goods	**450,881**	312,268
	1,097,560	801,981

As at 30 June 2013, moulds of HK$74,154,000 (31 December 2012: HK$81,407,000) are included in the finished goods.

12. Trade and Bills Receivables

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Trade receivables	**1,296,521**	1,342,021
Impairment allowances	**(34,912)**	(31,776)
	1,261,609	1,310,245
Bills receivables	**189,543**	145,556
	1,451,152	1,455,801

12. Trade and Bills Receivables (Continued)

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 business relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good business 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-interesting-bearing.

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

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Within 3 months	1,287,827	1,205,857
4 to 6 months, inclusive	135,608	213,144
7 to 9 months, inclusive	23,087	33,035
10 to 12 months, inclusive	4,194	2,611
More than 1 year	35,348	32,930
	1,486,064	1,487,577
Impairment allowances	(34,912)	(31,776)
	1,451,152	1,455,801

13. Trade and Bills Payables

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Trade payables	**785,494**	720,318
Bills payables	**216,865**	294,060
	1,002,359	1,014,378

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 is as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Within 3 months	**741,472**	650,400
4 to 6 months, inclusive	**228,141**	298,472
7 to 9 months, inclusive	**9,698**	47,603
10 to 12 months, inclusive	**5,020**	1,922
More than 1 year	**18,028**	15,981
	1,002,359	1,014,378

14. Interest-Bearing Bank and Other Borrowings

During the six months ended 30 June 2013, the Group repaid bank and other borrowings of approximately HK$417,335,000 (30 June 2012: HK$300,562,000) and raised new bank and other borrowings of approximately HK$534,093,000 during the period (30 June 2012: HK$217,486,000). All borrowings bear interest at prevailing market rates and are repayable within five years.

15. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each, authorised:		
Balance at 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013	20,000,000,000	200,000
Ordinary shares of HK$0.01 each, issued and fully paid:		
At 1 January 2012	4,678,300,000	46,783
Shares issued upon exercise of share options (note i)	85,000,000	850
At 31 December 2012 and 1 January 2013	4,763,300,000	47,633
Shares issued upon exercise of share options (note ii)	95,550,000	956
At 30 June 2013	4,858,850,000	48,589

15. Share Capital (continued)

Notes:

(i) During the year ended 31 December 2012, the subscription rights attaching to 85,000,000 share options were exercised at HK$0.2262 per share resulting in the issue of 85,000,000 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$19,227,000. An amount of HK$5,478,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) During the six months ended 30 June 2013, the subscription rights attaching to 95,550,000 share options were exercised at the subscription prices of HK$0.280 per share, resulting in the issue of 95,550,000 shares of HK$0.01 each for a total cash consideration, before expense, of HK$26,754,000. An amount of HK$7,394,000 was transferred from the share option reserve to the share premium account upon the exercises of the share options.

16. Operating Lease Arrangements

(a) As lessor

The Group leases its investment property to third parties and the subleasing of factory premises and staff quarters to an associate (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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Within one year	4,881	6,005
In the second to fifth years, inclusive	7,334	7,463
	12,215	13,468

(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.

16. Operating Lease Arrangements (continued)

(b) As lessee (continued)

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Within one year	5,333	4,010
In the second to fifth years, inclusive	12,520	12,351
After five years	17,493	17,129
	35,346	33,490

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 2013 HK$'000	Audited 31 December 2012 HK$'000
Purchases of property, plant and equipment	43,130	35,090

18. Contingent Liabilities

At 30 June 2013, 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$115,921,000 (2012: HK$81,331,000). 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.

		Unaudited Six months ended 30 June	
		2013	2012
	Notes	**HK$'000**	HK$'000
Associates:			
Technology consultancy fee	(i)	**300**	300
Sales of products	(ii)	**734**	805
Purchases of raw materials and finished goods	(iii)	**245**	806
Rental income	(iv)	**606**	691
Related companies controlled by directors of the Company:			
Rental income	(v)	**1,539**	1,481

19. Related Parties Transactions (continued)

(a) (Continued)

Notes:

(i) The technology consultancy fee charged at HK$50,000 (2012: 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 rental income received from a related company controlled by a director of the Company were charged at a monthly rental of RMB200,000 before 31 May 2013 and after that were charged at a monthly rental of RMB230,000.

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

20. 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 associates and a related company, 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 associates and non-controlling shareholders of subsidiaries, loan from a non-controlling shareholder of a subsidiary, interest-bearing bank and other borrowings and dividend payable approximate to their carrying amounts largely due to the short term maturities of these instruments.

20. Fair Value and Fair Value Hierarchy (continued)

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 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

21. TRANSFERRED FINANCIAL ASSETS

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

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

	Trade receivables	**Bills receivables**	**Total**
	Note (a)	Notes (b) and (c)	
	HK$'000	HK$'000	HK$'000
Carrying amount of assets that continued to be recognised	99,494	65,850	165,344
Carrying amount of associated liabilities	(99,494)	(65,850)	(165,344)

Notes:

(a) Trade receivables factoring

As part of its normal business, the Group entered into a trade receivables factoring arrangement (the "Factoring Arrangement") and transferred certain trade receivables to a bank in the PRC. 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 exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of trade receivables transferred under the Factoring Arrangement that have not been settled as at 30 June 2013 amounted to approximately HK$99,494,000 (31 December 2012: HK$110,190,000). The carrying amount of assets that continues to be recognised is approximately HK$99,494,000 (31 December 2012: HK$110,190,000).

21. TRANSFERRED FINANCIAL ASSETS (continued)

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

Notes:

(b) Discounting of bills receivable

At 30 June 2013, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of HK$9,584,000 (31 December 2012: HK$23,116,000) to a local bank and a financial institution 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 amounts 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 loan recognised due to the Discounted Bills is HK$9,584,000 (31 December 2012: HK$23,116,000) as at 30 June 2013.

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

At 30 June 2013, the Group endorsed certain bills receivable accepted by certain local banks and a financial institution in the PRC (the "Endorsed Bills") with a carrying amount of HK$56,266,000 (31 December 2012: HK$14,428,000) 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 is HK$56,266,000 (31 December 2012: HK$14,428,000) as at 30 June 2013.

21. TRANSFERRED FINANCIAL ASSETS (continued)

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

(a) Discounting of bills receivable

At 30 June 2013, the Group discounted certain bills receivable (the "Derecognised Discounted Bills") with a carrying amount of HK$323,668,000 (31 December 2012: HK$364,679,000) 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.

21. TRANSFERRED FINANCIAL ASSETS (continued)

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

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

At 30 June 2013, 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$79,914,000 (31 December 2012: HK$115,358,000). The Derecognised Endorsed Bills have a maturity from one to six months at the end of the reporting period. The Group has the Continuing Involvement in relation to the endorsed bills (the "Endorsement"). 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 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.

22. 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 20 August 2013.

SUPPLEMENTARY INFORMATION

Interim Dividends

The board of directors (the "Board") of the Company declared an interim dividend of HK0.9 cent (2012: HK0.8 cent) per ordinary share for the period ended 30 June 2013 payable on or about 11 September 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on 3 September 2013.

Closure of register of members

The Register of Members will be closed from 4 September 2013 to 9 September 2013, 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 3 September 2013.

Directors' Interest and Short Positions in Shares and Underlying Shares

At 30 June 2013, 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:

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

Name of directors	Directly beneficially owned	Number of shares held, capacity and nature of interest through controlled corporation	Note	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	259,160,000	2,296,490,000	1,2	2,555,650,000	52.60
Mr. Wang Ya Hua	55,720,000	2,000,490,000	1	2,056,210,000	42.32
Mr. Wong Ah Yu	60,960,000	2,000,490,000	1	2,061,450,000	42.43
Mr. Wong Ah Yeung	67,800,000	2,000,490,000	1	2,068,290,000	42.57
Mr. Wong Ming Che	16,000,000	–		16,000,000	0.33
Mr. Choi Wai Sang	24,750,000	78,750,000	3	103,500,000	2.13
Dr. Yu Sun Say	4,450,000	–		4,450,000	0.09
Mr. Ting Leung Huel Stephen	1,950,000	–		1,950,000	0.04
Mr. Cheung Wah Fung, Christopher	1,950,000	–		1,950,000	0.04

Notes:

1. 2,000,490,000 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").

2. 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.

3. These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

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

Saved as disclosed above, as at 30 June 2013 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.

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: At 1 January 2013	Granted during the period	Exercised during the period	At 30 June 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors							
Mr. Wang Ya Nan	41,300,000	–	(17,800,000)	23,500,000	3 July 2007, 16 February 2008 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.586, 0.315 and 0.28
Mr. Wang Ya Hua	41,300,000	–	(17,800,000)	23,500,000	3 July 2007, 16 February 2008 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.586, 0.315 and 0.28

Share Option Scheme (Continued)

Name or category of participants	Number of share options: At 1 January 2013	Granted during the period	Exercised during the period	At 30 June 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors (Continued)							
Mr. Wong Ah Yu	41,300,000	–	(17,800,000)	23,500,000	3 July 2007, 16 February 2008 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.586, 0.315 and 0.28
Mr. Wong Ah Yeung	41,300,000	–	(17,800,000)	23,500,000	3 July 2007, 16 February 2008 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.586, 0.315 and 0.28
Mr. Choi Wai Sang	10,000,000	–	(5,000,000)	5,000,000	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

Share Option Scheme (Continued)

Name or category of participants	Number of share options: At 1 January 2013	Granted during the period	Exercised during the period	At 30 June 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors (Continued)							
Mr. Wang Ming Che	8,000,000	—	(8,000,000)	—	31 May 2010	31 May 2010 to 30 May 2013	0.28
Mr. Ting Leung Huel Stephen	5,950,000	—	(1,950,000)	4,000,000	3 July 2007, 16 February 2008 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.586, 0.315 and 0.28
Mr. Cheung Wah Fung, *Christopher, JP*	5,950,000	—	(1,950,000)	4,000,000	3 July 2007, 16 February 2008 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.586, 0.315 and 0.28

Share Option Scheme (Continued)

Name or category of participants	Number of share options: At 1 January 2013	Granted during the period	Exercised during the period	At 30 June 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors (Continued)							
Dr. Yu Sun Say, *GBS, SBS, JP*	3,950,000	–	(1,950,000)	2,000,000	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
Other employees							
In aggregate	25,500,000	–	(5,500,000)	20,000,000	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
	224,550,000	–	(95,550,000)	129,000,000			

* 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.

The weighted average share price at the date of exercises for share options exercised during the period was HK$0.579 per share.

At the date of approval of these interim financial statements, the Company had 129,000,000 share options outstanding under the New Scheme, which represented approximately 2.65% of the Company's share in issue as at that date.

Substantial Shareholders

At 30 June 2013, 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	41.17
E-Growth	2	Directly beneficially owned	296,000,000	6.09

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 2013, 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.

Purchases, 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 with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("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 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 most appropriate under the circumstances.

Audit Committee

The Audit Committee ("AC") comprises three independent non-executive Directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. 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 code provisions as set out in the code provisions of the Code of Best Practice. 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 to review and supervise the internal control system of the Group.

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 2013 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.

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, 20 August 2013