通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED
通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2014 reached approximately HK$2,100,931,000, representing an increase of approximately 24.3% as compared with that for the financial period ended 30 June 2013.

- Our net profit attributable to owners of the Company for the financial period ended 30 June 2014 reached approximately HK$167,111,000, representing an increase of approximately 28.3% as compared with that for the financial period ended 30 June 2013.

- Basic earnings per Share for the financial period ended 30 June 2014 was HK3.24 cents representing an increase of approximately 19.1% as compared with that for the financial period ended 30 June 2013.

- The Directors propose to declare an interim dividend of HK1.0 cent per Share for the financial period ended 30 June 2014.

The Board of Directors of Tongda Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 (the "Period") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,100,931**	1,689,658
Cost of sales		**(1,618,597)**	(1,334,039)
Gross profit		**482,334**	355,619
Other income and gains, net		**87**	14,781
Selling and distribution expenses		**(42,949)**	(39,700)
Administrative expenses		**(177,233)**	(128,566)
Other operating expenses, net		**174**	(5,275)
Finance costs		**(27,289)**	(21,404)
Share of profits and losses of associates		**(21)**	(26)
PROFIT BEFORE TAX	*5*	**235,103**	175,429
Income tax expense	*6*	**(47,520)**	(37,198)
PROFIT FOR THE PERIOD		**187,583**	138,231
Attributable to:			
Owners of the Company		**167,111**	130,283
Non-controlling interests		**20,472**	7,948
		187,583	138,231
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
– Basic		**HK3.24 cents**	HK2.72 cents
– Diluted		**HK3.19 cents**	HK2.69 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**187,583**	138,231
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**432**	423
Income tax effect	**(71)**	(70)
	361	353
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(37,441)**	41,719
– associates	**(62)**	722
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	**(37,503)**	42,794
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**150,441**	181,025
ATTRIBUTABLE TO:		
Owners of the Company	**131,018**	170,796
Non-controlling interests	**19,423**	10,229
	150,441	181,025

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2014** ***HK$'000***	Audited 31 December 2013 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,468,050**	1,327,626
Prepaid land lease payments		**33,143**	34,051
Investment property		**53,932**	53,992
Goodwill		**8,480**	6,135
Prepayments		**61,656**	63,421
Investments in associates		**4,233**	40,647
A loan to a non-controlling shareholder of a subsidiary		**12,610**	–
Long term deposits		**126,316**	78,945
Deferred tax assets		**3,703**	3,703
Total non-current assets		**1,772,123**	1,608,520
CURRENT ASSETS			
Inventories	*9*	**1,372,590**	1,088,267
Trade and bills receivables	*10*	**1,933,780**	1,585,497
Prepayments, deposits and other receivables		**193,642**	132,288
A loan to a non-controlling shareholder of a subsidiary		**6,305**	–
Due from a related company		**1,723**	1,749
Tax recoverable		**158**	110
Pledged deposits		**101,103**	62,793
Cash and cash equivalents		**481,682**	177,643
Total current assets		**4,090,983**	3,048,347
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,274,393**	894,417
Accrued liabilities and other payables		**174,863**	140,458
Due to non-controlling shareholders of subsidiaries		**54**	54
Tax payable		**194,618**	187,547
Interest-bearing bank and other borrowings		**589,206**	591,761
Total current liabilities		**2,233,134**	1,814,237
NET CURRENT ASSETS		**1,857,849**	1,234,110
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,629,972**	2,842,630

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**311,199**	257,906
Deferred tax liabilities	**41,232**	35,554
Total non-current liabilities	**352,431**	293,460
Net assets	**3,277,541**	2,549,170
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	**54,652**	48,589
Reserves	**3,109,173**	2,406,288
	3,163,825	2,454,877
NON-CONTROLLING INTERESTS	**113,716**	94,293
Total equity	**3,277,541**	2,549,170

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 2013.

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 2013, 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 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

Other than as further explained below regarding the impact of amendments to HKAS 39, HKFRS 10, and HKAS 32, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKASs and HKFRSs are as follows:

(a) HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

(b) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

3. ACCOUNTING POLICIES *(Continued)*

(c) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

4. OPERATING SEGMENT INFORMATION

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

	Unaudited six months ended 30 June									
	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	HK$'000 **2014**	*HK$'000* 2013	*HK$'000* **2014**	*HK$'000* 2013	*HK$'000* **2014**	*HK$'000* 2013	*HK$'000* **2014**	*HK$'000* 2013	*HK$'000* **2014**	*HK$'000* 2013
Segment revenue:										
Sales to external customers	**1,569,312**	1,316,962	**313,509**	224,264	**218,110**	148,432	**–**	–	**2,100,931**	1,689,658
Intersegment sales	**20,168**	4,909	**9,952**	8,238	**–**	–	**(30,120)**	(13,147)	**–**	–
Total	**1,589,480**	1,321,871	**323,461**	232,502	**218,110**	148,432	**(30,120)**	(13,147)	**2,100,931**	1,689,658
Segment results before depreciation and amortisation	**304,817**	228,151	**27,528**	27,152	**27,724**	9,831	**–**	–	**360,069**	265,134
Depreciation	**(73,614)**	(68,741)	**(7,731)**	(6,269)	**(2,618)**	(2,193)	**–**	–	**(83,963)**	(77,203)
Amortisation	**(361)**	(362)	**(814)**	(816)	**(41)**	(41)	**–**	–	**(1,216)**	(1,219)
Segment results	**230,842**	159,048	**18,983**	20,067	**25,065**	7,597	**–**	–	**274,890**	186,712
Unallocated income									**87**	14,781
Corporate and other unallocated expenses									**(12,564)**	(4,634)
Finance costs									**(27,289)**	(21,404)
Share of profits and losses of associates									**(21)**	(26)
Profit before tax									**235,103**	175,429
Income tax expense									**(47,520)**	(37,198)
Profit for the period									**187,583**	138,231

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 2014			
	Electrical fittings	**Ironware parts**	**Communication facilities and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**4,382,284**	**585,122**	**277,426**	**5,244,832**
Unallocated assets				**618,274**
Total assets				**5,863,106**
Segment liabilities	**1,133,150**	**234,604**	**81,556**	**1,449,310**
Unallocated liabilities				**1,136,255**
Total liabilities				**2,585,565**

	Audited 31 December 2013			
	Electrical fittings	Ironware parts	Communication facilities and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	3,702,037	504,290	159,509	4,365,836
Unallocated assets				291,031
Total assets				4,656,867
Segment liabilities	791,081	172,540	71,308	1,034,929
Unallocated liabilities				1,072,768
Total liabilities				2,107,697

During the period, the Group performed a review on its businesses and rationalised the allocation for certain revenue, expenses, assets and liabilities 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 table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2014 and 2013.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**1,960,016**	1,508,107	**71,097**	67,957	**3,561**	38,187	**66,257**	75,407	**2,100,931**	1,689,658

Information about major customers

For the six months ended 30 June 2014, revenue of approximately HK$647,424,000 (30 June 2013: HK$374,288,000), representing 30.8% (30 June 2013: 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.

5. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**402**	403
Amortisation of prepayments	**814**	816
Depreciation	**83,963**	77,203
Impairment of trade receivables	**265**	3,635
Write-back of impairment of trade receivables	**(101)**	(655)
Write-off/(written back) of trade receivables	**(564)**	2,039
Provision against obsolete inventories	**3,800**	410
Foreign exchange differences, net	**9,974**	(6,210)
Loss on disposal of items of property, plant and equipment	**27**	750
Change in fair value of an investment property	**(749)**	(125)
Interest income	**(1,401)**	(827)
Equity-settled share option expense	**5,173**	–

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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(厦門)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%.

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**1,782**	28
Underprovision in prior year	**10**	–
	1,792	28
Current – Elsewhere		
Charge for the period	**40,422**	30,835
Overprovision in prior years	**(457)**	(88)
	39,965	30,747
Deferred	**5,763**	6,423
Total tax charge for the period	**47,520**	37,198

The share of tax attributable to associates amounting to HK$12,000 (30 June 2013: HK$197,000) 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	
	2014	2013
	HK$'000	*HK$'000*
Final dividend declared of HK1.6 cents per ordinary share in respect of the financial year ended 31 December 2013 (2013: final dividend declared and paid in respect of the financial year ended 31 December 2012 – HK1.2 cents per ordinary share)	**87,442**	58,306

At the board meeting held on 12 August 2014, the board of directors declared and approved an interim dividend of HK1.0 cent per ordinary share (2013: HK0.9 cent) totalling HK$54,651,500 (2013: HK$43,729,650).

8. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2014	2013
	HK$	*HK$*
Earnings:		
Profit for the period attributable to owners of the Company	**167,111,000**	130,283,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**5,162,773,757**	4,785,281,215
Effect of dilutive potential ordinary shares:		
Share options	**76,381,732**	64,169,647
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,239,155,489**	4,849,450,862

9. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**411,612**	402,075
Work in progress	**327,632**	258,555
Finished goods	**633,346**	427,637
	1,372,590	1,088,267

As at 30 June 2014, moulds of HK$169,541,000 (31 December 2013: HK$145,375,000) are included in the finished goods.

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Trade receivables	**1,738,912**	1,397,826
Impairment allowances	**(32,907)**	(32,884)
	1,706,005	1,364,942
Bills receivables	**227,775**	220,555
	1,933,780	1,585,497

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. 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 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Within 3 months	**1,546,520**	1,358,407
4 to 6 months, inclusive	**346,184**	210,488
7 to 9 months, inclusive	**30,320**	10,085
10 to 12 months, inclusive	**8,329**	4,854
More than 1 year	**35,334**	34,547
	1,966,687	1,618,381
Impairment allowances	**(32,907)**	(32,884)
	1,933,780	1,585,497

11. TRADE AND BILLS PAYABLES

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Trade payables	**944,562**	715,337
Bills payable	**329,831**	179,080
	1,274,393	894,417

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	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**1,019,910**	642,229
4 to 6 months, inclusive	**226,075**	224,202
7 to 9 months, inclusive	**8,901**	12,540
10 to 12 months, inclusive	**1,150**	1,586
More than 1 year	**18,357**	13,860
	1,274,393	894,417

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

Tongda Group Holdings Limited (the "Group") is a world leading supplier of high-precision components and committed to the research and development ("R&D") on diversified applications of decoration technology, with a view to enhancing the integration of decorative and functional components. Over the years, the Group advanced along with the leading domestic and international brands. Different business segments of the Group recorded satisfactory growth for the six months ended 30 June 2014 (the "Period under Review"), with turnover increased by 24.3% year-on-year to HK$2,100.9 million. Gross profit increased by 35.6% to HK$482.3 million compared with HK$355.6 million for the corresponding period last year.

The Group has been targeting the mid-to-high-end market with emphasis on maintaining high gross profit margin. The Group's overall gross profit margin increased from 21.0% for the same period last year to 23.0%. Profit attributable to owners of the Company increased from HK$130.3 million for the same period in 2013 to HK$167.1 million, representing an increase of 28.2% and the overall net profit margin of the Group rose to 8.0% (2013: 7.7%).

2. OPERATIONAL INFORMATION BY DIVISION

a. Electrical Fittings Division

The Group primarily engages in the design and production of consumer electronic products, including casings and components for handsets, electrical appliances and notebook computers, and provides one-stop solutions for domestic and international clients. Revenue for the period grew from HK$1,317.0 million in the corresponding period last year by 19.2% to approximately HK$1,569.3 million, representing 74.7% of the total turnover of the Group.

Handsets

Global economy showed slight improvement during the period and fourth generation wireless communication system ("4G") licenses were granted in China at the end of last year, the introduction stage of domestic 4G handsets was longer than the market had expected due to underdeveloped network of base stations and lack of handset components. Also, the handsets business of the Group was subject to limited production capacities. As a result, its turnover increased from HK$823.1 million in the corresponding period last year by 16.4% to HK$958.1 million, representing 45.6% of the total turnover.

The Group has been working closely with various fast growing domestic and foreign brands, including Huawei, ZTE, Lenovo, TCL and OPPO. We have further expanded our customer base since last year and became the certified supplier of Xiaomi and Coolpad. The large-scale production of smartphones offers a new source of growth for the Group.

As domestic brands keep advancing at their positioning, they have also been gaining their shares in both domestic and international markets. Therefore, they have imposed stricter requirements on the product quality, comprehensive compatibility, diversified product design and innovative decoration technology. The Group's one-stop solution and strong R&D capability can cater for clients' needs. In respect of its products, the Group is a one-stop provider of back cover, metal frame and middle frame. With the mature development of the Laser Direct Structuring ("LDS") antenna technology developed over the past two years, the quality of relevant products has been recognized by many clients. As such, a number of domestic brands start adopting our LDS technology in a small scale and have commenced the production of LDS antenna components for some of models of their handsets.

The LDS antenna components of the Group features a vertically integrated supply chain, integrating all-in-one design for both antenna and structural components and combining different production procedures. Such one-stop services of the Group are the key to maintaining its strong competitive edges. Further, such technologies are widely applicable to electronic communication devices, such as smartphones, notebook computers and tablets. The R&D team of the Group initiates communication with clients from the stage of product design, aiming to ensure the production time, cost and design satisfactorily meet the clients' requirements.

In respect of its decorating technology, the Group's core In-Mould Lamination ("IML") technology can be widely applied in casings made of precision plastics, as well as producing of casings made of metal, glass, and other composite material. Further, the Group's Nano Molding Technology ("NMT") can attach metal and plastic on a nano surface, resulting in thinner but stronger products. The Group's Metal Injection Molding ("MIM") technology can produce complicated and delicate components. The Group has also allocated more resources to Computer Numerical Controlling ("CNC") machines by increasing their number to over 300 in the first half year, which have been mainly devoted to the production of high-end metal casings, thereby enhancing and strengthening the Group's ability to produce compatible plastic and metal components.

Electrical Appliances

Benefiting from the considerable market attention given to high-end smart home appliances, the turnover of the Group's electrical appliances business increased from HK$270.1 million in the corresponding period last year by 19.9% to HK$323.8 million, representing 15.4% of the turnover.

As a preferred supplier of casings for high-end white goods, the Group has maintained close working relationship with well-known electrical appliance brands in China, such as Haier, Gree and Midea, while its overseas clients include Panasonic, Zojirushi and Electrolux. Starting from this year, the Group offers components manufacturing service for DYSON, an international high-end brand. The underlying products include panels for air-conditioners, refrigerators, washing machines and cookers.

With the popularity and improvement of intelligent control technology and equipment, stronger emphasis has been placed on interaction between users and equipment and connections among different devices with white goods. As such, the development towards smart home devices becomes the trend of white goods industry this year. The Group has been actively applying one-piece shaping IML technology since last year to produce a large scale IML casing of 1.8 meter high for floor-standing air-conditioners. The Group has also offered its clients with touch conductive films features (Indium tin oxide ("ITO film")), which may be assembled with the Group's IML products into an individual unit and help to increase the unit price and profit margins of relevant products. This type of stylish casings serves as an accessory to energy-saving, eco-friendly and intelligent electronic appliances and cloud electronic appliances in China, such as large exquisite floor-standing air-conditioner. It also helps to cement the Group's leading position in the product market for high-end electrical appliances industry.

Notebook Computers

During the Period, revenue from notebook computers increased by 28.5% to HK$287.4 million, representing 13.7% of the turnover. According to an industrial survey, the global notebook market stabilised in the first half of 2014. The Group focused on producing metallic and ultra-slim casing with high quality and minimalist design during the first half year. Orders from the Group' s major partners, Lenovo and NEC, increased, while business volumes secured from other Japanese brands, namely Toshiba and Fujitsu, remained stable. Prior to the disposal of its relevant business during the first half year, Sony was one of the Group's clients in the segment with higher unit price and profit margin. During the Period, the Group expanded its client base by producing tablets for HP and other domestic brands, strengthening relationship between Chinese and Japanese brands, and at the same time actively expanding European and US markets.

b. Ironware Parts Division

Sales of this division increased by 39.8% from HK$224.3 million in the corresponding period of last year to HK$313.5 million, representing 14.9% of the turnover. Over the years, the Group not only produced metal set top boxes casing, but also provided one-stop production services to customers of electrical appliance, products of which included aluminum parts and precision metal structures with different surface effects. With an improved performance in electrical appliances business, and increased demand for metal and plastic set top boxes driven from the huge popularity of FIFA World Cup, the sales of metallic parts also recorded growth.

c. Communication Facilities Division and Other Business

Sales of the division increased by 47.0% from HK$148.4 million in the corresponding period of last year to HK$218.1 million, representing 10.4% of the turnover. The division pivoted on the production of digital satellite TV receivers and plastic set top boxes casing for certain customers from the Middle-East, Europe and United States. During this year, it commenced production of durable products, which boosted the sales of this division.

d. Percentage in total sales by product categories for the six months ended 30 June 2014 and comparison with the corresponding period in 2013 are as follows:

	2014	2013
Electrical Fittings Division	**74.7%**	77.9%
i. Handsets	**45.6%**	48.7%
ii. Electrical Appliances	**15.4%**	16.0%
iii. Notebook Computers	**13.7%**	13.2%
Ironware Parts Division	**14.9%**	13.3%
Communication Facilities and Other Business	**10.4%**	8.8%

3. PROSPECTS

China has commenced a large-scale 4G network construction and its government issued 4G licenses at the end of last year. After introduction stage in the first quarter of this current year, various leading handset brands in China have developed and eventually launched their 4G smartphones in the first half of 2014, officially unveiling the new era of mobile communication. Moreover, some of the domestic brands, after successfully breaking into the rank of top-ten global handset suppliers, have actively engaged in the R&D of mid-to-high-end smartphones in an attempt to enhancing brand positioning, thereby becoming the highlights in both domestic and international markets.

Market participants expect that as China's 4G network and mobile phones hardware supporting system will be much improved in the second half of this year, various mobile brands and telecommunication providers will vigorously promote the sales of mid-priced 4G smartphones to fulfill the full-year sales targets. On the other hand, the second half year is the traditional peak season of the handset business, and in which the market in mainland China is expected to rebound rapidly. As LDS antenna is the mainstream core technology of 4G mobile phones, the popularity in 4G mobile phones is likely to generate substantial business opportunities for the Group's LDS antenna.

The Group will continue to increase its investment in the handsets business, allocate more resources to the application and research on new technology, materials and process, with a view to improving the Group's overall ancillary services capacity. The Group will continue to devote more resources to computer numerical controlling ("CNC") machines in the second half of the year, targeting to increase the number of CNC machines to more than 500 for the whole year. Such technologies can enhance capability of the Group to process of exquisite plastic and metal casing from different aspects and enrich the design of surface processing.

The Group will continue to uphold its principle of prudent financial management and strengthen its operational capabilities. Construction of the first phase of the new plant in Xiamen was initially completed in this June and operation is expected to commence in phases in the second half of the year. The plant mainly produces plastic and metallic handset casing, which will satisfy the enormous demand for handset casings from the Group's customers.

For electrical appliances, the high-end market of intelligent and exquisite appliances featuring energy efficiency, environmentally friendliness attracted most attention in the half year in mainland China. In view of the demand arising from customers' pursuit of upgraded products, the Group will strengthen its R&D in large electrical home appliance casings as well as embed the casings with functional parts to boost product value.

With the global notebook computer market slowly recovering, the Group will continue to actively seek new customers from China, its primary market, as well as Japan and the international market, and the Group will offer ultra thin casings with better texture, and develop peripheral products such as tablets and mouse casings. In addition, the Group will also streamline the plants and optimize resources, flexibly utilize production capacities and improve the machinery utilization rate.

With its expertise in the industry, outstanding solution packages and exceptional execution capability, the Group has successfully won long-term trust from a wide array of customers. Looking ahead, with emphasis on quality improvement and diversification of production lines, principle of financial prudence, the Group is well prepared to embrace a future full of opportunities.

4. LIQUIDITY AND FINANCIAL RESOURCES

At at 30 June 2014, the Group had total assets of HK$5,863.1 million (31 December 2013: HK$4,656.9 million); net current assets of HK$1,857.8 million (31 December 2013: HK$1,234.1 million) and total equity of HK$3,277.5 million (31 December 2013: HK$2,549.2 million).

The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2014 were maintained at about HK$582.8 million (31 December 2013: HK$240.4 million), of which about HK$101.1 million has been pledged to bank to secure banking facilities (31 December 2013: HK$62.8 million).

The gearing ratio (net debt/total equity) was 9.7% (31 December 2013: 23.9%).

The Company's bank loans carried annual effective interest rates of 2.65% and 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 ranged from 3.23% to 7.80% per annum, respectively.

5. CAPITAL EXPENDITURE

The total capital expenditure incurred as at 30 June 2014 was HK$238.6 million (30 June 2013: HK$84.1 million), mainly used for construction of new manufacturing plants and acquisition of 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 Period under Review did not materially affect the costs and operations of the Group for Period under Review, 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 arises.

The Group did not have other material acquisitions or disposals of subsidiaries during the period ended 30 June 2014. It did not have any contingent liabilities as at 30 June 2014 and on the reporting date. There were no future plans for material investments or acquisitions of material capital assets as at 30 June 2014 and on the reporting date.

7. PLEDGE OF ASSETS OF THE GROUP

Other than bank deposits of HK$101.1 million and HK$62.8 million pledged to banks at 30 June 2014 and 31 December 2013, respectively, and one of the Group's buildings with net carrying amount of HK$40.0 million (31 December 2013: HK$40.0 million), there were no other assets of Group that had been pledged to any financial institutions.

8. ACQUISITION OF SUBSIDIARIES

In January 2014, the Group acquired the remaining equity interest in Meijitsu Tongda (HK) Company Limited ("Meijitsu HK") and its subsidiaries, former associates of the Company, from the other shareholder of Meijitsu HK. Upon completion of the acquisition, Meijitsu HK and its subsidiaries had become wholly-owned subsidiaries of the Group.

9. HUMAN RESOURCES

As at 30 June 2014, the Group employed a total of 14,000 employees (30 June 2013: 13,700 employees) in Hong Kong and the PRC. The total expenses for salaries and wages for the six months ended 30 June 2014 were HK$405.7 million (2013: HK$324.8 million).

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 operating conditions and individual performance.

SUPPLEMENTARY INFORMATION

Interim Dividend

The board of directors (the "Board") of the Company declared an interim dividend of HK1.0 cent (2013: HK0.9 cent) per ordinary share for the six months ended 30 June 2014 payable on or about 10 September 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on 1 September 2014.

Closure of Register of Members

The Register of Members of the Company will be closed from 2 September 2014 to 4 September 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividend, 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 1 September 2014.

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 2014 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.

On behalf of the Board
Wang Ya Nan
Chairman

Hong Kong, 12 August 2014

As at the date of this announcement, the executive directors of the Company include Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu, Wong Ah Yeung, Choi Wai Sang, Wang Ming Che, and the independent non-executive directors of the Company include Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, SBS, JP and Mr. Ting Leung Huel Stephen.