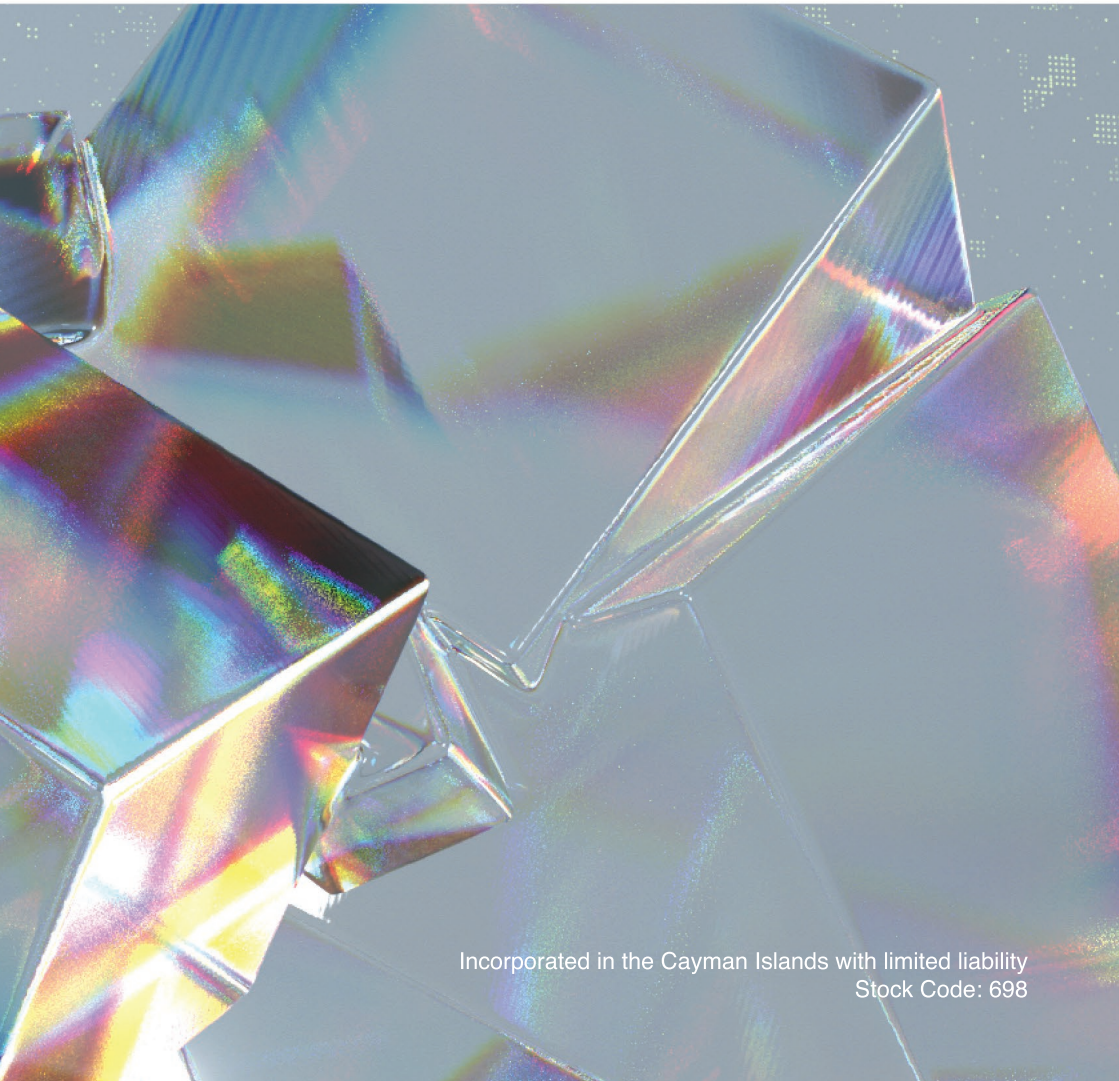


# Interim Report 2022

TONGDA GROUP HOLDINGS LIMITED



Incorporated in the Cayman Islands with limited liability  
Stock Code: 698

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Ya Nan (*Chairman*)  
Mr. Wang Hung Man (*Vice Chairman*)  
Mr. Wong Ming Sik  
Mr. Wong Ming Yuet  
Mr. Hui Wai Man

### Non-executive Director

Ms. Chan Sze Man

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Chan Paan Paan

## AUDITOR

Ernst & Young  
*Certified Public Accountants and*  
*Registered Public Interest*  
*Entity Auditor*

## AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan  
Mr. Wang Hung Man

## PRINCIPAL BANKERS

### *In Hong Kong:*

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited  
The Bank of East Asia  
Bank of Communication Co., Limited  
China Citic Bank International  
Standard Chartered Bank (Hong Kong) Limited  
Bank of China (Hong Kong) Limited  
China Construction Bank (Asia) Corporation Limited  
KBC Bank N.V., Hong Kong Branch

### *In the PRC:*

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

## LEGAL ADVISERS

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

*As to PRC laws:*  
DeHeng Law Offices (Xiamen)

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

## INVESTOR RELATIONS

Strategic Financial Relations Limited  
24/F, Admiralty Centre I  
18 Harcourt Road  
Hong Kong

## REGISTERED OFFICE

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

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

Room 1201-02, 12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2570 8128  
Fax: (852) 2510 0991  
Website: <http://www.tongda.com>  
Email (Investor Relations):  
[ir@tongda.com.hk](mailto:ir@tongda.com.hk)

## LISTING INFORMATION

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL SHARE REGISTRAR

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report 2022 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of Tongda Group Holdings Limited (the “Company”, and together with its subsidiaries the “Group”). These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like “potential”, “estimated”, “expects”, “anticipates”, “objective”, “intends”, “plans”, “believes”, “estimates”, and similar expressions or variations on such expressions may be considered “forward-looking statements”.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the six months ended 30 June 2022 (the “Period”), the Group’s turnover decreased from approximately HK\$5,115.2 million in the same period last year by approximately 16.6% to approximately HK\$4,267.3 million. Profit attributable to owners of the Company decreased from approximately HK\$54.2 million in the same period last year by 38.7% to approximately HK\$33.2 million during the Period.

### Revenue

The Group’s revenue decreased by approximately 16.6%, from approximately HK\$5,115.2 million in the same period last year to approximately HK\$4,267.3 million during the Period. During the Period, economies across the globe are operating against various headwinds. In addition to the continuous impact of global inflation and supply chain instability, the pandemic prevention and control measures in the Mainland China have also put tremendous pressure on the sales of consumer electronic products. As one of the component suppliers of consumer electronics products, the Group was inevitably affected by the difficult external operating environment and the weak consumer market.

### Gross Profit and Margin

The Group’s gross profit increased by approximately 0.4%, from approximately HK\$769.5 million in the same period last year to approximately HK\$772.5 million during the Period. The gross profit margin was approximately 18.1% during the Period, which was approximately 3.1 percentage points higher than that for the same period last year of approximately 15.0%. Although the Group recorded a drop in capacity utilisation rate due to external factors such as weakened market demands and disturbed supply chain, both the Group’s gross profit and gross profit margin during the Period recorded an increase compared to the same period last year. This was mainly due to the shipment of certain high-margin products produced for a major international customer during the peak season last year was postponed to the Period due to the impact of the pandemic, as well as the depreciation of RMB and the Group’s continuous improvement in management and operational efficiency during the Period.

## Other Income and Gains, net

Other income and gains, net decreased by approximately 26.8% or approximately HK\$24.9 million from approximately HK\$92.9 million in the corresponding period last year to approximately HK\$68.0 million during the Period mainly due to the decrease in government grants.

## Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 19.1% or approximately HK\$16.4 million from approximately HK\$85.7 million in the corresponding period last year to approximately HK\$69.3 million during the Period, accounting for approximately 1.6% of the Group's revenue, which was approximately 0.1 percentage point lower than that of the same period last year of 1.7%. The decrease was in line with the decrease in sales of the Group during the Period.

## General and Administrative Expenses

General and administrative expenses decreased by approximately 8.5% or approximately HK\$50.1 million from approximately HK\$590.5 million in the corresponding period last year to approximately HK\$540.4 million during the Period, accounting for approximately 12.7% of the Group's revenue, which was approximately 1.2 percentage points higher than that for the same period last year of 11.5%. The decrease in general and administrative expenses was mainly attributable to the decrease in consultancy fee after the completion of the consultancy contracts engaged with certain leading international consulting firms in last year, and various cost saving measures adopted by the Group which lead to the decrease in overall administrative expenses during the Period.

## Other Operating Expenses, net

Other operating expenses, net increased by approximately 324.4% or approximately HK\$42.5 million from approximately HK\$13.1 million in the corresponding period last year to approximately HK\$55.6 million during the Period mainly attributable to the increase in foreign exchange losses recorded as a result of the depreciation of RMB during the Period.

## Finance Costs

Finance costs increased by approximately 14.5% or approximately HK\$9.5 million from approximately HK\$65.4 million in the corresponding period last year to approximately HK\$74.9 million during the Period. The increase was mainly due to the increase in average loan balance during the Period.

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

Profit attributable to owners of the Company decreased by approximately 38.7% from approximately HK\$54.2 million in the same period last year to approximately HK\$33.2 million during the Period, and the net profit margin attributable to owners of the Company decreased to approximately 0.8% (30 June 2021: 1.1%), which was mainly because of the decrease in the other income and gains, net by approximately HK\$24.9 million and the increase in the other operating expenses, net and the income tax expenses by approximately HK\$42.5 million and approximately HK\$12.5 million respectively, which was partially offsetted by the decrease in the selling and distribution expenses and the general and administrative expenses by approximately HK\$16.4 million and approximately HK\$50.1 million respectively.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities and interest-bearing bank and other borrowings. The Board expects that the Group will rely on net cash generated from operating activities, interest-bearing bank and other borrowings and equity financing, if considered as appropriate by the management of the Company, to meet its working capital and other capital expenditure requirements. There were no change in the funding and financial policy of the Group for the six months ended 30 June 2022.

As at 30 June 2022, the Group has cash and cash equivalents and pledged deposits balance of HK\$1,603.1 million (31 December 2021: HK\$1,901.1 million) without holding any structural investment contract.



HK\$472.6 million (31 December 2021: HK\$535.1 million) of the Group's cash and bank balances of HK\$1,603.1 million (31 December 2021: HK\$1,901.1 million) has been pledged to banks as security for trade financing.

As at 30 June 2022, 72.9% (31 December 2021: 76.6%) of the Group's cash and bank balances was denominated in Renminbi, 20.1% (31 December 2021: 19.2%) was denominated in United States dollars and 7.0% (31 December 2021: 4.2%) was denominated in other currencies (mainly Hong Kong dollars).

As at 30 June 2022, the Group had total assets of HK\$15,411.6 million (31 December 2021: HK\$16,755.1 million), net current assets of HK\$2,206.3 million (31 December 2021: HK\$1,633.6 million) and equity of HK\$7,896.0 million (31 December 2021: HK\$8,221.5 million).

## CAPITAL EXPENDITURE

The total capital expenditure incurred for the Period was HK\$356.0 million (31 December 2021: HK\$1,313.6 million), which was mainly used in the acquisition of production equipment and the construction of new manufacturing plants.

## TREASURY POLICY

The Group's sales were principally denominated in RMB and US dollars while purchases were principally transacted in RMB. The Group will continue to monitor its overall foreign exchange exposure and interest rate exposure, and consider hedging against the exposure should the need arises.

## CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK\$472.6 million (31 December 2021: HK\$535.1 million) that were pledged to banks and a leasehold building in Hong Kong together with the related right-of-use asset, with a total carrying amount of HK\$50.0 million (31 December 2021: HK\$50.3 million) mortgaged by the Group as at 30 June 2022, the Group had not pledged its assets to any financial institutions.

## HUMAN RESOURCES

As at 30 June 2022, the Group employed a total of approximately 20,000 (30 June 2021: 27,000) permanent employees in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2022 amounted to HK\$1,043.7 million (30 June 2021: HK\$1,232.3 million).

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

## GEARING RATIO AND INDEBTEDNESS

As at 30 June 2022, the gearing ratio of the Group (consolidated net borrowings/total equity) was 24.8% (31 December 2021: 20.3%).

As at 30 June 2022, other than the non-current portion of bank borrowings of HK\$1,107.0 million (31 December 2021: HK\$638.7 million), the Group had bank and other borrowings of HK\$2,454.3 million (31 December 2021: bank and other borrowings of HK\$2,931.3 million) which will be repayable within one year from the end of the Period. The bank and other borrowings were denominated in Renminbi, Hong Kong dollars and United States dollars.

Bank borrowings carry interest rate ranging from 1.16% per annum ("p.a.") to 5.95% p.a. (31 December 2021: interest rate ranging from 1.11% p.a. to 5.95% p.a.).

## BUSINESS REVIEW

The Group is a world-leading solution provider of high-precision components for smart mobile communications and consumer electronics products, and provides customers with one-stop solutions from product design, technological research and development (“R&D”) to manufacturing plans. Its products mainly cover handset casings and high-precision components, hardware and component relating to the metaverse, household and sports goods, aluminum components for batteries of new energy vehicles, network communications facilities and control panels for smart electrical appliances.

During the Period, economies across the globe were operating against various headwinds. In addition to the continuous impact of global inflation and the instability of the supply chain, the pandemic prevention and control measures in the Mainland China also put tremendous pressure on the sales of consumer electronics products. As one of the component suppliers of consumer electronics products, the Group was inevitably affected by the difficult external operating environment and the weak consumer market. The Group’s revenue decreased by 16.6% from HK\$5,115.2 million in the same period last year to HK\$4,267.3 million for the Period. As far as the gross profit and gross profit margin are concerned, although the Group recorded a drop in the capacity utilisation rate as affected by external factors such as weakened market demand and supply chain disruption, the Group recorded increases in both the gross profit and gross profit margin during the Period compared with the corresponding period last year, primarily due to the fact that the shipment of certain high-margin products produced for a major international customer during the peak season last year was postponed to the Period due to the impact of the pandemic, as well as the depreciation in RMB and the Group’s continuous improvement in management and operational efficiency during the Period. Because of the above effects, the Group’s gross profit increased by 0.4% from HK\$769.5 million in the same period last year to HK\$772.5 million during the Period, while the gross profit margin increased from 15.0% in the same period last year to 18.1% during the Period. Net profit attributable to owners of the Company decreased by 38.7% from HK\$54.2 million in the same period last year to HK\$33.2 million for the Period.

## Handset Casings and High-precision Components

This business segment primarily comprises various handset casings, waterproof/dustproof/shockproof (“tri-proof”) high-precision components, high-precision insert molding parts, high-precision rubber molding parts and accessories products. This business segment recorded a decrease of 22.2% in turnover, down from HK\$3,677.3 million in the same period last year to HK\$2,859.3 million for the Period, representing 67.0% of the Group’s total turnover.

In light of the impact of the increasingly uncertain economic environment, chaos in the handset electronics components supply chain and the pandemic prevention and control measures in the Mainland China, under the dual impact of manufacturing processes instability and weakening consumption momentum, global handset shipments in the first half of the year continued to be weak. According to the data released by the China Academy of Information and Communications Technology, during the Period, the overall shipment of handsets in the domestic market recorded a significant drop of 21.7% compared with the same period last year, among which the shipment of domestic brand handsets recorded a year-on-year decrease of 25.9%, resulting in a year-on-year decrease in the Group’s handset casings shipments.

For tri-proof and high-precision components, the market demand on the products of an international customer remain strong due to its brand effect. On the other hand, the shipment of certain products produced for that customer during the peak season last year was postponed to the Period due to the impact of the pandemic, and this, coupled with the increase in the types of components produced by the Group for that customer, led to an overall increase in business, which partially offset the impact brought on by the decline in the handset casings business. The Group will focus its resources on this customer and strive to provide it with a more diverse range of high-precision components. Meanwhile, as more international brands are developing hardware related to the metaverse, the Group is also working with different international brands to provide solutions for various components.

## Household and Sports Goods

This business segment primarily includes the production of durable household goods, household utensils and sports goods for European and American brands. As a result of the business growth of major customers in the Mainland China, European and American markets, sales increased by 14.6% from HK\$587.9 million in the same period last year to HK\$674.0 million for the Period, representing 15.8% of the Group's total turnover. During the Period, the Group continued to focus on investing in businesses with high growth potential and grew alongside the customers of many major international brands, resulting in a year-on-year increase in the number of orders during the Period. The Group also announced its application for the separate listing of its spin-off business on the Main Board of the Shenzhen Stock Exchange, and its listing application has been accepted by the China Securities Regulatory Commission.

## Network Communications Facilities and Others

During the Period, the revenue of this business segment decreased by 4.2% from HK\$527.8 million in the same period last year to HK\$505.8 million, representing 11.9% of the Group's total turnover. The Group primarily produces aluminum battery components for new energy vehicles, interior decorative parts of automotive and other network communications products, such as wireless routers for European and American customers.

This segment's major customers include leading electric car battery manufacturers in China, as well as local and Sino-foreign funded automotive brands. During the Period, the Mainland China implemented various policies to support the new energy vehicle industry and promote spending on the renewal of vehicles, which is beneficial to the Group's development in the new energy vehicle sector. The decline of sales in this segment was mainly attributable to the growth of the automotive business (including aluminum battery components for new energy vehicles), which was offset by weak demand for other network communications products.

## Smart Electrical Appliances Casings

During the Period, the turnover of this business segment decreased by 29.2%, from HK\$322.2 million in the same period last year to HK\$228.2 million, representing 5.3% of total turnover. This business segment primarily engages in the production of customised control panels, metal components and casings of electrical appliances for domestic and international brands. As the demand for orders and profit of this business segment during the Period has been continuously affected by unfavourable factors such as uncertainty in the macroeconomy, a slowdown in the property market, declining downstream demand and fluctuations in raw material prices, the Group will focus on the implementation of various cost control policy to improve the profitability of the business segment and the Group will also continue to adjust its overall business structure and focused on business sectors with more development potential.

The proportion of total revenue by business segment for the six months ended 30 June 2022 and a comparison with the same period last year are as follows:

	2022	2021
i. Handset casings and high-precision components	67.0%	71.9%
ii. Household and sports goods	15.8%	11.5%
iii. Network communications facilities and others	11.9%	10.3%
iv. Smart electrical appliance casings	5.3%	6.3%
	100%	100%

## PROSPECTS

The ecosystems of both the global economy and the consumer electronic product market are changing rapidly. The Group will closely monitor and proactively respond to the emerging opportunities and imminent risks forthwith and will review the Group's strategic planning when necessary, while also aligning its operating structure through business restructuring, thereby focusing on the business sectors with higher development potential. The Group considers the handset casings and high-precision components business remains its core business, and it will develop diversified businesses in a concentric and diversified manner.

Currently, the demand for smartphones is still highly unforeseeable. In view of various uncertainties, the prospects of global shipments throughout the year may fall below expectations. The Group's handset casings business now covers major handset brands globally and will certainly strive to maintain its existing market share and enhance operational efficiency while proactively securing high-profit orders of tri-proof and high-precision components. There are high entry barriers in the requirements of mold precision, craftsmanship and techniques for metaverse-related product. As such, when the metaverse-related application scenarios and the demand for hardware become clearer, the Group will strategically match its related components with existing customers and other globally leading internet technology brands that are developing metaverse products. In addition, the Group will take market-oriented steps to explore new markets and opportunities in various fields.

The Group will prudently deploy resources according to various of factors such as the development potential, profit margins and capital turnover efficiency of various principal businesses, and grasp opportunities arising from the high market growth stage while capitalising on the Group's existing innovative techniques, market-leading craftsmanship, diversified production capacity and outstanding R&D teams. For example, for the current new energy vehicle market, driven by both policies and market demand, the market scale and product quality are improving simultaneously. The Group will continue to work closely with leading battery manufacturers for new energy vehicles, striving to expand its involvement in the components and expand its orders volume of different accessories. The market outlook for household and sports goods is relatively more promising. The Group has also issued an announcement regarding its application for a separate listing of its spin-off household and sports goods business on the Main Board of the Shenzhen Stock Exchange, to enhance the overall financial and financing capability of the business and support its business development.

In view of the ever-changing market environment, the Group, going forward, will maintain its strategy of providing customers with diversified processing techniques and solutions based on its innovative techniques and craftsmanship. Meanwhile, the Group will explore various emerging industries, new products, new materials and new sectors, so as to consolidate its product strength and reinforce its own comprehensive competitive edges. The Group will also continuously review and improve its corporate management, aiming to sustainably optimise its production processes and enhance its management efficiency, thereby ensuring the Group's operations remain stable amid the adversity.



## CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	4	<b>4,267,330</b>	5,115,225
Cost of sales		<b>(3,494,840)</b>	(4,345,703)
Gross profit		<b>772,490</b>	769,522
Other income and gains, net		<b>68,020</b>	92,857
Selling and distribution expenses		<b>(69,337)</b>	(85,717)
General and administrative expenses		<b>(540,440)</b>	(590,525)
Other operating expenses, net		<b>(55,555)</b>	(13,110)
Finance costs		<b>(74,892)</b>	(65,396)
Share of loss of a jointly-controlled entity		<b>(16,772)</b>	(17,366)
PROFIT BEFORE TAX	5	<b>83,514</b>	90,265
Income tax expense	6	<b>(40,610)</b>	(28,096)
PROFIT FOR THE PERIOD		<b>42,904</b>	62,169
Attributable to:			
Owners of the Company		<b>33,219</b>	54,241
Non-controlling interests		<b>9,685</b>	7,928
		<b>42,904</b>	62,169
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		(Restated)
– Basic		<b>HK0.34 cent</b>	HK0.76 cent
– Diluted		<b>HK0.34 cent</b>	HK0.76 cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PROFIT FOR THE PERIOD	<b>42,904</b>	62,169
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	<b>367</b>	2,560
Income tax effect	<b>(60)</b>	(422)
	<b>307</b>	2,138
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	<b>(369,253)</b>	411,668
– jointly-controlled entity	<b>(1,435)</b>	3,199
	<b>(370,688)</b>	414,867
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<b>(370,381)</b>	417,005
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	<b>(327,477)</b>	479,174
ATTRIBUTABLE TO:		
Owners of the Company	<b>(328,979)</b>	469,938
Non-controlling interests	<b>1,502</b>	9,236
	<b>(327,477)</b>	479,174

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	6,230,877	6,657,555
Right-of-use assets		415,990	406,958
Investment property		86,284	91,176
Investment in a jointly-controlled entity		14,877	33,084
Long term deposits		182,820	209,085
Deferred tax assets		3,703	3,703
<b>Total non-current assets</b>		<b>6,934,551</b>	7,401,561
<b>CURRENT ASSETS</b>			
Inventories	10	3,241,097	3,176,556
Trade and bills receivables	11	2,724,867	3,316,661
Prepayments, deposits and other receivables		474,413	523,405
Due from a jointly-controlled entity		186,632	186,299
Loans to a jointly-controlled entity		144,042	150,573
Lease receivable		3,186	6,582
Tax recoverable		21,090	16,868
Pledged deposits		472,647	535,089
Cash and cash equivalents		1,130,491	1,365,993
		<b>8,398,465</b>	9,278,026
<b>Assets of a subsidiary held for sale</b>		<b>78,549</b>	75,542
<b>Total current assets</b>		<b>8,477,014</b>	9,353,568
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	3,057,636	3,772,257
Accrued liabilities and other payables		515,532	761,395
Interest-bearing bank and other borrowings	13	2,454,253	2,931,278
Lease liabilities		8,734	12,499
Due to a jointly-controlled entity		89,447	94,716
Tax payable		127,209	129,724
		<b>6,252,811</b>	7,701,869

	Notes	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
Liabilities of a subsidiary held for sale		<b>17,932</b>	18,096
Total current liabilities		<b>6,270,743</b>	7,719,965
NET CURRENT ASSETS		<b>2,206,271</b>	1,633,603
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>9,140,822</b>	9,035,164
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	<b>1,107,006</b>	638,664
Other payables		<b>63,306</b>	95,588
Lease liabilities		<b>10,297</b>	13,423
Deferred tax liabilities		<b>64,206</b>	65,997
Total non-current liabilities		<b>1,244,815</b>	813,672
Net assets		<b>7,896,007</b>	8,221,492
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	14	<b>97,193</b>	97,193
Reserves		<b>7,736,002</b>	8,062,989
		<b>7,833,195</b>	8,160,182
NON-CONTROLLING INTERESTS		<b>62,812</b>	61,310
Total equity		<b>7,896,007</b>	8,221,492

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2022  
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Share award reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	97,193	1,777,033	-	(200,960)	74,025	621,220	884	302,637	5,488,150	8,160,182	61,310	8,221,492
Profit for the period	-	-	-	-	-	-	-	-	33,219	33,219	9,685	42,904
Other comprehensive income/(expense) for the period:												
Gain on property revaluation, net of tax	-	-	-	-	307	-	-	-	-	307	-	307
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(362,505)	-	(362,505)	(8,163)	(370,668)
Total comprehensive income/(expense) for the period	-	-	-	-	307	-	-	(362,505)	33,219	(328,979)	1,502	(327,477)
Share award expense	-	-	1,992	-	-	-	-	-	-	1,992	-	1,992
At 30 June 2022	97,193	1,777,033*	1,992*	(200,960)*	74,332*	621,220*	884*	(59,868)*	5,521,369	7,833,195	62,812	7,896,007

Unaudited six months ended 30 June 2021  
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021	64,795	1,060,037	(200,960)	70,264	554,198	884	(258,726)	5,326,974	6,617,466	48,586	6,666,052
Profit for the period	-	-	-	-	-	-	-	54,241	54,241	7,928	62,169
Other comprehensive income for the period:											
Gain on property revaluation, net of tax	-	-	-	2,138	-	-	-	-	2,138	-	2,138
Exchange differences on translation of foreign operations	-	-	-	-	-	-	413,559	-	413,559	1,308	414,867
Total comprehensive income for the period	-	-	-	2,138	-	-	413,559	54,241	469,938	9,236	479,174
Transfer to statutory reserve	-	-	-	-	12,200	-	-	(12,200)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,043)	(6,043)
At 30 June 2021	64,795	1,060,037*	(200,960)*	72,402*	566,398*	884*	154,833*	5,369,015*	7,087,404	51,779	7,139,183

\* These reserve accounts comprise the consolidated reserves of HK\$7,736,002,000 (30 June 2021: HK\$7,022,609,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<b>90,399</b>	(147,220)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	<b>10,099</b>	7,274
Purchases of items of property, plant and equipment	<b>(256,222)</b>	(290,844)
Payments of right-of-use assets	<b>(30,209)</b>	(56,958)
Proceeds from disposal of items of property, plant and equipment	<b>1,974</b>	3,034
Increase in long term deposits	<b>(41,720)</b>	(361,115)
Decrease/(increase) in pledged deposits	<b>62,442</b>	(60,391)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(253,636)</b>	(759,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	<b>1,984,481</b>	1,329,002
Repayment of bank loans	<b>(1,933,534)</b>	(1,025,444)
Principal elements of lease payments	<b>(5,875)</b>	(10,333)
Dividends paid to non-controlling interests	<b>–</b>	(6,043)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<b>45,072</b>	287,182

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(118,165)</b>	(619,038)
Cash and cash equivalents at beginning of period	<b>1,366,290</b>	1,352,554
Effect of foreign exchange rate changes, net	<b>(117,240)</b>	103,721
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,130,885</b>	837,237
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>1,130,491</b>	837,237
Cash and bank balances attributable to a subsidiary held for sale	<b>394</b>	–
<b>Cash and cash equivalents as stated in the condensed consolidated statement of cash flows</b>	<b>1,130,885</b>	837,237



# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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 2681 GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handset casings and high-precision components, smart electrical appliances casings, household and sports goods and network communications facilities and others. 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standards ("HKASs") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference of Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in these consolidated financial statements.

#### 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									
	Handset casings and high-precision components		Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	2,859,234	3,677,274	228,190	322,201	673,989	587,940	505,917	527,810	4,267,330	5,115,225
Segment results before depreciation	455,499	310,158	6,781	60,075	123,227	101,863	7,724	35,188	593,231	507,284
Depreciation of property, plant and equipment	(348,911)	(282,195)	(55,643)	(53,911)	(19,022)	(16,005)	(39,049)	(46,554)	(462,625)	(398,665)
Depreciation of right-of-use assets	(2,545)	(7,218)	(2,715)	(3,063)	(591)	(469)	(2,884)	(3,432)	(8,735)	(14,182)
Segment results	104,043	20,745	(51,577)	3,101	103,614	85,389	(34,209)	(14,798)	121,871	94,437
Unallocated income									68,020	92,857
Corporate and other unallocated expenses									(15,293)	(15,290)
Finance costs (other than interest expenses on lease liabilities)									(74,312)	(64,373)
Share of loss of a jointly-controlled entity									(16,772)	(17,366)
Profit before tax									83,514	90,265
Income tax expense									(40,610)	(28,096)
Profit for the period									42,904	62,169

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

	Unaudited 30 June 2022				
	Handset casings and high-precision components	Smart electrical appliances casings	Household and sports goods	Network communications facilities and others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	8,940,634	1,642,862	967,233	1,808,805	13,359,534
Assets of a subsidiary held for sale					78,549
Unallocated assets					1,973,482
Total assets					15,411,565
Segment liabilities	2,310,074	474,700	329,608	541,123	3,655,505
Liabilities of a subsidiary held for sale					17,932
Unallocated liabilities					3,842,121
Total liabilities					7,515,558

31 December 2021

	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	9,776,779	1,847,106	904,915	1,859,178	14,387,978
Assets of a subsidiary held for sale					75,542
Unallocated assets					2,291,609
Total assets					16,755,129
Segment liabilities	3,178,995	589,088	315,203	571,876	4,655,162
Liabilities of a subsidiary held for sale					18,096
Unallocated liabilities					3,860,379
Total liabilities					8,533,637

## Geographical information

The following table presents unaudited revenue for the Group's geographical information for the six months ended 30 June 2022 and 2021.

	Unaudited six months ended 30 June									
	PRC*		Asia Pacific (excluding PRC)		United States		Others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from customers										
Segment revenue:										
Sales to external customers <sup>#</sup>	3,490,309	4,474,469	192,390	232,864	135,635	97,740	448,996	310,152	4,267,330	5,115,225

The revenue information above is based on the locations of the customers.

\* People's Republic of China ("PRC") including Hong Kong and Macau.

# Sales to external customers are also revenue from contracts with customers.

## Information about major customers

Revenue from the following customers contributed over 10% of the total sales to the Group:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Customer A	789,256	1,667,611
Customer B	542,937	536,342
	<b>1,332,193</b>	2,203,953

Revenues from Customer A and B were mainly derived from sales by the handset casings and high-precision components segment, 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):

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>462,625</b>	398,665
Depreciation of right-of-use assets	<b>8,735</b>	14,182
Research and development costs	<b>241,215</b>	248,226
Salaries and wages	<b>1,043,731</b>	1,232,275
Impairment of trade receivables	<b>5,930</b>	11,013
Write-back of impairment of trade receivables	<b>(370)</b>	(7)
Provision against obsolete inventories	<b>10,081</b>	3,442
Foreign exchange differences, net	<b>56,266</b>	(90)
Loss on disposal of items of property, plant and equipment	<b>1,014</b>	1,671
Fair value gain on an investment property	<b>967</b>	811
Interest income	<b>(8,702)</b>	(5,799)

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period, except for the Company which is a qualifying entity under the two-tier profits tax rates regime. The first HK\$2,000,000 of assessable profits of the Company is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

During the six months ended 30 June 2022 and 2021, certain subsidiaries of the Group were subject to a preferential tax rate of 15% under High New Technology Enterprises.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>6,834</b>	11,563
Overprovision in prior years	<b>–</b>	(428)
	<b>6,834</b>	11,135
Current – Elsewhere	<b>35,567</b>	16,450
Deferred	<b>(1,791)</b>	511
Total tax charge for the period	<b>40,610</b>	28,096



## 7. DIVIDENDS

At the board meeting held on 30 August 2022, the Board did not recommend the payment of any interim dividend for the Period (six months ended 30 June 2021: nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Profit</b>		
Profit for the purpose of basic and diluted earnings per share	<b>33,219</b>	54,241
	<b>'000</b>	'000 (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>9,719,258</b>	7,103,402

The basic and diluted earnings per share for the period ended 30 June 2021 have been restated to reflect the effect of a rights issue of the Company in 2021.

The Group had no potential dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$325,813,000 (30 June 2021: HK\$379,515,000) and incurred depreciation expenses of HK\$462,408,000 (30 June 2021: HK\$398,665,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$2,988,000 (30 June 2021: HK\$4,705,000) for proceeds of approximately HK\$1,974,000 (30 June 2021: HK\$3,034,000). During the Period, the exchange realignment of approximately HK\$284,657,000 (30 June 2021: HK\$314,363,000) was credited (30 June 2021: debited) to property, plant and equipment.

At 30 June 2022, the Group's leasehold building and the related right-of-use asset in Hong Kong were revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$50,000,000 (31 December 2021: HK\$50,300,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong and the related right-of-use asset is its highest and best use.

A revaluation surplus of HK\$367,000 (30 June 2021: HK\$2,560,000), resulting from the above valuation, has been credited to other comprehensive income. The resulting increase in deferred tax liability of HK\$60,000 (30 June 2021: HK\$422,000) arising from the revaluation has also been debited to other comprehensive income.

The Group's leasehold building and the related right-of-use asset in Hong Kong with a net carrying amount of HK\$50,000,000 (31 December 2021: HK\$50,300,000) were pledged to secure bank loans granted to the Group.

## 10. INVENTORIES

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	Audited 31 December 2021 HK\$'000
Raw materials	<b>526,820</b>	555,872
Work in progress	<b>868,805</b>	778,587
Finished goods	<b>1,845,472</b>	1,842,097
	<b>3,241,097</b>	3,176,556

As at 30 June 2022, moulds of HK\$712,385,000 (31 December 2021: HK\$720,395,000) are included in the finished goods.

## 11. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	Audited 31 December 2021 HK\$'000
Trade receivables	<b>2,747,004</b>	3,196,610
Impairment allowances	<b>(49,169)</b>	(44,151)
	<b>2,697,835</b>	3,152,459
Bills receivables	<b>27,032</b>	164,202
	<b>2,724,867</b>	3,316,661

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 the management. Trade receivables are non-interest bearing. At the end of the reporting period, 16.9% (31 December 2021: 13.5%) and 47.8% (31 December 2021: 45.7%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

An ageing analysis of the Group's trade and bills receivables as at 30 June 2022, based on the invoice date and issuance date, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	Audited 31 December 2021 HK\$'000
Within 3 months	<b>2,522,898</b>	3,069,404
4 to 6 months, inclusive	<b>167,574</b>	235,857
7 to 9 months, inclusive	<b>13,678</b>	7,215
10 to 12 months, inclusive	<b>21,632</b>	2,920
More than 1 year	<b>48,254</b>	45,416
	<b>2,774,036</b>	3,360,812
Impairment allowances	<b>(49,169)</b>	(44,151)
	<b>2,724,867</b>	3,316,661

## 12. TRADE AND BILLS PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	Audited 31 December 2021 HK\$'000
Trade payables	<b>1,359,107</b>	1,933,440
Bills payable	<b>1,698,529</b>	1,838,817
	<b>3,057,636</b>	3,772,257

The trade payables are non-interest bearing and are normally settled on 60 to 90 days' terms. An ageing analysis of the Group's trade and bills payables as at 30 June 2022, based on the invoice date and issuance date, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	Audited 31 December 2021 HK\$'000
Within 3 months	<b>2,075,702</b>	2,845,033
4 to 6 months, inclusive	<b>927,013</b>	860,184
7 to 9 months, inclusive	<b>16,751</b>	12,433
10 to 12 months, inclusive	<b>10,588</b>	25,101
More than 1 year	<b>27,582</b>	29,506
	<b>3,057,636</b>	3,772,257

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

During the six months ended 30 June 2022, the Group repaid bank and other borrowings of approximately HK\$1,933,534,000 (30 June 2021: HK\$1,025,444,000) and raised new bank and other borrowings of approximately HK\$1,984,481,000 (30 June 2021: HK\$1,329,002,000).

### 14. SHARE CAPITAL

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Authorised:		
20,000,000,000 (31 December 2021: 20,000,000,000) ordinary shares	<b>200,000</b>	200,000
Issued and fully paid:		
9,719,257,645 (31 December 2021: 9,719,257,645) ordinary shares	<b>97,193</b>	97,193

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
<b>Issued:</b>				
As at 1 January 2021	6,479,505,097	64,795	1,060,037	1,124,832
Rights issue (Note)	3,239,752,548	32,398	716,996	749,394
As at 31 December 2021, 1 January 2022 and 30 June 2022	9,719,257,645	97,193	1,777,033	1,874,226

Note:

A rights issue of one rights share for every two existing shares held by members on the register of members on 20 August 2021 was made, at a subscription price of HK\$0.232 per rights share, resulting in the issue of 3,239,752,548 shares for a total cash consideration of HK\$751,623,000, before expenses of HK\$2,229,000.

## 15. SHARE AWARD SCHEME

The Company adopted a share award scheme on 17 January 2022 (the “Share Award Scheme”) under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

- (a) the par value of the share of the Company;
- (b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and
- (c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The relevant number of shares is legally issued or transferred to the Trustee who holds the shares for the benefit of the selected employees until the end of each vesting period. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

The expenses in relation to the share awards are charged to income statement over the relevant vesting periods with a corresponding increase in share award reserve.



On 17 January 2022, the Company granted a total of 64,500,000 shares to 14 selected employees pursuant to the Share Award Scheme with consideration of HK\$7,946,000.

Nil shares of the Company had been purchased by nor no new shares had been issued to the Trustee during the six months ended 30 June 2022 for the Share Award Scheme.

The details of the grants are as follows:

Number of shares	Vesting condition	Date of grant	Vesting period	Fair value per share HK\$	Fair Value of shares HK\$'000
19,350,000	1st year from the date of acceptance and subject to certain vesting conditions	17 January 2022	17 January 2022 to 17 January 2023	0.243	4,705
19,350,000	2nd year from the date of acceptance and subject to certain vesting conditions	17 January 2022	17 January 2023 to 17 January 2024	0.240	4,653
25,800,000	3rd year from the date of acceptance and subject to certain vesting conditions	17 January 2022	17 January 2024 to 17 January 2025	0.237	6,107

During the six months ended 30 June 2022, the Group recognised total expenses of HK\$1,992,000 (30 June 2021: nil) in relation to the Share Award Scheme awarded shares granted by the Company.

## 16. COMMITMENTS

The Group had the following capital commitments contracted but not provided for, at the end of the reporting period:

	<b>Unaudited</b> <b>30 June</b> <b>2022</b> <b>HK\$'000</b>	Audited 31 December 2021 HK\$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	<b>163,430</b>	151,108
– Construction of leasehold buildings in Mainland China	<b>105,222</b>	190,746
	<b>268,652</b>	341,854

## 17. RELATED PARTIES TRANSACTIONS

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

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	Notes	<b>HK\$'000</b>	HK\$'000
Related companies controlled by directors of the Company:			
Rental income	(i)	<b>84</b>	84
A jointly-controlled entity:			
Management fee and utility charges	(ii)	<b>4,452</b>	8,006
Subcontracting fee	(iii)	<b>109,137</b>	78,860
Interest income	(iv)	<b>1,397</b>	1,475
Expenses relating to short-term leases	(v)	<b>2,237</b>	2,184

Notes:

- (i) The rental income from a related company controlled by directors of the Company was charged at a monthly rate of HK\$14,000 for the period ended 30 June 2022 (30 June 2021: HK\$14,000) by reference to a lease agreement entered into by the related company and the Group on 8 February 2018.
- (ii) The management fee and utility charges from a jointly-controlled entity represented the management fee charged for factory premises at a monthly rate of RMB9.6 per square metre for the period ended 30 June 2022 (30 June 2021: RMB9.6 per square metre) and the related utility charges.
- (iii) The subcontracting fee to a jointly-controlled entity was made on a basis mutually agreed by both parties.
- (iv) The interest income was charged at 2% per annum on the loan balances to the jointly-controlled entity.
- (v) The rental fee paid to the jointly-controlled entity represented the expenses related to short-term leases for machineries at a monthly rate of RMB5,000 (HK\$6,000 equivalent) (30 June 2021: RMB5,000 (HK\$6,000 equivalent)) per machinery for the period ended 30 June 2022.
- (vi) The Group entered into an agreement with a related company controlled by a director of the Company on 1 January 2019 to lease a plant at a monthly rate of RMB324,000. Right-of-use asset of HK\$9,173,000 (31 December 2021: HK\$11,507,000) and lease liability of HK\$7,872,000 (31 December 2021: HK\$10,163,000) were recognised in respect of such lease at 30 June 2022. During the period ended 30 June 2022, depreciation of right-of-use asset of HK\$1,892,000 and interest expense on lease liability of HK\$248,000 were charged to the consolidated statement of profit or loss.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

### Fair value hierarchy

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

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

During the six months ended 30 June 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 19. TRANSFERRED FINANCIAL ASSETS

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

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

	<b>Unaudited 30 June 2022</b>	
	<b>Bills receivable Notes (a) and (b) HK\$'000</b>	<b>Total  HK\$'000</b>
Carrying amount of assets that continued to be recognised	<b>29,091</b>	<b>29,091</b>
Carrying amount of associated liabilities	<b>29,091</b>	<b>29,091</b>
	<b>Audited 31 December 2021</b>	
	<b>Bills receivable Notes (a) and (b) HK\$'000</b>	<b>Total  HK\$'000</b>
Carrying amount of assets that continued to be recognised	47,407	47,407
Carrying amount of associated liabilities	47,407	47,407

Notes:

**(a) Discounting of bills receivable**

At 30 June 2022, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$Nil (31 December 2021: HK\$15,555,000) to certain banks in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loans recognised due to the Discounted Bills was HK\$Nil as at 30 June 2022 (31 December 2021: HK\$15,555,000).

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

At 30 June 2022, the Group endorsed certain bills receivable issued by certain local banks and certain local financial institutions in the PRC (the “Endorsed Bills”) with a carrying amount of HK\$29,091,000 (31 December 2021: HK\$31,852,000) 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 the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was HK\$29,091,000 (31 December 2021: HK\$31,852,000) as at 30 June 2022.

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

**(a) *Discounting of bills receivable***

At 30 June 2022, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$554,048,000 (31 December 2021: HK\$478,427,000) to 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 are equal to their carrying amounts of HK\$554,048,000 (31 December 2021: HK\$478,427,000). 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 a maturity period of six months.

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



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

At 30 June 2022, the Group endorsed certain bills receivable issued 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\$388,676,000 (31 December 2021: HK\$654,916,000). The Derecognised Endorsed Bills have a maturity from three to seven months at the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Endorsed Bills are not significant.

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

## **20. EVENTS AFTER THE PERIOD**

There were no significant events affecting the Company or any of its subsidiaries after the end of the financial period requiring disclosure in this report.

## **21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 August 2022.

## SUPPLEMENTARY INFORMATION

### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (2021: nil).

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

At 30 June 2022, 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 pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital (Note 3)
	Directly beneficially owned	Through controlled corporation	Notes		
Mr. Wang Ya Nan	691,395,000 (L)	2,819,250,000 (L)	1, 2	3,510,645,000 (L)	36.12
Mr. Hui Wai Man	100,000,000 (L)	–		100,000,000 (L)	1.03
Dr. Yu Sun Say	32,415,000 (L)	–		32,145,000 (L)	0.33
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–		5,950,000 (L)	0.06
Mr. Ting Leung Huel Stephen	9,675,000 (L)	–		9,675,000 (L)	0.10

L: Long position  
S: Short position

Notes:

1. 2,375,250,000 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. 444,000,000 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. The percentages have been compiled based on the total number of issued shares (i.e. 9,719,257,645 shares) as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## UPDATE ON USE OF PROCEEDS FROM RIGHTS ISSUE

To strengthen the financial status and stability of the Group and to enhance the Group's liquidity and lowering the gearing level, the Company has completed a rights issue and issued 3,239,752,548 new shares at the subscription price of HK\$0.232 per rights share on the basis of one rights share for every two existing shares of the Company on 13 September 2021 ("Right Issue"). Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK\$749 million (the "Net Proceeds") of which approximately HK\$552 million has been utilised during the year ended 31 December 2021 where the remaining balance of approximately HK\$197 million has been fully utilised during the Period in accordance with the intentions previously disclosed by the Company as follows:

Intended use of proceeds	<b>Intended allocation of the remaining net proceeds (HK\$ million)</b>	Actual allocation of the remaining net proceeds during the Period (HK\$ million)
Capital expenditure for the purchase of machinery and equipment to improve automation and production efficiency and increase production capacity, to support the development of handset casings and high-precision components business	<b>168</b>	168
For research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, so as to support the continuous development of the Group's major business	<b>29</b>	29
	<b>197</b>	197

## SHARE OPTION AND SHARE AWARD SCHEMES

### Share Option Scheme

The Company has adopted a share option scheme (the “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 full-time 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.

As at 30 June 2022 and 31 December 2021, there were no outstanding shares in respect of which options had been granted under the Scheme.

### Share Award Scheme

The Company adopted a share award scheme on 17 January 2022 (the “Share Award Scheme”) under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

- (a) the par value of the share of the Company;
- (b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and
- (c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The purpose of the Share Award Scheme is to (i) establish a mechanism of “risk sharing and benefit sharing” between middle and senior management and the Group, so that the middle and senior management have the opportunity to share the results of the Group’s strategic development and organisational changes, and attract and retain core talents; (ii) establish an equity reward model linked to the Company’s overall value and personal performance indicators and achieve diversified and long-term rewards for middle and senior management; and (iii) attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of 10 years from 17 January 2022 unless terminated earlier by the Board and is administered by the Board and the trustee of the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company as at the adoption date of the Share Award Scheme. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the shares in issue of the Company from time to time.

During the Period, 64,500,000 awarded shares were granted under the Share Award Scheme to 14 selected employees who are individual third parties under the Listing Rule. The awarded shares are subject to certain vesting conditions specified by the Board at the time of granting the awarded shares and shall be vested in three tranches in 48 months started from the grant date. Details of the adoption of the Share Award Scheme and the grant of awarded shares are set out in the Company’s announcement dated 17 January 2022.

## SUBSTANTIAL SHAREHOLDER

At 30 June 2022, as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, the following party was interested in 5% or more of the Company's issued share capital:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	Note Directly beneficially owned	2,375,250,000 (L)	24.44

L: Long position

S: Short position

Note: The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers.

Save as disclosed above, as at 30 June 2022, 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 the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

## CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, throughout the Period, except for the deviations as mentioned below.

Code provision B.2.4(a) of the CG Code states that where all the independent non-executive directors have served more than nine years on the board, the length of tenure of each existing independent non-executive director should be disclosed on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting.

The independent non-executive Directors (“INEDs”) have all been serving as INEDs for more than nine years. In the circular of the Company dated 11 April 2022, the disclosure of the length of the tenure of all the long serving INEDs on a named basis was inadvertently omitted. Accordingly, the Company issued a supplemental announcement to disclose the length of tenure of all the INEDs on 21 April 2022.

Code provision C.2.1 of the CG Code states that 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 current structure is considered to be the most appropriate under specific circumstances.

## AUDIT COMMITTEE

The audit committee of the Company (the “AC”) comprises three independent non-executive Directors and one non-executive Director, namely Mr. Ting Leung Huel Stephen (“Mr. Ting”), Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Ms. Chan Sze Man. 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 CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible for reviewing and supervising the risk management and internal control system of the Group.



The AC had reviewed the unaudited interim results of the Group for the Period prior to the submission to the Board for approval.

## MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by Directors. 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.

## EVENTS AFTER THE PERIOD

There were no significant events affecting the Company or any of its subsidiaries after the end of the financial period requiring disclosure in this report.

## BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Wang Ya Nan, Mr. Wang Hung Man, Mr. Wong Ming Sik, Mr. Wong Ming Yuet and Mr. Hui Wai Man as executive Directors; Ms. Chan Sze Man as non-executive Director; and Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, GBS, SBS, JP and Mr. Ting Leung Huel Stephen, MH as independent non-executive Directors.

On behalf of the Board

**Tongda Group Holdings Limited**

**Wang Ya Nan**

*Chairman*

Hong Kong, 30 August 2022