

INTERIM REPORT

2010



TONGDA GROUP

**TONGDA GROUP HOLDINGS LIMITED**

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

#### Independent Non-executive Directors

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

#### COMPANY SECRETARY

Mr. Ko Chun Hay, Kelvin  
*MSc, FCPA, ACMA*

#### AUDITOR

Ernst & Young  
*Certified Public Accountants*

#### AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan  
Mr. Wang Ya Hua

#### PRINCIPAL BANKERS

##### In Hong Kong:

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

##### In PRC:

Bank of China Limited  
China Construction Bank Corporation

#### LEGAL ADVISER

##### As to Hong Kong law:

Chiu & Partners  
Michael Li & Co.  
Hui & Lam

##### As to PRC law:

Fujian Xieli & Partners Law Firm

##### As to Cayman Islands law:

Conyers Dill & Pearman, Cayman

#### REGISTERED OFFICE

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

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1201-03, 12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong

#### HONG KONG BRANCH SHARE REGISTRAR

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

#### PRINCIPAL SHARE REGISTRAR

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

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

### 1. Business and Financial Review

Being the world's largest player in the global consumer electronics plastic casing market, Tongda Group Holdings Limited (the "Group") continued to assert significant presence in the worldwide handset, notebook computer and electrical appliance segments with its unique In-Mould Lamination ("IML") technology.

For the six months ended 30 June 2010 (the "Period"), the Group's overall sales increased by approximately 53% to HK\$1,039 million (six months ended 30 June 2009: HK\$678 million). Gross profit increased by 62% to HK\$188 million (six months ended 30 June 2009: HK\$116 million) and profit attributable to owners of the Company increased by 98% to HK\$81 million (six months ended 30 June 2009: HK\$41 million).

The achievement of solid growth in sales, gross profit and net profit was particularly encouraging as it solidified the Group's capability to deliver sustainable growth against the backdrop of an unstable economic environment. In spite of negative factors asserted by the recent phenomenon of rising labour costs in the PRC and increased raw material costs, the Group was able to successfully offset cost contingencies through the implementation of stringent internal cost controls and development of new product designs. In addition, driven by the management's vision to focus on value-added and high margin products coupled with the ability to charge premium prices for every new product launched, the Group's overall net profit margin increased to approximately 8% (six months ended 30 June 2009: 6%).

As at 30 June 2010, the Group had pledged deposit and cash and cash equivalents balances of approximately HK\$167 million (31 December 2009: HK\$246 million). In January 2010, the Group completed a share placement of 160,000,000 new shares with net proceeds amounting to HK\$37,975,000 and a warrant placement of 192,000,000 warrants. As at the date of this report, the warrants have not been exercised by the warrant holders and the expected net proceeds of approximately HK\$57,000,000 will be received when the warrants are exercised. The successful placements reflected the market's confidence and support in the Group's business direction and will provide sufficient funding for future business developments.

During the Period, the Group has acquired a 5% equity interest in an investee company at RMB3,160,000 which will develop a parcel of land in Siming District, Xiamen City, the PRC with a gross floor area of approximately 5,344 square meters. The gross investment in such project will be limited to HK\$8 million in its preliminary plan and goal of the investment will be development of a new company headquarter for the Group in long run.

**MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW (Continued)****2. Operational Information by Division***a. Electrical Fittings Division*

The Group's unique IML printing technology is mainly applied to products developed in the electrical fittings division, namely handsets, notebook computers and electrical appliances. During the Period, the division recorded an impressive revenue growth of 72% to HK\$794,418,000 (six months ended June 2009: HK\$461,303,000). The increase is largely attributable to the division's specialization in the patented IML technology, which allowed the Group to successfully become one of the world's largest one-stop solutions provider of consumer electronics plastic casings and a key component partner to many leading electronics manufacturers, further establishing the Group's leadership position in both the domestic and international electronics market.

*i. Handsets*

As to make use of opportunities brought forth by the increasing global penetration of cell phones and notebook computer and to further consolidate the Group's position in the global supply chain, IML application will continue to be a key growth driver for the division. Turnover from the Group's handset business increased to HK\$373,594,000 from HK\$296,870,000 in the previous corresponding year, signifying a stable growth of 26%. During the Period, the Group maintained close relationships with globally renowned handset manufacturers such as Nokia and Sony Ericsson and PRC manufacturers such as Huawei, ZTE and Lenovo, thereby securing a stable and long-term flow of orders.

Having successfully broken into the global supply chain in past years, the Group expects a steady growth of sales orders from the prestige international brands in coming future. The growth of the Group will be supported by a solid role in the global supply chain.

*ii. Notebook Computers*

During the Period, the Group's advancement in IML technology garnered the attention of reputable computer brands such as Lenovo, Dell and HP, generating an influx of new orders. The rapid expansion in clientele portfolio beyond the Group's existing relationship with the world's top four computer manufacturers, namely Asus, Acer, Quanta and Compal, was especially meaningful as it demonstrated the market's trust and confidence in the Group's innovative designs and excellent product quality. In addition, consumer's predilection for personalized notebook casings with colorful and stylish designs provide ample opportunities for the Group to showcase its unique IML techniques and design competencies that includes color coating, plasma surfaces treatment, leather incrustation and alloys with various textures. During the Period, turnover from the Group's notebook computer division increased by 1.7 times to HK\$174,150,000 from HK\$65,541,000 in the previous corresponding period.

**MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW (Continued)****2. Operational Information by Division (Continued)***a. Electrical Fittings Division (Continued)*

## iii. Electrical Appliances

Benefiting from the favorable policy enacted by the PRC Government to promote and stimulate domestic consumption of household appliances, the Group's electrical appliances division has enjoyed substantial growth during the Period, with turnover achieving a growth of 1.5 times to HK\$229,833,000 from HK\$93,562,000 in the previous corresponding period. The Group expects to see continual growth for the division in the foreseeable future as the policy scheme extends its influence into nearby peripheral cities. Along with the stable income generated from a diverse customer portfolio including Haier, Midea, Gree, Hitachi, Philips, Cisco, Sony and Samsung, the Group anticipates optimistic growth and is well prepared to allocate resources for future expansion contingencies to optimize profitability.

## iv. New business – Light Guide Plate for LED TV

In line with the diversification strategy into the LED TV market, the Group joined forces with Matsushita Shokai and established a joint venture company during the first quarter of 2010 to develop and produce high quality light guide plates, a core component used in LED TVs to project better quality images. By leveraging its core expertise in IML technology, the Group became the only supplier in the PRC, with its own design and technique to manufacture the new generation light guide plate that is capable of projecting immaculate imagery with excellent contrast in thinner television boxes. Such pioneering technology is expected to create a new trend in modern LED TV consumption. A new factory dedicated to the development of light guide plates have been set up in Xiamen and is expected to commence production in the second half of 2010. The Group has strong confidence that this new business venture will become a new growth engine of the Group.

*b. Ironware Parts Division*

For the Period, turnover from this division has slightly increased by 2.3% to HK\$167,189,000 (six months ended June 2009: HK\$163,502,000). The Group's strategic decision to cut back on lower margin orders and added focus on higher margin products including smaller and more delicate precision ironware products. The change in business approach will allow the Group to effectively direct resources to core business segments with higher profitability; hence the proportion of sales contribution from the ironware division to total turnover is expected to gradually scale down in the long run.

**MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW (Continued)****2. Operational Information by Division (Continued)***c. Communication Facilities and other Business*

The Group's communication facilities division focuses on the production of satellite television modems and set top boxes. For the Period, the division has achieved a consistent turnover of approximately HK\$77,866,000 (six months ended June 2009: HK\$53,281,000), representing a stable revenue stream.

*d. Turnover Breakdown of Products for the Six Months Ended 30 June 2010 and 2009*

	<b>2010</b>	2009
Electrical Fittings Division	<b>76%</b>	68%
i. Handset	<b>36%</b>	44%
ii. Notebook Computers	<b>17%</b>	11%
iii. Electrical Appliances	<b>22%</b>	12%
iv. Others	<b>1%</b>	1%
Ironware Parts Division	<b>16%</b>	24%
Communication Facilities and Other Businesses	<b>8%</b>	8%

**3. Prospects**

In light of the successful IML business, coupled with the Group's solid business foundation and prominent reputation as the world's largest consumer electronics plastic casing supplier, the management is confident that the second half of 2010 will continue to be a profitable period.

Handsets have increasingly become an integrated part of people's lives as owning more than one handset has become the norm. The phenomenon has been further intensified by the rapid expansion of the 3G network worldwide, causing consumer to upgrade their handsets in order to capture the added functionality. As one of the few players in the industry that is capable of manufacturing the exterior cover of handsets and handling precise and multi-layered designs, the Group stands well to benefit from the upgrading trend. Coupled with the rising handset consumption rate from emerging countries, the segment foresees immense development potential and will continue to be a key growth driver of the Group in the long run.



**MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW (Continued)****3. Prospects (Continued)**

The Group is also optimistic about the prospect of the notebook computer market as the notion of mobility is becoming an imminent characteristic that consumers gravitate to when purchasing computers, thereby triggering a rising demand for notebook cases. In addition, the rising popularity of individualized solutions creates a gateway for the Group to showcase its mastery in IML printing. To effectively capture this enormous growth opportunity, rigorous R&D development will be enforced to deliver a consistent supply of value-added products with appealing product designs, as to make use of the segments fast moving nature and to maximize profit margins. Furthermore, the Group's newly established notebook casing production facility in Suzhou, Jiangsu has commenced operation in July 2010. Strategically located where international notebook computer manufacturers cluster, the new facility will focus on manufacturing orders to the world's top 4 notebook producers, thereby reducing transportation costs and ensure timely response to market's fast moving changes. The Group will continue to reallocate resources and machineries across our production sites to optimize utilization, thus allowing the Group to effectively manage orders and absorb new business whilst retaining its premium and comprehensive service network for its customers.

The Group believes that the diversification into the LED TV market marks a new milestone in 2010. The new business venture further reinforced our versatile technology competence to the world and signified the Group's capability of transferring our notorious IML technology into other consumer electronic segments. The Group is confident that the new production facility in Shanghai is well prepared for future order growth once the product is unveiled beyond the Japanese market. With LED TVs expecting a rapid consumption in the foreseeable future, the light guide plate business will become a new growth driver for the company.

The global consumer electronics market continues to be an attractive industry and will provide ample room for the industry players to expand and develop in the long run. The Group will dedicate all its efforts to achieve our corporate vision of being a worldwide premium casing supplier of choice for consumer electronic product by enhancing our business model and leveraging our superior technological standards and high operating efficiencies to provide high-quality products and services to our customers. The Group also strives to expand our market share in the existing business territory and look forward to extend the application of our core IML expertise into other electronics segments in the future, thereby delivering sustainable returns to our shareholders.



**MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW (Continued)****4. Liquidity and Financial Resources**

At 30 June 2010, the Group had total assets of HK\$2,483 million (31 December 2009: HK\$2,359 million); net current assets of HK\$490 million (31 December 2009: HK\$462 million) and total equity of HK\$1,481 million (31 December 2009: HK\$1,381 million). The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2010 was maintained at about HK\$167 million (31 December 2009: HK\$246 million), out of which HK\$29 million has been pledged to bank to secure banking facilities granted (31 December 2009: HK\$20 million). The gearing ratio (total debt/equity attributable to owners of the Company plus total debt) was 0.33 (31 December 2009: 0.32). As at 30 June 2010, total bank loans of the Group amounted to approximately HK\$245 million, approximately HK\$225 million was floating-rate loan and the remaining balance of approximately HK\$20 million were fixed-rate loans.

Except for the pledged deposits as shown in the condensed consolidated statement of financial position, no other assets were pledged as at 30 June 2010 and 31 December 2009.

**5. Foreign Currency Risk**

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 62% (2009: 67%) of the Group's sales and purchases transactions are denominated in RMB while the remaining balance of sales and purchases transactions denominated mainly in Hong Kong dollars and United States dollars. As the foreign currencies risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. Considering the appreciation of RMB, the Group will maintain a comparatively higher level of Hong Kong dollars borrowings than RMB borrowings to minimize the possible currency risk therefrom.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
REVENUE	4	<b>1,039,473</b>	678,086
Cost of sales		<b>(851,371)</b>	(562,460)
Gross profit		<b>188,102</b>	115,626
Other income and gains, net		<b>9,786</b>	17,639
Selling and distribution costs		<b>(21,674)</b>	(18,190)
Administrative expenses		<b>(64,982)</b>	(49,196)
Change in fair value of warrants	16	<b>(5,141)</b>	–
Other expenses		<b>(11)</b>	(821)
Finance costs		<b>(8,284)</b>	(9,739)
Share of profits and losses of associates		<b>2,010</b>	435
PROFIT BEFORE TAX	5	<b>99,806</b>	55,754
Income tax expense	6	<b>(15,999)</b>	(10,623)
PROFIT FOR THE PERIOD		<b>83,807</b>	45,131
Attributable to:			
Owners of the Company		<b>81,365</b>	40,977
Non-controlling interests		<b>2,442</b>	4,154
		<b>83,807</b>	45,131
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		<b>HK1.83 cents</b>	HK1.03 cents
– Diluted		<b>HK1.81 cents</b>	HK1.03 cents

Details of the dividends are disclosed in note 7 to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
PROFIT FOR THE PERIOD	<b>83,807</b>	45,131
Gain on revaluation	<b>4,158</b>	1,388
Income tax effect on revaluation of property, plant and equipment	<b>(686)</b>	(229)
	<b>3,472</b>	1,159
Exchange differences on translation of foreign operations of subsidiaries	<b>(50)</b>	56
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>3,422</b>	1,215
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>87,229</b>	46,346
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the Company	<b>84,787</b>	42,192
Non-controlling interests	<b>2,442</b>	4,154
	<b>87,229</b>	46,346

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2010</b>	2009
Notes		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>863,542</b>	822,303
Investment property	10	<b>45,880</b>	50,230
Prepaid land lease payments		<b>30,630</b>	30,995
Interests in associates		<b>30,686</b>	35,543
Available-for-sale investment	11	<b>3,605</b>	–
Goodwill		<b>22,751</b>	22,751
Prepayments		<b>55,737</b>	56,401
Long term deposits		<b>7,936</b>	11,412
Deferred tax assets		<b>3,833</b>	3,833
Total non-current assets		<b>1,064,600</b>	1,033,468
<b>CURRENT ASSETS</b>			
Inventories		<b>442,801</b>	369,242
Trade and bills receivables	12	<b>694,385</b>	630,636
Prepayments, deposits and other receivables		<b>106,558</b>	75,498
Due from a related company		<b>1,804</b>	–
Tax recoverable		<b>6,008</b>	4,574
Pledged deposits		<b>28,780</b>	20,242
Cash and cash equivalents		<b>138,226</b>	225,808
Total current assets		<b>1,418,562</b>	1,326,000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>521,758</b>	411,305
Accrued liabilities and other payables		<b>73,006</b>	84,948
Interest-bearing bank borrowings	14	<b>195,346</b>	248,226
Due to non-controlling shareholders		<b>786</b>	665
Due to a related company		<b>–</b>	6,150
Deposit received	15	<b>15,050</b>	–
Tax payable		<b>116,118</b>	112,245
Warrants	16	<b>6,662</b>	–
Total current liabilities		<b>928,726</b>	863,539
<b>NET CURRENT ASSETS</b>		<b>489,836</b>	462,461
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,554,436</b>	1,495,929

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2010</b>	2009
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	14	<b>50,000</b>	99,094
Due to a non-controlling shareholder		<b>7,331</b>	–
Deferred tax liabilities		<b>16,527</b>	16,025
		<hr/>	<hr/>
Total non-current liabilities		<b>73,858</b>	115,119
		<hr/>	<hr/>
Net assets		<b>1,480,578</b>	1,380,810
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	17	<b>44,658</b>	43,058
Reserves		<b>1,396,743</b>	1,290,465
		<hr/>	<hr/>
Non-controlling interests		<b>1,441,401</b>	1,333,523
		<b>39,177</b>	47,287
		<hr/>	<hr/>
Total equity		<b>1,480,578</b>	1,380,810
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Unaudited six months ended 30 June 2010

Attributable to owners of the Company

	Issued capital	Share premium account	Share option reserve	Capital reserve	Assets revaluation reserve	Capital redemption reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	45,058	535,759	15,451	993	12,160	287	5,078	81,664	639,093	1,335,523	47,287	1,380,810
Profit for the period	-	-	-	-	-	-	-	-	81,365	81,365	2,442	83,807
Other comprehensive income	-	-	-	-	3,472	-	-	(50)	-	3,422	-	3,422
Total comprehensive income for the period	-	-	-	-	3,472	-	-	(50)	81,365	84,787	2,442	87,229
Share issued	1,600	36,800	-	-	-	-	-	-	-	38,400	-	38,400
Transaction costs attributable to issue of shares	-	(425)	-	-	-	-	-	-	-	(425)	-	(425)
Equity-settled share option arrangements	-	-	7,897	-	-	-	-	-	-	7,897	-	7,897
Final 2009 dividend declared and paid	-	-	-	-	-	-	-	-	(22,329)	(22,329)	-	(22,329)
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	127	127
Acquisition of non-controlling interests (note 18)	-	-	-	(615)	-	-	-	163	-	(452)	(10,679)	(11,131)
At 30 June 2010	<u>46,658</u>	<u>572,134</u>	<u>23,328</u>	<u>378</u>	<u>15,632</u>	<u>287</u>	<u>5,078</u>	<u>81,777</u>	<u>698,129</u>	<u>1,441,401</u>	<u>39,177</u>	<u>1,480,578</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Unaudited six months ended 30 June 2009  
Attributable to owners of the Company

	Issued capital	Share premium account	Share option reserve	Capital reserve	Assets revaluation reserve	Capital redemption reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	39,898	473,527	9,666	993	10,391	287	49	81,769	565,087	1,181,667	33,665	1,215,332
Profit for the period	-	-	-	-	-	-	-	-	40,977	40,977	4,154	45,131
Other comprehensive income	-	-	-	-	1,159	-	-	56	-	1,215	-	1,215
Total comprehensive income	-	-	-	-	1,159	-	-	56	40,977	42,192	4,154	46,346
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(968)	(968)
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(996)	(996)
Capital contribution from a non-controlling interest	-	-	-	-	-	-	-	-	-	-	75	75
Final 2008 dividend declared	-	-	-	-	-	-	-	-	(7,980)	(7,980)	-	(7,980)
Interim 2009 dividend	-	-	-	-	-	-	-	-	(13,964)	(13,964)	-	(13,964)
At 30 June 2009	<u>39,898</u>	<u>473,527</u>	<u>9,666</u>	<u>993</u>	<u>11,550</u>	<u>287</u>	<u>49</u>	<u>81,825</u>	<u>584,120</u>	<u>1,201,915</u>	<u>35,930</u>	<u>1,237,845</u>



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	<i>HK\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<b>91,626</b>	105,776
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(94,514)</b>	(38,624)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	<b>(84,807)</b>	16,314
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(87,695)</b>	83,466
Cash and cash equivalents at beginning of period	<b>225,808</b>	147,875
Effects of foreign exchange rate changes, net	<b>113</b>	56
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>138,226</b>	231,397
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	<b>138,226</b>	231,397

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

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

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

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

### 2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

### 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 2009, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and interpretations, which are generally effective for accounting periods beginning on or after 1 January 2010.

HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 18 Amendments	<i>Revenue</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised) in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 3. ACCOUNTING POLICIES (Continued)

Other than as further explained below regarding the impact of HKAS 27 (Revised), the adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Accordingly, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parents.

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

### 4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. OPERATING SEGMENT INFORMATION (Continued)

The following tables present unaudited revenue, results, assets and liabilities for the Group's operating segments for the periods ended 30 June 2010 and 2009.

	Unaudited six months ended 30 June 2010				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment revenue:					
Revenue from external customers	794,418	167,189	77,866	-	1,039,473
Intersegment sales	3,862	1,919	-	(5,781)	-
<b>Total</b>	<b>798,280</b>	<b>169,108</b>	<b>77,866</b>	<b>(5,781)</b>	<b>1,039,473</b>
Segment results before depreciation and amortisation	140,312	21,859	(5,364)	(696)	156,111
Depreciation	(38,946)	(5,545)	(1,259)	-	(45,750)
Amortisation	(328)	(664)	(37)	-	(1,029)
<b>Segment results</b>	<b>101,038</b>	<b>15,650</b>	<b>(6,660)</b>	<b>(696)</b>	<b>109,332</b>
Unallocated income					9,786
Unallocated expense					(13,038)
Finance costs					(8,284)
Share of profits and losses of associates					2,010
Profit before tax					99,806
Income tax expense					(15,999)
<b>Profit for the period</b>					<b>83,807</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. OPERATING SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30 June 2010				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment assets	<u>2,246,585</u>	<u>414,918</u>	<u>887,016</u>	<u>(1,276,495)</u>	<u>2,272,024</u>
Unallocated assets					<u>211,138</u>
Total assets					<u>2,483,162</u>
Segment liabilities	<u>1,606,801</u>	<u>229,857</u>	<u>355,969</u>	<u>(1,574,696)</u>	<u>617,931</u>
Unallocated liabilities					<u>384,653</u>
Total liabilities					<u>1,002,584</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. OPERATING SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30 June 2009				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment revenue:					
Revenue from external customers	461,303	163,502	53,281	–	678,086
Intersegment sales	1,762	786	–	(2,548)	–
<b>Total</b>	<b>463,065</b>	<b>164,288</b>	<b>53,281</b>	<b>(2,548)</b>	<b>678,086</b>
Segment results before depreciation and amortisation	75,833	16,733	(4,824)	(1,004)	86,738
Depreciation	(31,196)	(5,276)	(1,881)	–	(38,353)
Amortisation	(291)	(638)	(37)	–	(966)
<b>Segment results</b>	<b>44,346</b>	<b>10,819</b>	<b>(6,742)</b>	<b>(1,004)</b>	<b>47,419</b>
Unallocated income					17,639
Finance costs					(9,739)
Share of profits and losses of associates					435
Profit before tax					55,754
Income tax expense					(10,623)
<b>Profit for the period</b>					<b>45,131</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. OPERATING SEGMENT INFORMATION (Continued)

	Audited 31 December 2009				
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	<u>2,066,744</u>	<u>406,043</u>	<u>853,324</u>	<u>(1,256,643)</u>	2,069,468
Unallocated assets					<u>290,000</u>
Total assets					<u>2,359,468</u>
Segment liabilities	<u>1,564,918</u>	<u>245,259</u>	<u>364,573</u>	<u>(1,671,682)</u>	503,068
Unallocated liabilities					<u>475,590</u>
Total liabilities					<u>978,658</u>

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2010 and 2009.

Unaudited six months ended 30 June													
Hong Kong		The People's Republic of China (the "PRC")		Southeast Asia		Australia		Middle East		Others		Consolidated	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:													
Sales to external customers													
<u>19,702</u>	<u>23,440</u>	<u>879,501</u>	<u>519,004</u>	<u>21,083</u>	<u>63,669</u>	<u>9,609</u>	<u>20,182</u>	<u>66,189</u>	<u>32,883</u>	<u>43,389</u>	<u>18,908</u>	<u>1,039,473</u>	<u>678,086</u>

For the six months ended 30 June 2010 and 2009, the revenue from the Group's largest customer was less than 10% of the Group's total revenue.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 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>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid land lease payments	<b>365</b>	328
Amortisation of prepayments	<b>664</b>	638
Depreciation of property, plant and equipment	<b>45,750</b>	38,353
Net fair value change on foreign exchange derivative financial instruments	-	2,144
Write-back of impairment of trade receivables	<b>(2,216)</b>	(818)
Write-off of trade receivables	<b>782</b>	655
Write-down of inventories	<b>768</b>	-
Foreign exchange differences, net	<b>1,194</b>	2,577
Gain on disposal of property, plant and equipment	<b>(72)</b>	-
Change in fair value of an investment property	-	(270)
Gain on disposal of an investment property	<b>(453)</b>	-
Interest income	<b>(453)</b>	(2,538)
	<b>=====</b>	<b>=====</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") being effective on 1 January 2008, the Corporate Income Tax (the "CIT") rate was changed from 33% to 25%. Under the relevant laws and regulations in the PRC, certain subsidiaries of the Group operating in Mainland China are exempted from CIT for two years from their respective first profit-making years and are eligible for a 50% reduction in CIT for the following three years. In addition, a reduced tax rate of 22% (2009: 20%) can be enjoyed by the subsidiary in the year 2010 if it is located in the Special Economic Zone of the PRC.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>674</b>	47
Underprovision in prior years	<b>–</b>	22
	<b>674</b>	69
Current – Elsewhere		
Charge for the period	<b>15,530</b>	10,802
(Over)/under provision in prior years	<b>(11)</b>	131
	<b>15,519</b>	10,933
Deferred tax	<b>(194)</b>	(379)
Total tax charge for the period	<b>15,999</b>	10,623

The share of tax attributable to associates amounting to HK\$32,700 (2009: HK\$3,400) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 7. DIVIDENDS

<b>Unaudited</b>	
<b>Six months ended 30 June</b>	
<b>2010</b>	2009
<b>HK\$'000</b>	HK\$'000

Dividends paid during the period:

Final in respect of the financial year ended

31 December 2009 – HK0.5 cent per ordinary share

(2009: final dividend of HK0.2 cent per ordinary share,

in respect of the financial year ended 31 December 2008)

<b>22,329</b>	7,980
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At the board meeting held on 23 August 2010, the board of directors declared and approved an interim dividend of HK0.6 cent per ordinary share (2009: HK0.35 cent), totalling HK\$26,794,800 (2009: HK\$22,329,000).

### 8. EARNINGS PER SHARE

<b>Unaudited</b>	
<b>Six months ended 30 June</b>	
<b>2010</b>	2009
<b>HK\$</b>	HK\$

#### Profit:

Profit for the period attributable to owners of the Company

<b>81,365,000</b>	40,977,000
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#### Number of shares:

Weighted average number of ordinary shares

for the purpose of calculating basic earnings per share

<b>4,452,540,331</b>	3,989,800,000
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Effect of dilutive potential ordinary shares:

Options

<b>26,673,107</b>	7,578,927
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Warrants

<b>21,873,418</b>	Nil
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Weighted average number of ordinary shares

for the purpose of calculating dilutive earnings per share

<b>4,501,086,856</b>	3,997,378,927
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### 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$87,407,000 (31 December 2009: HK\$149,111,000). In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$4,585,000 (31 December 2009: HK\$44,000) for proceeds of approximately HK\$4,657,000 (2009: Nil).

At 30 June 2010, the Group's leasehold buildings situated in Hong Kong were revalued by Asset Appraisal Ltd., an independent firm of professionally qualified appraisers, at an open market value of HK\$45,880,000 (2009: HK\$45,880,000). The resulting revaluation surplus of HK\$4,158,000 (30 June 2009: HK\$1,388,000) has been credited to the asset revaluation reserve during the six months ended 30 June 2010. The resulting deferred tax liability of HK\$686,000 arising from the revaluation has also been debited to the asset revaluation reserve.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 10. INVESTMENT PROPERTY

During the period, the Group disposed of an investment property located in Hong Kong with a carrying amount of HK\$4,350,000 at a cash consideration of approximately HK\$4,803,000 resulting in a gain on disposal of HK\$453,000. At 31 December 2009, the Group has investment properties amounting to HK\$45,880,000 through the acquisition of a subsidiary during the year. No investment properties was acquired during the period.

The Group's investment property was valued by Asset Appraisal Ltd., an independent firm of professionally qualified appraisers, on an open market existing use basis at HK\$45,880,000 (2009: HK\$45,880,000) as at 30 June 2010. Consequently, no gain or loss in fair value change of investment properties has been recognised in the income statement for the six months ended 30 June 2010 (31 December 2009: HK\$500,000).

The investment properties are leased to third parties under operating lease, further details of which are included in note 20(a) to the condensed consolidated interim financial statements.

### 11. AVAILABLE-FOR-SALE INVESTMENT

	<b>Group</b>	
	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Unlisted equity investment, at cost	<b>3,605</b>	—

The above investment consists of 5% equity interest in an unlisted company which was designated as available-for-sale financial asset and have no fixed maturity date or coupon rate. Another 95% equity interest of the investee company was owned by Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (the "Wong Brothers"), the substantial shareholders of the Company (the "Investee Partner"). During the period, the Group acquired a land in Xiamen, the PRC, at a consideration of RMB63,200,000 on behalf of the investee company. The whole consideration paid by the Group for the acquisition of the land was financed from the Investee Partner during the period. Up to the approval date of these interim financial statements, the land use right certificate of this land is still under process of application with the local government. Pursuant to the terms of an agreement entered between the Group and the Investee Partner on 7 May 2010, a deed of novation will be signed between the Company, the Investee Partner and the investee company to transfer all rights and obligations entitled by the Group over the land to the investee company and release the Group from the payment of any indebtedness due to the Investee Partner.

As at 30 June 2010, the above unlisted equity investment was stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 12. TRADE AND BILLS RECEIVABLES

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Trade receivables	<b>688,385</b>	635,060
Impairment allowances	<b>(21,102)</b>	(23,335)
	<b>667,283</b>	611,725
Bills receivables	<b>27,102</b>	18,911
	<b>694,385</b>	630,636

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The trade receivables are non-interest-bearing.

An aged analysis of the Group's trade and bills receivables as at 30 June 2010, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Within 3 months	<b>566,069</b>	544,142
4 to 6 months, inclusive	<b>111,731</b>	70,177
7 to 9 months, inclusive	<b>10,127</b>	6,876
10 to 12 months, inclusive	<b>1,877</b>	6,358
More than 1 year	<b>25,683</b>	26,418
	<b>715,487</b>	653,971
Impairment allowances	<b>(21,102)</b>	(23,335)
	<b>694,385</b>	630,636

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 13. TRADE AND BILLS PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables	<b>389,102</b>	338,120
Bills payables	<b>132,656</b>	73,185
	<b>521,758</b>	411,305

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 30 June 2010, based on the invoice date, is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 3 months	<b>393,148</b>	339,369
4 to 6 months, inclusive	<b>113,861</b>	56,646
7 to 9 months, inclusive	<b>4,969</b>	6,517
10 to 12 months, inclusive	<b>1,627</b>	2,670
More than 1 year	<b>8,153</b>	6,103
	<b>521,758</b>	411,305

### 14. INTEREST-BEARING BANK BORROWINGS

During the six months ended 30 June 2010, the Group repaid bank loans totaling of approximately HK\$123,128,000 (2009: HK\$245,188,000) and raised new bank loans of approximately HK\$21,154,000 during the period (2009: HK\$210,396,000). All borrowings bear interest at prevailing market rates and are repayable within two years.

### 15. DEPOSITS RECEIVED

Balance represented a deposit received from a non-controlling shareholder of a 85.1% owned subsidiary of the Group amounted to HK\$15,050,000 in respect of the Group's disposal of a further 30.1% equity interests of that subsidiary in accordance with an agreement dated 24 February 2010. The details of this transaction are set out in the Company's announcement dated 5 March 2010.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 16. WARRANTS

On 15 January 2010, the Company issued 192,000,000 unlisted warrants at price of HK\$0.0079 per warrant to four placees, all being independent third parties to the Group and each warrant entitles its holder to subscribe for one ordinary share of HK\$0.01 each of the Company ("Subscription Share"), subject to adjustments, at the initial subscription price of HK\$0.30 per Subscription Share at any time during the period of 12 months commencing from the date of issue of the warrants. The proceeds from the issue of warrants amounted to approximately HK\$1,521,000 represented the fair value of the warrants at the date of issue.

At 30 June 2010, the Company had outstanding 192,000,000 warrants to be exercised at any time on or before 14 January 2011 and the exercise in full of such warrants would result in the issue of 192,000,000 additional ordinary shares of the Company of HK\$0.01 each.

At 30 June 2010, the fair value of the outstanding warrants was determined using the Binomial Option Pricing Model at HK\$6,662,000.

During the period ended 30 June 2010, an aggregate fair value loss of approximately HK\$5,141,000 has been charged to the consolidated income statement of the Group.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each, authorised:		
Balance at 1 January 2009, 31 December 2009, 1 January 2010 and 30 June 2010	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2009	3,989,800,000	39,898
Exercise of share options	20,000,000	200
Issue of shares ( <i>note 1</i> )	296,000,000	2,960
At 31 December 2009	4,305,800,000	43,058
Issue of shares ( <i>note 2</i> )	160,000,000	1,600
At 30 June 2010	4,465,800,000	44,658

The new ordinary shares issued rank *pari passu* with the existing shares in all respects.

*Note 1:* On 11 August 2009, the Group entered into a sale and purchase agreement to acquire the entire equity interest of Tongda Shanghai Company Limited, and its subsidiaries, its associates and the shareholder's loan of HK\$7,005,000 from E-Growth Resources Limited ("E-Growth"). The acquisition was completed on 15 October 2009 and a total of 296,000,000 shares were issued on that date at an issue price of HK\$0.217 per share as the consideration for the acquisition.

*Note 2:* During the period ended 30 June 2010, pursuant to a placing and subscription agreement entered into on 15 January 2010, the Company allotted and issued 160,000,000 new ordinary shares of HK\$0.01 each at the subscription price of HK\$0.24 per share to E-Growth, a shareholder holding 296,000,000 ordinary issued shares representing approximately 6.87% of the entire issued share capital (before the replacement of 160 million new ordinary shares) of the Company.

### 18. ACQUISITION OF NON-CONTROLLING INTERESTS

Pursuant to a sale and purchase agreement entered into between the Group and a non-controlling shareholder on 25 January 2010, the remaining 19% equity interests in Xiamen Optic Conduct Cable Company Limited was acquired by the Group from the non-controlling shareholder at a cash consideration of approximately HK\$11,131,000 and the difference between the consideration and the non-controlling interests share of assets and liabilities at the date of acquisition was debited to the Group's capital reserve.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 19. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2010	228,000,000
Granted during the period	102,050,000
	<hr/>
Outstanding at 30 June 2010	<u>330,050,000</u>

The closing price of the Company's shares immediately before 31 May 2010, the date of grant, was HK\$0.28 per ordinary share.

In the current period, share options were granted on 31 May 2010. The fair values of the options determined at the date of grant using the Binomial Option Pricing Model was HK\$7,897,000 and was fully charged to the consolidated income statement of the Group during the period.

The following assumptions were used to calculate the fair value of the share options granted during the current period:

Grant date share price	HK\$0.28
Exercise price	HK\$0.28
Expected life of options	3 years
Expected volatility	67.913%
Dividend yield	3.750%
Risk-free interest rate	0.999%

The expected life of the options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 20. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

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

At 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <b>HK\$'000</b>	Audited 31 December 2009 HK\$'000
Within one year	<b>4,045</b>	2,648
In the second to fifth years, inclusive	<b>15,334</b>	1,997
After five years	<b>26,449</b>	–
	<b><u>45,828</u></b>	<u>4,645</u>

(b) *As lessee*

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

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <b>HK\$'000</b>	Audited 31 December 2009 HK\$'000
Within one year	<b>10,560</b>	10,889
In the second to fifth years, inclusive	<b>16,250</b>	8,492
After five years	<b>20,344</b>	10,230
	<b><u>47,154</u></b>	<u>29,611</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 21. COMMITMENTS

In addition to the operating lease commitments set out in note 20(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Purchases of property, plant and equipment	<b>20,827</b>	6,318
Investments in subsidiaries and available-for-sale investment	<b>112,027</b>	44,000
	<b>132,854</b>	50,318

### 22. CONTINGENT LIABILITIES

At 30 June 2010, the Company had contingent liabilities in respect of outstanding irrevocable letters of credit of HK\$49 million (2009: HK\$21 million). Save as disclosed above and note 14, the Group did not have any significant contingent liabilities as at the end of the reporting period.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 23. 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 30 June 2010 HK\$'000</b>	Unaudited 30 June 2009 HK\$'000
	<i>Notes</i>		
Associates:			
Technology consultancy fee	<i>(i)</i>	<b>300</b>	300
Sales of products	<i>(ii)</i>	<b>1,457</b>	4,804
Purchases of raw materials and finished goods	<i>(iii)</i>	<b>369</b>	364
Rental income	<i>(iv)</i>	<b>636</b>	636
A related company in which a director of the Company is a shareholder:			
Sales of machinery	<i>(ii)</i>	<b><u>2,318</u></b>	<b><u>—</u></b>

*Notes:*

- (i) The technology consultancy fee was received from an associate for the provision of technology support provided by the Group charged at HK\$50,000 (2009: HK\$50,000) per month.
- (ii) The sales to associates and a related company was made according to the terms similar to those offered to the Group's non-related customers.
- (iii) The purchases from associates was made according to the terms similar to those offered to the Group's non-related suppliers.
- (iv) The rental income received from associates represented the leasing of factory premises and staff quarters of the Group located at Shenzhen and Xiamen, the PRC, respectively.

### 24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 23 August 2010.

## SUPPLEMENTARY INFORMATION

### Interim Dividends

The board of directors (the "Board") of the Company declared an interim dividend of HK0.6 cent (2009: HK0.35 cent) per ordinary share for the period ended 30 June 2010 payable on or about 17 September 2010 to shareholders whose names appear on the register of members of the Company on 7 September 2010.

### Closure of register of members

The Register of Members will be closed from 7 September 2010 to 10 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on 6 September 2010.

### Directors' interest and short positions in shares and underlying shares

At 30 June 2010, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of directors	Directly beneficially owned	Number of shares held, capacity and nature of interest through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	56,290,000	2,296,490,000***	2,352,780,000	52.68
Mr. Wang Ya Hua	19,920,000	2,000,490,000*	2,020,410,000	45.24
Mr. Wong Ah Yu	25,160,000	2,000,490,000*	2,025,650,000	45.36
Mr. Wong Ah Yeung	32,000,000	2,000,490,000*	2,032,490,000	45.51
Mr. Choi Wai Sang	21,250,000	78,750,000***	100,000,000	2.24
Mr. Cheung Wah Fung, Christopher, JP	3,490,000	-	3,490,000	0.08

#### Notes:

\* 2,000,490,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% each by Wong Brothers.

\*\* 296,000,000 shares are held by E-Growth entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.

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

**SUPPLEMENTARY INFORMATION (Continued)****Directors' interest and short positions in shares and underlying shares (Continued)**

Saved as disclosed above, as at 30 June 2010 none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**Directors' rights to acquire shares or debentures**

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

**Share Option Scheme**

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



**SUPPLEMENTARY INFORMATION (Continued)****Share Option Scheme (Continued)**

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

Name or category of participants	Number of share options						
	At 1 January 2010	Granted during the period	Exercised during the period	At 30 June 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
<b>Directors</b>							
Mr. Wang Ya Nan	41,500,000	17,800,000	-	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.28
Mr. Wang Ya Hua	41,500,000	17,800,000	-	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.28
Mr. Wong Ah Yu	41,500,000	17,800,000	-	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.28
Mr. Wong Ah Yeung	41,500,000	17,800,000	-	59,300,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.28

**SUPPLEMENTARY INFORMATION (Continued)****Share Option Scheme (Continued)**

Name or category of participants	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** <i>HK\$</i> <i>per share</i>
	At 1 January 2010	Granted during the period	Exercised during the period	At 30 June 2010			
Mr. Choi Wai Sang	8,500,000	5,000,000	–	13,500,000	16 February 2008, 25 September 2009 and 31 May 2010	16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.315, 0.2262 and 0.28
Mr. Ting Leung Huel, Stephen	6,500,000	1,950,000	–	8,450,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.28
Mr. Cheung Wah Fung, Christopher, JP	6,500,000	1,950,000	–	8,450,000	3 July 2007, 16 February 2008, 25 September 2009 and 31 May 2010	4 July 2007 to 3 July 2017, 16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.586, 0.315, 0.2262 and 0.28

**SUPPLEMENTARY INFORMATION (Continued)****Share Option Scheme (Continued)**

Name or category of participants	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options** <i>HK\$ per share</i>
	At 1 January 2010	Granted during the period	Exercised during the period	At 30 June 2010			
<b>Directors (continued)</b>							
Dr. Yu Sun Say, GBS, SBS, JP	4,500,000	1,950,000	-	6,450,000	16 February 2008, 25 September 2009 and 31 May 2010	16 February 2008 to 15 February 2018, 25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.315, 0.2262 and 0.28
Mr. Wang Ming Che	8,000,000	8,000,000	-	16,000,000	25 September 2009 and 31 May 2010	25 September 2009 to 24 September 2012 and 31 May 2010 to 30 May 2013	0.2262 and 0.28
<b>Other employees</b>							
In aggregate	28,000,000	12,000,000	-	40,000,000	9 March 2007, 16 February 2008 and 31 May 2010	10 March 2007 to 9 March 2017, 16 February 2008 to 15 February 2018, 31 May 2010 to 30 May 2013	0.485 0.315 and 0.28
	228,000,000	102,050,000	-	330,050,000			

## SUPPLEMENTARY INFORMATION (Continued)

### Share Option Scheme (Continued)

\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the date of approval of these interim financial statements, the Company had 330,050,000 share options outstanding under the New Scheme, which represented approximately 7.39% of the Company's share in issue as at that date.

### Substantial shareholders

At 30 June 2010, the interests and short positions of the substantial shareholders, other than directors or chief executives of the Company, in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in the ordinary shares of the Company:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	2,000,490,000	44.80
E-Growth	2	Directly beneficially owned	296,000,000	6.63

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

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any substantial shareholders other than directors or chief executives of the Company, who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

### Purchase, redemption or sales of listed securities

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

## **SUPPLEMENTARY INFORMATION (Continued)**

### **Corporate Governance**

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

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

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

### **Remuneration Committee**

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

### **Audit Committee**

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

The AC has reviewed the principal accounting policies and internal control adopted by the Group at the meeting held during the Period. The AC had also reviewed the unaudited interim results of the group for the six months ended 30 June 2010 prior to the submission to the Board for approval.

### **Model Code of Securities Transactions by Directors**

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

### **Board of Directors**

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

On behalf of the Board  
**Wang Ya Nan**  
Chairman

Hong Kong, 23 August 2010