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TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors of Tongda Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011 (the “Period”) together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)
REVENUE	4	1,279,880	1,039,473
Cost of sales		<u>(1,041,522)</u>	<u>(851,371)</u>
Gross profit		238,358	188,102
Other income and gains, net		16,448	7,498
Selling and distribution costs		(29,704)	(21,674)
Administrative expenses		(70,575)	(64,200)
Other operating income/(expenses), net		(7,656)	1,495
Finance costs		(22,312)	(8,284)
Share of profits and losses of associates		<u>712</u>	<u>2,010</u>
PROFIT BEFORE TAX	5	125,271	104,947
Income tax expense	6	<u>(21,271)</u>	<u>(15,999)</u>
PROFIT FOR THE PERIOD		<u>104,000</u>	<u>88,948</u>

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

		Unaudited	
		Six months ended 30 June	
		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)
Attributable to:			
Owners of the Company		102,118	86,506
Non-controlling interests		<u>1,882</u>	<u>2,442</u>
		<u>104,000</u>	<u>88,948</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic	8	<u>HK2.19 cents</u>	<u>HK1.94 cents</u>
— Diluted		<u>HK2.13 cents</u>	<u>HK1.92 cents</u>

Details of the dividends are disclosed to note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
		(restated)
PROFIT FOR THE PERIOD	<u>104,000</u>	<u>88,948</u>
OTHER COMPREHENSIVE INCOME		
Gain on revaluation	5,524	4,158
Income tax effect	<u>(911)</u>	<u>(686)</u>
	4,613	3,472
Exchange differences on translation of foreign operations		
— subsidiaries	26,229	(50)
— associates	<u>659</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>31,501</u>	<u>3,422</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>135,501</u></u>	<u><u>92,370</u></u>
ATTRIBUTABLE TO:		
Owners of the Company	131,990	89,928
Non-controlling interests	<u>3,511</u>	<u>2,442</u>
	<u><u>135,501</u></u>	<u><u>92,370</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		995,775	957,035
Prepaid land lease payments		31,285	30,968
Investment property		49,703	46,977
Goodwill		22,751	22,751
Available-for-sale investment		8,061	8,061
Prepayments		58,378	56,354
Interests in associates		38,901	34,408
Long term deposits		45,970	17,482
Deferred tax assets		3,713	3,703
Total non-current assets		1,254,537	1,177,739
CURRENT ASSETS			
Inventories		606,742	472,249
Trade and bills receivables	9	941,608	1,019,725
Prepayments, deposits and other receivables		146,747	112,745
Tax recoverable		30	6,057
Pledged deposits		46,334	39,109
Restricted bank balance		—	5,199
Cash and cash equivalents		140,076	183,698
Total current assets		1,881,537	1,838,782
CURRENT LIABILITIES			
Trade and bills payables	10	656,500	655,883
Accrued liabilities and other payables		92,808	92,079
Due to non-controlling shareholders of subsidiaries		120	189
Due to a related company		175	1,862
Tax payable		122,283	124,436
Interest-bearing bank borrowings		249,969	282,392
Total current liabilities		1,121,855	1,156,841
NET CURRENT ASSETS		759,682	681,941
TOTAL ASSETS LESS CURRENT LIABILITIES		2,014,219	1,859,680

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited 30 June 2011 <i>Notes</i> <i>HK\$'000</i>	Audited 31 December 2010 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	219,825	169,750
Loan from a non-controlling shareholder of a subsidiary	7,331	7,331
Deferred tax liabilities	<u>23,541</u>	<u>20,066</u>
Total non-current liabilities	<u>250,697</u>	<u>197,147</u>
Net assets	<u><u>1,763,522</u></u>	<u><u>1,662,533</u></u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	46,783	46,049
Reserves	<u>1,666,691</u>	<u>1,569,947</u>
	1,713,474	1,615,996
Non-controlling interests	<u>50,048</u>	<u>46,537</u>
Total equity	<u><u>1,763,522</u></u>	<u><u>1,662,533</u></u>

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 2010.

Corresponding period of last year adjustment

Accounting treatment of warrants

On 15 January 2010, the Company issued 192,000,000 unlisted warrants at price of HK\$0.008 per warrant to four placees, all being independent third parties to the Group for total cash consideration of approximately HK\$1,521,000, these warrants were classified as derivative financial liabilities, carried at fair value net of transaction costs of HK\$1,521,000 at initial recognition. At 30 June 2010, the fair value of the outstanding warrants was determined using the binomial option pricing model at HK\$6,662,000. Accordingly, a change in fair value of warrants of HK\$5,141,000 has been charged to the condensed consolidated income statement of the Group. No warrants were exercised up to 30 June 2010.

After the issuance of interim report of the Group dated 23 August 2010 and prior to the issuance of 2010 annual report of the Group dated 16 March 2011, the directors have undertaken a detailed review on the terms and conditions of the warrants and considered it is more appropriate to reclassify and re-measure the warrants as equity instruments. Accordingly, the consideration received from the subscription of warrants, i.e. HK\$1,521,000 representing the fair value of the warrants, was recognised in equity (warrant reserve) on the date of issue. The warrant reserve will be transferred to share premium accounts upon the subsequent exercise of warrants. Where the warrants remained unexercised upon expiry, the amount will be released to the retained earnings.

2. BASIS OF PRESENTATION (Continued)

Corresponding period of last year adjustment (Continued)

Comparative information has been restated to reflect the above change and the effects are summarised below:

HK\$'000

Unaudited condensed consolidated income statement and unaudited condensed consolidated statement of other comprehensive income for the six months ended 30 June 2010

Reversal of change in fair value of warrants	5,141
	<u>5,141</u>
	HK\$'000

Unaudited condensed consolidated statement of financial position as at 30 June 2010

Decrease in warrants classified as derivative financial liabilities	6,662
Increase in warrant reserve	1,521
Increase in retained profits	5,141
	<u>6,662</u>

The corresponding period of last year adjustment represents the reclassification of warrants of HK\$1,521,000 from derivative financial liabilities to warrant reserve at initial recognition, and reversal of change in fair value of warrants of HK\$5,141,000 during the period ended 30 June 2010 when the change occurs.

As a result, unaudited basic and diluted earnings per share attributable to owners of the Company for the six months ended 30 June 2010 were restated from HK1.83 cents and HK1.81 cents to HK1.94 cents and HK1.92 cents respectively. The above reclassification has already been reflected in the audited annual consolidated financial statements for the Group for the year ended 31 December 2010.

Furthermore, the directors have made reclassification on certain items as shown on the face of the condensed consolidated income statement in the current period and hence the comparative amounts in corresponding period of last year were reclassified to conform the current period's presentation. Further details are set out in note 11.

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 2010, 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 2011.

HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32</i>
	<i>Financial Instruments: Presentation</i>
	<i>— Classification of Rights Issues</i>
Amendments to HK(IFRIC)-Int 14	<i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

3. ACCOUNTING POLICIES (Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for the reporting period.

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.

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

4. OPERATING SEGMENT INFORMATION

The following tables present unaudited revenue, profit, certain assets and liabilities information for the Group's operating segments for the periods ended 30 June 2011 and 2010.

Unaudited six months ended 30 June 2011

	Electrical fittings <i>HK\$'000</i>	Ironware parts <i>HK\$'000</i>	Communication facilities and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	1,045,262	185,642	48,976	—	1,279,880
Intersegment sales	4,235	7,442	4,599	(16,276)	—
Total	<u>1,049,497</u>	<u>193,084</u>	<u>53,575</u>	<u>(16,276)</u>	<u>1,279,880</u>
Segment results before depreciation and amortisation	186,886	17,164	(4,046)	—	200,004
Depreciation	(48,767)	(6,115)	(1,533)	—	(56,415)
Amortisation	(344)	(711)	(38)	—	(1,093)
Segment results	<u>137,775</u>	<u>10,338</u>	<u>(5,617)</u>	<u>—</u>	<u>142,496</u>
Unallocated income					16,448
Corporate and other unallocated expenses					(12,073)
Finance costs					(22,312)
Share of profits and losses of associates					<u>712</u>
Profit before tax					125,271
Income tax expense					<u>(21,271)</u>
Profit for the period					<u>104,000</u>

4. OPERATING SEGMENT INFORMATION (Continued)

Unaudited six months ended 30 June 2010 (restated)

	Electrical fittings <i>HK\$'000</i>	Ironware parts <i>HK\$'000</i>	Communication facilities and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	794,418	167,189	77,866	—	1,039,473
Intersegment sales	<u>3,862</u>	<u>1,919</u>	<u>—</u>	<u>(5,781)</u>	<u>—</u>
Total	<u>798,280</u>	<u>169,108</u>	<u>77,866</u>	<u>(5,781)</u>	<u>1,039,473</u>
Segment results before depreciation and amortisation	142,599	21,859	(5,364)	—	159,094
Depreciation	(38,946)	(5,545)	(1,259)	—	(45,750)
Amortisation	<u>(328)</u>	<u>(664)</u>	<u>(37)</u>	<u>—</u>	<u>(1,029)</u>
Segment results	<u>103,325</u>	<u>15,650</u>	<u>(6,660)</u>	<u>—</u>	112,315
Unallocated income					7,498
Corporate and other unallocated expenses					(8,592)
Finance costs					(8,284)
Share of profits and losses of associates					<u>2,010</u>
Profit before tax					104,947
Income tax expense					<u>(15,999)</u>
Profit for the period					<u>88,948</u>

Unaudited six months ended 30 June 2011

	Electrical fittings <i>HK\$'000</i>	Ironware parts <i>HK\$'000</i>	Communication facilities and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>2,726,799</u>	<u>381,803</u>	<u>637,407</u>	<u>(869,801)</u>	2,876,208
Unallocated assets					<u>259,866</u>
Total assets					<u>3,136,074</u>
Segment liabilities	<u>1,678,249</u>	<u>170,301</u>	<u>231,930</u>	<u>(1,323,546)</u>	756,934
Unallocated liabilities					<u>615,618</u>
Total liabilities					<u>1,372,552</u>

4. OPERATING SEGMENT INFORMATION (Continued)

Audited 31 December 2010

	Electrical fittings <i>HK\$'000</i>	Ironware parts <i>HK\$'000</i>	Communication facilities and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>2,593,128</u>	<u>364,415</u>	<u>594,644</u>	<u>(838,652)</u>	2,713,535
Unallocated assets					<u>302,986</u>
Total assets					<u>3,016,521</u>
Segment liabilities	<u>1,634,427</u>	<u>173,344</u>	<u>208,346</u>	<u>(1,258,773)</u>	757,344
Unallocated liabilities					<u>596,644</u>
Total liabilities					<u>1,353,988</u>

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2011 and 2010.

Unaudited six months ended 30 June

	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:										
Sales to external customers	<u>1,176,363</u>	<u>879,501</u>	<u>7,095</u>	<u>21,083</u>	<u>25,092</u>	<u>66,189</u>	<u>71,330</u>	<u>72,700</u>	<u>1,279,880</u>	<u>1,039,473</u>

For the six months ended 30 June 2011, revenue of approximately HK\$138,727,000 representing 10.8% of the Group's revenue, was derived from sale by the electrical fittings segment to a single customer, include sales to a group of entities which are known to be under common control of that customer. None of the customers accounted for more than 10% of the Group's revenue during the period ended 30 June 2010.

5. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	382	365
Amortisation of prepayments	711	664
Depreciation of property, plant and equipment	56,415	45,750
Impairment of trade receivables	5,373	—
Write-back of impairment of trade receivables	(106)	(2,216)
Write-off of trade receivables	1,134	782
Write-down of inventories to net realisable values	2,976	768
Foreign exchange differences, net	(13,313)	1,194
Gain on disposal of property, plant and equipment	(57)	(72)
Change in fair value of an investment property	(1,665)	—
Gain on disposal of an investment property	—	(453)
Interest income	(403)	(453)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 24% (2010: 22%) can be enjoyed by the subsidiary in the year 2011 if it is located in the Special Economic Zone of the PRC.

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) and 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) are awarded as High New Technology Enterprises during the six months period ended 30 June 2011 and subject to a preferential tax rate of 15%.

6. INCOME TAX (Continued)

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	127	674
Overprovision in prior years	<u>(62)</u>	<u>—</u>
	<u>65</u>	<u>674</u>
Current — Elsewhere		
Charge for the period	18,849	15,530
Under/(over) provision in prior years	<u>4</u>	<u>(11)</u>
	<u>18,853</u>	<u>15,519</u>
Deferred tax	<u>2,353</u>	<u>(194)</u>
Total tax charge for the period	<u><u>21,271</u></u>	<u><u>15,999</u></u>

The share of tax attributable to associates amounting to HK\$86,000 (30 June 2010: HK\$32,700) is included in “share of profits and losses of associates” on the face of the condensed consolidated income statement.

7. DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Dividends paid during the period:		
Final and special in respect of the financial year ended 31 December 2010		
— HK1 cent and HK0.2 cent per ordinary share (2010: final dividend of HK0.5 cent per ordinary share, in respect of the financial year ended 31 December 2009)	<u><u>56,109</u></u>	<u><u>22,329</u></u>

At the board meeting held on 22 August 2011, the board of directors declared and approved an interim dividend of HK0.7 cent per ordinary share (2010: HK0.6 cent) totalling HK\$32,748,100 (2010: HK\$26,794,800).

8. EARNINGS PER SHARE

Unaudited
Six months ended 30 June
2011 2010
HK\$ **HK\$**
(restated)

Profit:

Profit for the period attributable to owners of the Company	102,118,000	86,506,000
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Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,668,141,989	4,452,540,331
Effect of dilutive potential ordinary shares:		
Options	91,321,429	26,673,107
Warrants	26,785,714	21,873,418
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	4,786,249,132	4,501,086,856

9. TRADE AND BILLS RECEIVABLES

An aged analysis of the Group's trade and bills receivables as at 30 June 2011, based on the invoice date, is as follows:

	Unaudited	Audited
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000

Within 3 months	814,750	906,218
4 to 6 months, inclusive	105,301	100,410
7 to 9 months, inclusive	18,104	10,446
10 to 12 months, inclusive	5,385	1,433
More than 1 year	25,691	23,392
	969,231	1,041,899
Impairment allowances	(27,623)	(22,174)
	941,608	1,019,725

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 Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

10. TRADE AND BILLS PAYABLES

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 2011, based on the invoice date, is as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Within 3 months	456,453	516,664
4 to 6 months, inclusive	166,353	114,499
7 to 9 months, inclusive	19,975	15,211
10 to 12 months, inclusive	1,611	2,949
More than 1 year	<u>12,108</u>	<u>6,560</u>
	<u>656,500</u>	<u>655,883</u>

11. COMPARATIVE AMOUNTS

Save as disclosed in note 2, the Group has made reclassification on certain items as shown on the face of the condensed consolidated income statement in the current period as follows:

In the corresponding period of last year, the write-back of impairment of trade receivable of HK\$2,216,000 and the gain on disposal of property, plant and equipment of HK\$72,000 were both included in "other income and gains, net", while the write-off of trade receivable of HK\$782,000 was included in "administrative expenses". During the current period, the Group has changed the presentation, as in the opinion of the directors, it is more appropriate to include all the above items as "other operating income/(expenses), net". To conform with the current period's presentation, the amounts of "other income and gains, net" and "administrative expenses" in corresponding period of last year were decreased by HK\$2,288,000 and decreased by HK\$782,000, respectively, while the other operating expenses of HK\$11,000 was changed to other operating income of HK\$1,495,000.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business and Financial Review

For the six months ended 30 June 2011 (the “Period”), the Group’s overall sales continued to increase steadily by approximately 23.1% to HK\$1,279.9 million (six months ended 30 June 2010: HK\$1,039.5 million) over the corresponding period of last year. Gross profit increased by 26.7% to HK\$238.4 million (six months ended 30 June 2010: HK\$188.1 million) over the corresponding period of last year and profit attributable to owners of the Company increased by 18.0% to HK\$102.1 million (six months ended 30 June 2010: HK\$86.5 million) from the corresponding period of last year.

Looking back on the first half of 2011, despite the challenges posed by global economic instability and the aftermath of the earthquake in Japan, the Group still achieved solid and continuous growth in sales, gross profit and net profit through continuously optimizing our product portfolio and effectively controlling cost.

Although faced with challenging business environment and rising operational cost, we managed a net profit margin of approximately 8.0% (six months ended 30 June 2010: 8.3%).

As at 30 June 2011, the Group had pledged deposit, restricted bank balance and cash and cash equivalents balances of approximately HK\$186.4 million (31 December 2010: HK\$228.0 million).

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 satisfactory revenue growth of 31.6% over the corresponding period of last year, to HK\$1,045.3 million (six months ended 30 June 2010: HK\$794.4 million). The Group has a R&D team of over 100 research professionals, focusing on product R&D. During the period, besides worked to further integrate our electronic fittings decoration printing and precise injection moulding technology, the Group also successfully developed our own IMD** printing technology, which has already completed bulk shipments. This not only complemented our product portfolio but also greatly enhanced our core competitiveness, strengthened the business operation of the Group and further established the Group’s leadership position in both domestic and international electronics fitting market.

* *IML: In-Mould Lamination, surface of the product is covered by a hardening transparent film, with printed layer in the middle and plastic layer on the back. The characteristic of this technology is that it can prevent the surface of the product from scratches and frictions as the printed layer was covered by transparent film, thus its color remains longer and does not fade easily, providing more kinds of surface texture than other plastic printing.*

** *IMD: In-Mould Decoration, an in-mould technology used for plastic surfaces decoration. The technology carries out decoration with a carrier foil placed inside the opened mould. It carries the dried paint layers which are to be transferred to the plastic part.*

i. *Handsets*

Raising demand of middle-to-high-end handsets coupled with the popularity for smartphones globally, the handset sales maintained a rapid growth during the Period. Turnover from the Group's handset business increased from HK\$373.6 million to HK\$453.4 million from the corresponding period of last year, marking a growth of 21.4%, which is mainly driven by product portfolio adjustment and improvement in sales volume.

According to a report from the International Data Corporation (IDC), a consulting and research institute in the U.S., the global shipment of smartphones is expected to reach 472 million units in 2011, an increase of 55% over 305 million units shipped in 2010. As consumers increasingly prefer more advanced mobile devices, global shipment of smartphones is expected to reach 982 million units by the end of 2015. In view of the strong development potential of the smartphone market, in addition to engaging proactively in R&D on the design and printing technologies for high-precision plastic handset casings, the Group also commenced mass production of glass touch panel for smartphone producers including Huawei, ZTE and TCL. The production of glass touch panel includes a series of high-tech processing procedures. Leveraging our R&D team's vast experience in high-tech, the Group is able to quickly master the relevant production technology. By developing high-tech and high value-added products, the Group is expected to further strengthen its leading position as an expert in surface decoration while enhancing its overall profitability. In view of the rising demand for glass touch panel driven by a fast-growing smartphone market, the Group expects relevant orders to grow gradually. The Group will aptly allocate more resources and effectively enhance its production capacity to meet the enormous demand of the market. The production target for glass touch panel for 2011 remains at the annual production of 12.5 million pieces.

Acting as strategic partners with renowned mobile phone producers such as Huawei, ZTE, TCL, Nokia and Motorola, the Group seeks to maintain win-win cooperation through adding value to their products with our high-precision case fittings.

ii. *Electrical Appliances*

The Group's electrical appliances business generally performed well and recorded consistently strong growth across the first half of 2011. Thanks to stable income from the major customers including Haier, Midea, Gree, Little Swan, Hitachi and Philips, the turnover of the electrical appliances division grew remarkably by 68.8% to HK\$416.3 million over the corresponding period of last year. With continuous investments in R&D to improve our printing technology and implementation of effective cost control measures, the Group has managed to provide our customers with products at a more competitive price. This has encouraged the customers to widely use our products in their product lines rather than only in high-end products like before.

During the period, the orders of mid-range to high end products from Media and Haier increased significantly. An added boost was provided by the Group's successful development of glass cover components for Haier electrical appliances and which has already been utilized in market applications, which helped spur the substantial rise in sales of electrical appliances business.

In the first half of 2011, the national economy of China recorded sound performances. According to data from National Bureau of Statistics of China, the total retail sales of consumer goods in China for the first half of 2011 grew 16.8% to RMB8.58 trillion compared with corresponding period of last year, among which the growth for consumer electronics and audio-visual equipment sector was 21.5%. Meanwhile, the National Bureau of Statistics of China reported a GDP growth of 9.6% for the first half of 2011 over the corresponding period of last year. Although the financial crisis affecting global consumer electronics industry in the past two years, the domestic and overseas sales of consumer electronics in China was on up trend driven by the rapid development in its consumer market. During the Twelfth Five-Year Plan period, the consumer electronics industry in China will enter an era of overall upgrading and transition characterized by a structural adjustment, technological innovation and development towards higher environmental efficiency.

The consumer electronics market in China shows a trend of overall renewal with high-end products, such as edge lit LED TVs, variable frequency air-conditioners, front-loading washing machines and three-door refrigerators, emerging as a new mainstream in the consumer electronics market. As we always strive to expand our expertise into high-end products, we expect a steady growth on orders for our high-end consumer electronics products in the second half of 2011. Motivated by the economic stimulus plan of macro economic policy in China and the rapid development of consumer electronics market, the Group will seek to maintain our industry leadership in terms of size by fully utilizing our existing resources and strengths according to market demands. Through developing fashionable, innovative, eco-friendly and efficient high-end products with high design standards, actively strengthening our collaboration with strategic partners, and combining a sound business and profit-generating model, we will maintain a stable and rapid development of our electrical appliance business.

LED Light Guide Plate for LED TV

To meet with the call for green, low carbon footprint and environmental friendly lifestyle, low-carbon economy themed on green and efficiency is sure to become the trend for consumer electronics development. To reflect our commitment to high-precision product line and high-tech environmental product strategy, the Group joined forces with Matsushita Shokai last year to develop and produce high quality light guide plates, the core component of LED TV sets, and mainly supply to Japanese brands. The light guide plates business has been put into production during the first quarter of 2011.

As our light guide plate business for LED TVs was still at a preliminary stage of development, and the earthquake in Japan disrupted the supply chain of the LED TV manufacturers in March and April of this year, which has slowed down the pace for LED TV manufactures to launch new TV sets, our light guide plate business was under severe pressure. With extensive market experience accumulated for years and the efforts of its management, the Group fully understood the situation and core issues in the industry and dealt with market impacts and changes in a decisive and swift manner before putting into force various strategic measures, which began to alleviate those pressures and has helped to resume the orders and shipments of light guide plates to their normal levels since May. In view of the robust development of consumer electronics market in China, in addition to supplying existing clients in Japan and Korea, the Group sought to capture a greater share of the burgeoning domestic consumer electronics market through collaborating with major TV set manufactures in China, such as TCL, Skyworth and Hisense. Given more and more customers preferring TVs with a high-quality image and LCD TVs becoming gradually obsolete, the Group expects shippings will rise significantly in the second half of this year.

iii. *Notebook Computers*

During the period, turnover from the Group's notebook computer division was HK\$175.6 million compared to HK\$174.2 million in the corresponding period of last year. The marginally slight increase of the turnover in the first half of 2011 compared to the corresponding period of last year was mainly due to generally weaker performance of the notebook computer market.

The major customers of the Group's notebook business were Lenovo, Dell, HP, Toshiba and NEC as well as Taiwan's top four computer manufacturers, namely Asus, Acer, Quanta and Compal.

During the period, the Group not only continued to enhance its IML printing technology, but also successfully developed its own IMD printing technology and started bulk shipments of relevant products, with the main customer being those worldly renowned computer brands. By developing certain materials necessary for its IMD printing technology, the Group has managed to control production cost effectively and enhance our profit margin. In addition, in order to satisfy consumers' demands and optimize the product portfolio of the Group's notebook business, the Group increased shipment of the aluminum casings and fittings during the period, offering more choices of higher qualities for computer manufacturers.

Looking forward, the Group will seek to enhance our advantages in the manufacturing of notebook computer's casings and fittings with the aim to further increase its market shares. In the mean time, the Group will utilize its technical advantages in the manufacturing of notebook computer's casings to expand to the manufacturing of the casings and fittings for other personal digital and consumer electronics products such as tablet PCs. The Group is committed to continuously optimizing its product portfolio so as to boost up the gross profit margin of the business.

b. *Ironware Parts Division*

During the period, the turnover of this division was HK\$185.6 million, representing an increase of approximately 11.0% over the corresponding period of last year (for the six months ended 30 June 2010: HK\$167.2 million). This business segment mainly focus on precision metal parts provision. Although the turnover of the ironware parts division slightly increased, the gross profit margin has seen a downward trend, which was mainly due to the substantial increase of operating cost, and such increase could not be totally transferred to customers in time. As a result, both gross profit margin and segment results decreased during the period. However, the Group will continue to adopt measures to control costs.

c. *Communication Facilities Division and Other Business*

The Communication Facilities Division of the Group focuses on the production of such communication facilities as satellite TV receivers and set top boxes. As economies in the United States and Europe kept slowing down and orders in the business segment kept decreasing, only resulting in a turnover of approximately HK\$49.0 million (for the six months ended 30 June 2010: HK\$77.9 million). Since the profitability of the communication facilities division and other business is lower than that of the electrical fittings division, the Group has allocated a significant part of resources to other core business segments. The contribution from the sales volume of this business to the total turnover will be gradually scaled down.

d. *Turnover Breakdown of Products for the Six Months Ended 30 June 2011 and 2010*

	2011	2010
Electrical Fittings Division	82%	76%
i. Handset	35%	36%
ii. Electrical Appliances	33%	23%
iii. Notebook Computers	14%	17%
Ironware Parts Division	14%	16%
Communication Facilities and Other Business	4%	8%

3. Prospects

Looking forward to the second half of 2011 and the coming years, we expect the global economy will continue to grow steadily. However, some economies may see certain fluctuations subject to various uncertainties, such as the increasing concern over the European debt crisis and implications of weakness in U.S. economic data. As a pioneer in the industry that is capable of manufacturing the exterior cover of electrical fittings and handling precise and multi-layered designs, the Group will further strengthen its own IML and IMD printing technology (such as fully-automatic 7-colour screen process printing technology, 3D crushing technology and glass accessory moulding) to enhance our pricing power and product competitiveness; strengthen the cooperation with various world-class brands, deepen our close strategic relationship and keep focusing on our existing major clients; continue to research and develop new projects and products to optimize the product mix and enrich the product lines of the Group; reach end customers directly to coordinate in the development and import of the Company's new products for those customers' exclusive use of our products in their module plants; and better control production cost to promote the Group's profit margin.

Looking ahead, having clear strategies in place and the commitment to success, the management remains fully confident of the Group's operational performance in the second half of 2011 and the coming years despite various challenges ahead. The management believes that the Group can continue to achieve solid performance and create better returns for shareholders through successfully implementing our key strategies and balanced growth.

4. Liquidity and Financial Resources

At 30 June 2011, the Group had total assets of HK\$3,136.1 million (31 December 2010: HK\$3,016.5 million); net current assets of HK\$759.7 million (31 December 2010: HK\$681.9 million) and total equity of HK\$1,763.5 million (31 December 2010: HK\$1,662.5 million). The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2011 was maintained at about HK\$186.4 million (31 December 2010: HK\$222.8 million), out of which about HK\$46.3 million has been pledged to bank to secure banking facilities granted (31 December 2010: HK\$39.1 million). The gearing ratio (consolidated net borrowings/total equity) was 0.17 (31 December 2010: 0.14). As at 30 June 2011, total bank loans of the Group amounted to approximately HK\$469.8 million was floating-rate loan.

Except for the pledged deposits as shown in the condensed consolidated statement of financial position, no other assets were pledged as at 30 June 2011 and 31 December 2010.

5. Foreign Currency Risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 71% (2010: 85%) 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.

SUPPLEMENTARY INFORMATION

Interim Dividends

The board of directors (the “Board”) of the Company declared an interim dividend of HK0.7 cent (2010: HK0.6 cent) per ordinary share for the period ended 30 June 2011 payable on or about 23 September 2011 to shareholders whose names appear on the register of members of the Company on 15 September 2011.

Closure of register of members

The Register of Members will be closed from 16 September 2011 to 20 September 2011, 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 15 September 2011.

Purchases, redemption or sales of listed securities

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

Corporate Governance

The Company has complied 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 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 2011 prior to the submission to the Board for approval.

Model Code of Securities Transactions by Directors

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

On behalf of the Board
Wang Ya Nan
Chairman

Hong Kong, 22 August 2011

As at the date of this announcement, 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.