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通達集團
TONGDA GROUP

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2012 reached approximately HK$1,397,945,000, representing an increase of approximately 9.2% as compared with that for the financial period ended 30 June 2011.

- Our net profit attributable to owners of the Company for the financial period ended 30 June 2012 reached approximately HK$113,332,000, representing an increase of approximately 11.0% as compared with that for the financial period ended 30 June 2011.

- Basic earnings per Share for the financial period ended 30 June 2012 was HK2.42 cents representing an increase of approximately 10.5% as compared with that for the financial period ended 30 June 2011.

- The Directors propose to declare an interim dividend of HK0.8 cent per Share for the financial period ended 30 June 2012.

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 2012 (the "Period") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,397,945**	1,279,880
Cost of sales		**(1,089,072)**	(1,041,522)
Gross profit		**308,873**	238,358
Other income and gains, net		**12,834**	16,448
Selling and distribution costs		**(43,399)**	(29,704)
Administrative expenses		**(95,868)**	(70,575)
Other operating expenses, net		**(511)**	(7,656)
Finance costs		**(26,476)**	(22,312)
Share of profits and losses of associates		**918**	712
PROFIT BEFORE TAX	*5*	**156,371**	125,271
Income tax expense	*6*	**(26,913)**	(21,271)
PROFIT FOR THE PERIOD		**129,458**	104,000
Attributable to:			
Owners of the Company		**113,332**	102,118
Non-controlling interests		**16,126**	1,882
		129,458	104,000
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
– Basic		**HK2.42 cents**	HK2.19 cents
– Diluted		**HK2.41 cents**	HK2.13 cents

Details of the dividends are disclosed to note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2012** ***HK$'000***	 2011 *HK$'000*
PROFIT FOR THE PERIOD	**129,458**	104,000
OTHER COMPREHENSIVE INCOME		
Gain on revaluation	**685**	5,524
Income tax effect	**(113)**	(911)
	572	4,613
Exchange differences on translation of foreign operations		
– subsidiaries	**18,990**	26,229
– associates	**371**	659
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**19,933**	31,501
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**149,391**	135,501
ATTRIBUTABLE TO:		
Owners of the Company	**132,187**	131,990
Non-controlling interests	**17,204**	3,511
	149,391	135,501

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2012 *HK$'000***	Audited 31 December 2011 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,143,483**	1,077,552
Prepaid land lease payments		**34,049**	34,026
Investment property		**51,852**	50,976
Goodwill		**22,751**	22,751
Prepayments		**64,192**	59,141
Investments in associates		**46,492**	46,986
Long term deposits		**51,007**	32,040
Deferred tax assets		**3,703**	3,703
Total non-current assets		**1,417,529**	1,327,175
CURRENT ASSETS			
Inventories	*9*	**836,829**	672,876
Trade and bills receivables	*10*	**1,147,576**	1,303,892
Prepayments, deposits and other receivables		**135,035**	118,823
Due from a related company		**995**	4,550
Tax recoverable		**1,158**	132
Pledged deposits		**106,512**	57,400
Cash and cash equivalents		**195,103**	253,784
Total current assets		**2,423,208**	2,411,457
CURRENT LIABILITIES			
Trade and bills payables	*11*	**946,324**	857,218
Accrued liabilities and other payables		**114,233**	122,831
Due to non-controlling shareholders of subsidiaries		**54**	54
Tax payable		**162,788**	162,332
Interest-bearing bank and other borrowings		**496,440**	402,639
Total current liabilities		**1,719,839**	1,545,074
NET CURRENT ASSETS		**703,369**	866,383
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,120,898**	2,193,558

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**60,035**	236,911
Loan from a non-controlling shareholder of a subsidiary	**7,331**	7,331
Deferred tax liabilities	**37,228**	34,176
Total non-current liabilities	**104,594**	278,418
Net assets	**2,016,304**	1,915,140
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	**46,833**	46,783
Reserves	**1,897,899**	1,811,464
	1,944,732	1,858,247
NON-CONTROLLING INTERESTS	**71,572**	56,893
Total equity	**2,016,304**	1,915,140

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiaries are the manufacturing and sale of accessories of electrical appliance products, 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 2011.

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 2011, 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 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 12 Amendments (the "Amendments") clarify the determination of deferred tax for investment property measured at fair value. The Amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 Income Taxes-Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

The Company owns an investment property in Mainland China. In Mainland China, the tax consequences of a sale of the investment property or of the entity owning the investment property may be different. The Company's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Company has continued to recognise deferred taxes on the basis that the values of its investment property in Mainland China are recovered through use.

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

	Unaudited six months ended 30 June 2012				
	Electrical fittings	Ironware parts	Communication facilities and others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	**1,146,869**	**181,308**	**69,768**	**–**	**1,397,945**
Intersegment sales	**15,378**	**29,173**	**–**	**(44,551)**	**–**
Total	**1,162,247**	**210,481**	**69,768**	**(44,551)**	**1,397,945**
Segment results before depreciation and amortisation	**228,977**	**21,396**	**(1,356)**	**–**	**249,017**
Depreciation	**(59,108)**	**(6,751)**	**(2,123)**	**–**	**(67,982)**
Amortisation	**(357)**	**(784)**	**(40)**	**–**	**(1,181)**
Segment results	**169,512**	**13,861**	**(3,519)**	**–**	**179,854**
Unallocated income					**12,834**
Corporate and other unallocated expenses					**(10,759)**
Finance costs					**(26,476)**
Share of profits and losses of associates					**918**
Profit before tax					**156,371**
Income tax expense					**(26,913)**
Profit for the period					**129,458**

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Unaudited six months ended 30 June 2011				
	Electrical fittings	Ironware parts	Communication facilities and others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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	1,049,497	193,084	53,575	(16,276)	1,279,880
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	137,775	10,338	(5,617)	–	142,496
Unallocated income					16,448
Corporate and other unallocated expenses					(12,073)
Finance costs					(22,312)
Share of profits and losses of associates					712
Profit before tax					125,271
Income tax expense					(21,271)
Profit for the period					104,000

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

	Unaudited six months ended 30 June 2012			
	Electrical fittings	**Ironware parts**	**Communication facilities and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**2,973,689**	**400,145**	**91,183**	**3,465,017**
Unallocated assets				**375,720**
Total assets				**3,840,737**
Segment liabilities	**902,661**	**112,303**	**52,978**	**1,067,942**
Unallocated liabilities				**756,491**
Total liabilities				**1,824,433**

4. **OPERATING SEGMENT INFORMATION** *(Continued)*

	Audited 31 December 2011			
	Electrical fittings	Ironware parts	Communication facilities and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,881,732	377,217	94,927	3,353,876
Unallocated assets				384,756
Total assets				3,738,632
Segment liabilities	837,945	90,566	58,923	987,434
Unallocated liabilities				836,058
Total liabilities				1,823,492

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2012 and 2011.

	Unaudited six months ended 30 June									
	Mainland China		**Southeast Asia**		**Middle East**		**Others**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**1,239,477**	1,176,363	**35,796**	7,095	**48,837**	25,092	**73,835**	71,330	**1,397,945**	1,279,880

Information about major customers

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Customer A	**234,018**	78,757
Customer B	**146,504**	138,727
	380,522	217,484

The above revenues include sales to a group of entities which are known to be under common control of the respective customers.

5. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**397**	382
Amortisation of prepayments	**784**	711
Depreciation of property, plant and equipment	**67,982**	56,415
Impairment of trade receivables	**611**	5,373
Write-back of impairment of trade receivables	**(119)**	(106)
Write-off of trade receivables	**–**	1,134
Provision against obsolete inventories	**6,000**	2,976
Foreign exchange differences, net	**(7,277)**	(13,313)
Loss/(gain) on disposal of property, plant and equipment	**136**	(57)
Change in fair value of an investment property	**(247)**	(1,665)
Interest income	**(791)**	(403)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian) and 通達（厦門）科技有限公司 (Tongda (Xiamen) Technology Limited) ("Xiamen Technology") are awarded as High New Technology Enterprises and are subject to a preferential tax rate of 15%.

6. **INCOME TAX** *(Continued)*

	Unaudited Six months ended 30 June 2012 HK$'000	2011 HK$'000
Current – Hong Kong		
Charge for the period	**25**	127
Overprovision in prior years	**–**	(62)
	25	65
Current – Elsewhere		
Charge for the period	**23,690**	18,849
Underprovision in prior years	**–**	4
	23,690	18,853
Deferred	**3,198**	2,353
Total tax charge for the period	**26,913**	21,271

The share of tax attributable to associates amounting to HK$174,000 (30 June 2011: HK$86,000) is included in "share of profits and losses of associates" on the face of the condensed consolidated income statement.

7. **DIVIDENDS**

	Unaudited Six months ended 30 June 2012 HK$'000	2011 HK$'000
Dividends paid during the period:		
Final dividend of HK1 cent per ordinary share in respect of the financial year ended 31 December 2011 (2011: final and special in respect of the financial year ended 31 December 2010 – HK1 cent and HK0.2 cent per ordinary share dividend)	**46,833**	56,109

At the board meeting held on 15 August 2012, the board of directors declared and approved an interim dividend of HK0.8 cent per ordinary share (2011: HK0.7 cent) totalling HK$37,466,400 (2011: HK$32,748,100).

8. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June 2012 *HK$*	 2011 *HK$*
Earnings:		
Profit for the period attributable to owners of the Company	**113,332,000**	102,118,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,681,129,670**	4,668,141,989
Effect of dilutive potential ordinary shares:		
Options	**16,204,446**	91,321,429
Warrants	**–**	26,785,714
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,697,334,116**	4,786,249,132

9. INVENTORIES

	Unaudited **30 June** **2012** ***HK$'000***	Audited 31 December 2011 *HK$'000*
Raw materials	**388,383**	221,802
Work in progress	**142,697**	112,453
Finished goods	**305,749**	338,621
	836,829	672,876

As at 30 June 2012, moulds of HK$75,435,000 (2011: HK$61,376,000) are included in the finished goods.

10. TRADE AND BILLS RECEIVABLES

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

	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
Within 3 months	**957,166**	1,131,887
4 to 6 months, inclusive	**174,308**	165,634
7 to 9 months, inclusive	**13,085**	6,283
10 to 12 months, inclusive	**2,192**	1,220
More than 1 year	**32,590**	30,063
	1,179,341	1,335,087
Impairment allowances	**(31,765)**	(31,195)
	1,147,576	1,303,892

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established business relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good business relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interesting-bearing.

11. TRADE AND BILLS PAYABLES

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. The following is an analysis of trade and bills payables by age, presented based on the invoice date is as follows:

	Unaudited 30 June 2012 *HK$'000*	Audited 31 December 2011 *HK$'000*
Within 3 months	**637,807**	655,123
4 to 6 months, inclusive	**254,549**	164,989
7 to 9 months, inclusive	**23,494**	7,479
10 to 12 months, inclusive	**4,479**	13,584
More than 1 year	**25,995**	16,043
	946,324	857,218

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business and Financial Review

Being the world's leading supplier of high-precision components of consumer electronic products, Tongda Group Holdings Limited (the "Group") continued to maintain its worldwide leading position of preferred partner on decorative components for mainstream handsets, notebook computers and electrical appliances with its core technology of In-Mould Lamination ("IML"). Despite facing headwinds including the global economic downturn, slowdown in China's economic growth and increasing labor costs in the first half of 2012, the Group still managed to maintain stable development and recorded growth in sales, gross profit and net profit for the period.

For the six months ended 30 June 2012 (the "Period"), the Group's overall revenue was increased by approximately 9.2% to HK$1,397.9 million (For the six months ended 30 June 2011 (the "corresponding period"): approximately HK$1,279.9 million). As the Group focuses on developing high profit-margin products, therefore gross profit was increased by 29.6% to HK$308.9 million compared with HK$238.4 million from the corresponding period and overall gross profit margin was increased to 22.1% from 18.6% of the corresponding period, with the gross profit margin of all segments increased comparing with the corresponding period. The profit attributable to owners of the Company was increased by 11.0% to HK$113.3 million compared with HK$102.1 million from the corresponding period and net profit margin remained at approximately 8.1% (the corresponding period: 8.0%).

Other income and gains, net, was decreased by approximately HK$3.6 million compared with the corresponding period, mainly attributable to the slowdown of RMB appreciation resulting in the decrease in exchange gain. In addition, selling and distribution costs increased approximately HK$13.7 million from the corresponding period due to the increase in promotion expenses. Administrative expenses increased to HK$95.9 million from HK$70.6 million of the corresponding period, mainly attributable to the increase in China's wage level and research and development expenses. The finance costs of the Group were similar to that of last year, representing approximately 1.9% of the total turnover.

During the period, profit margin based on turnover (before non-controlling interests) was increased from 8.1% to 9.3%, by the implementation of refined management and stringent cost control, together with the advantage of possessing core technology, which enabled the Group to continuously optimize its product portfolio and achieve an increase in profit margin.

2. Operational Information by Division

a. *Electrical Fittings Division*

Electrical fittings are separated into three divisions, namely handsets, notebook computers and electrical appliances. During the Period, the overall revenue of the division was increased by

9.7% to approximately HK$1,146.9 million (the corresponding period: HK$1,045.3 million). Revenue of handsets and notebook computers business was increased by 34.3% and 40.8% respectively when compared with the corresponding period, however, turnover of electrical appliances business was decreased by 30.2% compared with the corresponding period.

i. *Handsets*

Benefited from the continuous development of the smartphone market, handsets business continuously acts as the key growth driver of the Group. The turnover from this segment was amounted to HK$608.9 million, representing an increase of 34.3% from HK$453.4 million of the corresponding period. During the period, high value-added products of the Group such as glass and IML touch panels, NCVM casing and high-precision plastic embedded components of smartphones were well-received by customers and the relevant turnover increased significantly. The Group will continuously enhance the development capability on handsets casing integration in order to deepen its partnership with major customers.

ii. *Electrical Appliances*

China launched a huge scale economic stimulus plan after the financial turmoil, under which the domestic consumer electronics industry was benefited from government subsidy policies (including “Home Appliances Replacement Scheme” and “Home Appliances to the Countryside Scheme”) and recorded rapid growth. However, the policies have been phasing out, which together with the restrictive measures against the real estate market had led to a serious blow in the sales growth of domestic white household appliances in the first half of 2012. The Group’s electrical appliances business had recorded a turnover of HK$290.7 million, representing a decrease of 30.2% compared to HK$416.3 million in the corresponding period.

Despite that, as energy saving and environmental friendly as well as intelligent and stylish products had become the development trend of the industry, the Group believed that the business can maintain stable growth. The Group will continuously enhance the research on application of new technologies and materials, providing customers with more cost-effective decorative components and functional components. At the same time, we will also conduct feasibility study on diversified products to further enhance the customer base of electrical appliances business.

iii. *Notebook Computers*

During the period, notebook computers recorded strong growth, the revenue reached HK$247.3 million, representing an increase of 40.8% compared with HK$175.6 million of the corresponding period. The Group possesses various surface treatment technologies and the capability of handling different decorative materials including IML, IMD, metal materials and insert molding technology which received recognition and support from long-term customers such as Lenovo, Dell, HP, Toshiba, Asus, Acer, Quanta and Compal. In addition, metal surface processing will be the major trend for notebook computer casing and fitting, thus since last year, the Group developed a number of notebook computer casings of metal materials and texture, such as brushed-metal, composite materials of pressing texture and ultra-thin computer casing, and such casings have exhibited in the display area for ultrabooks at the Intel Developer Forum (IDF) 2012. The Group will continue to develop new products to satisfy various needs of customers and maintain stable growth in the business.

b. ***Ironware Parts Division***

During the period, the turnover of this division was HK$181.3 million, representing a decrease of 2.3% compared to HK$185.6 million in the corresponding period. The Group began to adjust the development strategy of this division last year, and continuously phased out products with low gross profit margin and focused on producing aluminum parts with various surfaces effects and high-precision metal components. Despite the decrease in turnover of this division, the gross profit margin and segment results still managed to increase due to the decrease in raw materials prices and product portfolio optimization. The Group believed that through technology innovations and more efficient use of resources, the ironware parts division will have new development opportunities.

c. ***Communication Facilities Division and Other Business***

During the period, the communication facilities division of the Group still focused on the production of digital satellite TV receivers and set top boxes. Despite affected by the debt crisis in Europe and United States, the turnover still increased to HK$69.7 million, representing a significant increase of 42.2% compared to HK$49.0 million in the corresponding period. The increase was due to our main customers were based in Middle East and the stimulating effect from the London Olympics.

d. ***Sales Revenue Breakdown and Comparison with the Corresponding Period of Products for the Six Months Ended 30 June 2012 and 2011***

	2012	2011
Electrical Fittings Division	**82%**	82%
i. Handset	***44%***	*35%*
ii. Electrical Appliances	***20%***	*33%*
iii. Notebook Computers	***18%***	*14%*
Ironware Parts Division	**13%**	14%
Communication Facilities and Other Business	**5%**	4%

3. Prospects

Back in the first half of 2012, European debt crisis worsened and United States' economic recovery slowdown, China's economic performance was also affected by external factors with its growth eased, the business environment filled with challenges as the global economy faced more uncertainties. The Group adhered to the principle of prudent financial management and actively consolidated the operational strength, in order to continuously strengthen its business foundation and drive the stable and continuous growth of the Group under tough market environment.

The Group will continously focus on providing casings and high-precision components for the three major products in global consumer electronic products (handsets, notebook computers and electrical appliances). To ride the market trend, the handset casings of the Group will develop towards the direction of ultra-thin and functional components. For notebook computers, metal coating and other metal effects will be the new research emphasis area. In addition, the Group will devote particular effort to promote the application of core technology of IML to other computer-related products such as casings of portable hard disk and mouse. For electrical appliances, intelligence will be the development direction in future, the "Guidelines on Technology Application of Smart Home Appliances" (智慧家用電器的智慧化技術通則) national standard was implemented in China since 1 July of this year, "the intelligent control of household appliances" (家電智慧控制) was included in demonstration projects of focus areas application during the "12th Five-Year" period. The Group expected the casings of electrical appliances (such as rice cookers, air-conditioners and washing machines) will follow the development trend of handset and notebook computers casing and heading towards having components with advanced functions (such as the application of touch panel), and the Group will make the best use of the existing technology advantages and seize the opportunities brought by the relevant development.

In order to cope with market challenges and seek stable development, the Group has always emphasized and supported technology enhancement and innovation, devoted to enhancing the application and research and development of new technology, materials and techniques. Through innovation of technology and combining integrated techniques to add value to its products constantly, and together with its ability to respond quickly to changes for which the Group has been pround of, the Group will provide customers with one-stop solution and services and achieve sustainable growth.

The management is optimistic on future business development and growth. The Group will continuously enhance core business by the efficient use of resources while at the same time, seize suitable opportunities to enhance business development and bring bigger return for the shareholders and employees.

4. Liquidity and Financial Resources

At 30 June 2012, the Group had total assets of HK$3,840.7 million (31 December 2011: HK$3,738.6 million); net current assets of HK$703.4 million (31 December 2011: HK$866.4 million) and total equity of HK$2,016.3 million (31 December 2011: HK$1,915.1 million).

The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2012 was maintained at about HK$301.6 million (31 December 2011: HK$311.2 million), out of which about HK$106.5 million has been pledged to bank to secure banking facilities granted (31 December 2011: HK$57.4 million).

The gearing ratio (net debt/total equity) was 13.0% (31 December 2011: 17.5%). As at 30 June 2012, interest bearing bank and other borrowings of the Group amounted to approximately HK$556.5 million, of which HK$430.2 million was floating-rate borrowings and the remaining balance of HK$126.3 million were fixed-rate borrowings. The Group's leasehold buildings with net book value of HK$37.5 million (31 December 2011: HK$37.2 million) have been pledged as collateral against one of the bank loans of HK$220.0 million.

5. Foreign Currency Risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 96% (the corresponding period: 71%) of the Group's sales and purchases transactions are denominated in RMB while the remaining are denominated mainly in Hong Kong dollars and United Stated 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. Although the appreciation of RMB is expected to slow down, the Group will continue to 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 HK0.8 cent (2011: HK0.7 cent) per ordinary share for the period ended 30 June 2012 payable on or about 30 August 2012 to shareholders whose names appear on the register of members of the Company on 21 August 2012.

Closure of register of members

The Register of Members will be closed from 24 August 2012 to 29 August 2012, 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 21 August 2012.

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 Stock Exchange has enhanced the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), where the revised code, namely Corporate Governance Code (the "Revised Code"), becomes effective on 1 April 2012.

The Company has complied with all the applicable code provisions of the Former Code and the Revised Code throughout the respective periods from (i) 1 January 2012 to 31 March 2012; and (ii) 1 April 2012 to 30 June 2012, except for the deviations as mentioned below.

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

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

Audit Committee

The Audit Committee ("AC") comprises three independent non-executive Directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the code provisions of the Code of Best Practice. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible to review and supervise the internal control system of the Group.

The AC has reviewed the principal accounting policies and internal control adopted by the Group at the meeting held during the Period. The AC had also reviewed the unaudited interim results of the group for the six months ended 30 June 2012 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, 15 August 2012

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.