

TONGDA GROUP HOLDINGS LIMITED

Interim Report

2012

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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, CTA(HK), FHKIoD*
Mr. Cheung Wah Fung, Christopher, *JP*
Dr. Yu Sun Say, *GBS, SBS, JP*

Audit Committee

Mr. Ting Leung Huel Stephen
Mr. Cheung Wah Fung, Christopher
Dr. Yu Sun Say

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Chan Sze Man

Auditors

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
KBC Bank N.V., Hong Kong Branch
DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited

In PRC:

Bank of China Limited
China Construction Bank Corporation
China Merchant Bank

Legal Advisers

As to Hong Kong law:

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
Tel: (852) 2570 8128
Fax: (852) 2510 0991
Website: <http://www.tongda.com>
Email (Investor Relations):
ir@tongda.com.hk

Listing Information

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

Hong Kong Branch Share Registrar

Union Registrars Limited
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

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.

1. Business and Financial Review (Continued)

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, NCMV 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.

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

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.

2. Operational Information by Division (Continued)

a. Electrical Fittings Division (Continued)

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 been 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.

2. Operational Information by Division (Continued)

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>i. Handsets</i>	44%	35%
<i>ii. Electrical Appliances</i>	20%	33%
<i>iii. Notebook Computers</i>	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 continuously 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 proud of, the Group will provide customers with one-stop solution and services and achieve sustainable growth.

3. Prospects (Continued)

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 approximately 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 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. 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 30 June	
		2012 HK\$'000	2011 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	9	1,143,483	1,077,552
Prepaid land lease payments		34,049	34,026
Investment property	10	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	11	836,829	672,876
Trade and bills receivables	12	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	13	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	14	496,440	402,639
Total current liabilities		1,719,839	1,545,074

	Notes	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
NET CURRENT ASSETS		703,369	866,383
TOTAL ASSETS LESS CURRENT LIABILITIES		2,120,898	2,193,558
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	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	15	46,833	46,783
Reserves		1,897,899	1,811,464
NON-CONTROLLING INTERESTS		1,944,732	1,858,247
		71,572	56,893
Total equity		2,016,304	1,915,140

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2012

Attributable to owners of the Company

	Issued capital	Share premium	Share	Asset		Capital		Exchange reserve	Retained profits	Total	Non-controlling interest		Total
			option reserve	Capital reserve	revaluation reserve	Statutory reserve	redemption reserve				Total	interest	
	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
At 1 January 2012	46,783	636,109	22,045	16,092	22,543	48,779	287	156,210	909,399	1,858,247	56,893	1,915,140	
Profit for the period	-	-	-	-	-	-	-	-	113,332	113,332	16,126	129,458	
Other comprehensive income for the period:													
Gain on property revaluation, net of tax	-	-	-	-	572	-	-	-	-	572	-	572	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	18,283	-	18,283	1,078	19,361	
Total comprehensive income for the period	-	-	-	-	572	-	-	18,283	113,332	132,187	17,204	149,391	
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(2,525)	(2,525)	
Shares issued upon exercise of share options (note 15(iii))	50	1,403	(322)	-	-	-	-	-	-	1,131	-	1,131	
Final 2011 dividend declared and paid (note 7)	-	-	-	-	-	-	-	-	(46,833)	(46,833)	-	(46,833)	
At 30 June 2012	46,833	637,512	21,723	16,092	23,115	48,779	287	174,493	975,898	1,944,732	71,572	2,016,304	

Unaudited six months ended 30 June 2011

Attributable to owners of the Company

	Share		Share option reserve	Capital reserve	Warrant reserve	Asset revaluation reserve	Statutory reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Non-		
	Issued capital HK\$'000	premium account HK\$'000									Total equity HK\$'000	controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2011	46,049	613,649	23,212	16,092	1,180	17,612	22,697	287	101,937	773,281	1,615,996	46,537	1,662,533
Profit for the period	—	—	—	—	—	—	—	—	—	102,118	102,118	1,882	104,000
Other comprehensive income from the period:													
Gain on property revaluation, net of tax	—	—	—	—	—	4,613	—	—	—	—	4,613	—	4,613
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	25,259	—	25,259	1,629	26,888
Total comprehensive income for the period	—	—	—	—	—	4,613	—	—	25,259	102,118	131,990	3,511	135,501
Shares issued upon exercises of share options (note 15(i))	190	6,254	(1,167)	—	—	—	—	—	—	—	5,277	—	5,277
Exercise of warrants (note 15(ii))	544	16,206	—	—	(430)	—	—	—	—	—	16,320	—	16,320
Final 2010 dividend declared and paid (note 7)	—	—	—	—	—	—	—	—	—	(56,109)	(56,109)	—	(56,109)
At 30 June 2011	46,783	636,109	22,045	16,092	750	22,225	22,697	287	127,196	819,290	1,713,474	50,048	1,763,522

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	259,359	67,503
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(192,790)	(98,505)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(131,302)	(16,860)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(64,733)	(47,862)
Cash and cash equivalents at beginning of period	253,784	183,698
Effects of foreign exchange rate changes, net	6,052	4,240
CASH AND CASH EQUIVALENTS AT END OF PERIOD	195,103	140,076
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents stated in the condensed consolidated statement of financial position	195,103	140,076

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

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

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 include handsets, notebook computers and other electrical appliance products;
- (b) the ironware parts segment is a supplier of 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, corporate and other unallocated expenses, finance costs and share of profits and losses of associates, are excluded from such measurement.

Segment assets exclude investments in associates, goodwill, 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 and other borrowings, tax payable, 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 then prevailing market prices.

4. Operating Segment Information (continued)

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 HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	Consolidated 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 HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	Consolidated 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

4. Operating Segment Information (continued)

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

	Unaudited six months ended 30 June 2012			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others 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	Ironware	facilities and	Consolidated
	fittings	parts	others	
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

4. Operating Segment Information (continued)

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(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited) are awarded as High New Technology Enterprises and are subject to a preferential tax rate of 15%.

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	2011
	HK\$'000	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 dividend in respect of the financial year ended 31 December 2010 – HK1 cent and HK0.2 cent per ordinary share)	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	2011
	HK\$	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. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$125,745,000 (30 June 2011: HK\$73,239,000). In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$379,000 (30 June 2011: HK\$3,289,000) for proceeds of approximately HK\$243,000 (30 June 2011: HK\$3,346,000).

At 30 June 2012, 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\$37,500,000 (31 December 2011: HK\$37,200,000). The resulting revaluation surplus of HK\$685,000 (30 June 2011: HK\$5,524,000) has been credited to the asset revaluation reserve during the six months ended 30 June 2012. The resulting deferred tax liability of HK\$113,000 (30 June 2011: HK\$911,000) arising from the revaluation has also been debited to the asset revaluation reserve.

10. Investment Property

The Group's investment property in Shanghai was revalued by Asset Appraisal Ltd., an independent firm of professionally qualified appraisers, on an open market existing use basis at HK\$51,852,000 (31 December 2011: HK\$50,976,000) as at 30 June 2012. Consequently, gain in fair value change of an investment property of HK\$247,000 (30 June 2011: HK\$1,665,000) and exchange realignment of HK\$629,000 (30 June 2011: HK\$1,061,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2012.

The investment property is leased to a related company controlled by a director of the Company under operating lease, further details of which are included in note 16 to these Interim Financial Statements.

11. 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.

12. Trade and Bills Receivables

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Trade receivables	1,021,187	1,183,844
Impairment allowances	(31,765)	(31,195)
	989,422	1,152,649
Bills receivables	158,154	151,243
	1,147,576	1,303,892

12. Trade and Bills Receivables (Continued)

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-interest-bearing.

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

13. Trade and Bills Payables

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Trade payables	605,002	678,602
Bills payables	341,322	178,616
	946,324	857,218

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:

	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

14. Interest-Bearing Bank and Other Borrowings

During the six months ended 30 June 2012, the Group repaid bank and other borrowings of approximately HK\$303,540,000 (30 June 2011: HK\$282,979,000) and raised new bank and other borrowings of approximately HK\$217,486,000 during the period (30 June 2011: HK\$300,631,000). All borrowings bear interest at prevailing market rates and are repayable within five years.

14. Interest-Bearing Bank and Other Borrowings (continued)

In addition, the Group's bank loans are subject to certain financial covenants. As at 30 June 2012, one of the financial covenants of the Group's bank loan with the amount of HK\$210,000,000, restricting the Group's overall pledged deposits to HK\$60,000,000, was not met. Therefore, the non-current portion of that bank loan in the amount of HK\$150,000,000 was technically reclassified to current liabilities as at 30 June 2012.

On 13 August 2012, the Group has obtained from the bank a waiver to the financial covenant of the above bank loan.

15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each, authorised:		
Balance at 1 January 2011, 31 December 2011, 1 January 2012 and 30 June 2012	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2011	4,604,900,000	46,049
Shares issued upon exercise of share options (note i)	19,000,000	190
Shares issued upon exercise of warrants (note ii)	54,400,000	544
At 30 June 2011, 31 December 2011 and 1 January 2012	4,678,300,000	46,783
Shares issued upon exercise of shares option (note iii)	5,000,000	50
At 30 June 2012	4,683,300,000	46,833

15. Share Capital (continued)

Notes:

- (i) During the six months ended 30 June 2011, the subscription rights attaching to 8,000,000 shares, 5,000,000 shares and 6,000,000 shares of share options were exercised at the subscription prices of HK\$0.315 per share, HK\$0.280 per share and HK\$0.2262 per share respectively, resulting in the issue of 19,000,000 shares of HK\$0.01 each for a total cash consideration, before expense, of HK\$5,277,000. An amount of HK\$1,167,000 was transferred from the share option reserve to the share premium account upon the exercises of the share options.
- (ii) 54,400,000 new ordinary shares of HK\$0.01 each were issued for cash at a subscription price of HK\$0.30 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$16,320,000. An amount of HK\$430,000 was transferred from the warrant reserve to the share premium reserve upon the exercise of the warrants.
- (iii) During the six months ended 30 June 2012, the subscription rights attaching to 5,000,000 share options were exercised at the subscription price of HK\$0.2262 per share, resulting in the issue of 5,000,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$1,131,000. An amount of HK\$322,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

16. Operating Lease Arrangements

(a) As lessor

The Group leases its investment property to third parties and the subleasing of factory premises and staff quarters to an associate (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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Within one year	4,098	3,622
In the second to fifth years, inclusive	2,993	1,220
	7,091	4,842

(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.

16. Operating Lease Arrangements (continued)

(b) As lessee (continued)

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Within one year	7,377	11,338
In the second to fifth years, inclusive	12,240	12,620
After five years	18,783	20,063
	38,400	44,021

17. Commitments

In addition to the operating lease commitments set out in note 16(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Purchases of property, plant and equipment	21,032	33,819

18. Contingent Liabilities

At 30 June 2012, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries, which were utilised to the extent of approximately HK\$79,656,000 (2011: HK\$42,024,000). Save as disclosed above, the Group did not have any significant contingent liabilities as at the end of the reporting period.

19. Related Parties Transactions

- (a) 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.

	Notes	Unaudited	
		2012	2011
		HK\$'000	HK\$'000
Six months ended 30 June			
2012			
2011			
HK\$'000			
HK\$'000			
<hr/>			
Associates:			
Technology consultancy fee	(i)	300	300
Sales of products	(ii)	805	1,602
Purchases of raw materials and finished goods	(iii)	806	378
Rental income	(iv)	691	665
Dividend income		–	1,500
Related companies controlled by directors of the Company:			
Sales of products	(ii)	–	55
Purchase of raw materials	(iii)	–	11
Rental income	(v)	1,481	1,427
<hr/>			

19. Related Parties Transactions (continued)

(a) (Continued)

Notes:

- (i) The technology consultancy fee charged at HK\$50,000 (2011: HK\$50,000) per month was received from an associate for the provision of technology support provided by the Group.
- (ii) The sales to associates and a related company were made according to the terms similar to those offered to the Group's non-related customers.
- (iii) The purchases from associates and a related company were made according to the terms similar to those offered to the Group's non-related suppliers.
- (iv) The rental income received from an associate represented the subleasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC.
- (v) The rental income received from a related company controlled by a director of the Company were charged at a monthly rental of RMB200,000.

The related party transaction in respect of item (v) above also constitute continuing connected transaction as defined in chapter 14A of the Listing Rules.

20. 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 15 August 2012.

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 6 September 2012 to shareholders whose names appear on the register of members of the Company as at the close of business on 29 August 2012.

Closure of register of members

The Register of Members will be closed from 30 August 2012 to 4 September 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 29 August 2012.

Directors’ Interest and Short Positions in Shares and Underlying Shares

At 30 June 2012, 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:

Directors' Interest and Short Positions in Shares and Underlying Shares (Continued)

Name of directors	Directly beneficially owned	Number of shares held, capacity and nature of interest through controlled corporation	Note	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	130,010,000	2,296,490,000	1,2	2,426,500,000	51.81
Mr. Wang Ya Hua	19,920,000	2,000,490,000	1	2,020,410,000	43.14
Mr. Wong Ah Yu	25,160,000	2,000,490,000	1	2,025,650,000	43.25
Mr. Wong Ah Yeung	32,000,000	2,000,490,000	1	2,032,490,000	43.40
Mr. Choi Wai Sang	19,750,000	78,750,000	3	98,500,000	2.10
Dr. Yu Sun Say	2,500,000	–		2,500,000	0.05

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% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").
- 296,000,000 shares are held by E-Growth Resources Limited ("E-Growth"), the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.
- These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

Directors' Interest and Short Positions in Shares and Underlying Shares (Continued)

Saved as disclosed above, as at 30 June 2012 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.

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 30 June 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period				
Directors							
Mr. Wang Ya Nan	59,300,000	—	—	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	59,300,000	—	—	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

Share Option Scheme (Continued)

Name or category of participants	Number of share options			At 30 June 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period				
Directors (Continued)							
Mr. Wong Ah Yu	59,300,000	—	—	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	59,300,000	—	—	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. Choi Wai Sang	10,000,000	—	—	10,000,000	16 February 2008, and 31 May 2010	16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.315 and 0.28

Share Option Scheme (Continued)

Name or category of participants	Number of share options			At 30 June 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period				
Directors (Continued)							
Mr. Wang Ming Che	16,000,000	—	—	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
Mr. Ting Leung Huel, Stephen	8,450,000	—	2,500,000	5,950,000	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	8,450,000	—	2,500,000	5,950,000	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

Share Option Scheme (Continued)

Name or category of participants	Number of share options			At 30 June 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period				
Directors (Continued)							
Dr. Yu Sun Say, GBS, SBS, JP	3,950,000	—	—	3,950,000	16 February 2008, and 31 May 2010	16 February 2008 to 15 February 2018 and 31 May 2010 to 30 May 2013	0.315 and 0.28
Other employees							
In aggregate	25,500,000	—	—	25,500,000	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
	309,550,000	—	5,000,000	304,550,000			

* 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.

The weighted average share price at the date of exercises for share options exercised during the period was HK\$0.35 per share.

At the date of approval of these interim financial statements, the Company had 304,550,000 share options outstanding under the New Scheme, which represented approximately 6.50% of the Company's share in issue as at that date.

Substantial Shareholders

At 30 June 2012, 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	42.72
E-Growth	2	Directly beneficially owned	296,000,000	6.32

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 2012, 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.

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.

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, 15 August 2012