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TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2013 reached approximately HK\$1,689,658,000, representing an increase of approximately 20.9% as compared with that for the financial period ended 30 June 2012.
- Our net profit attributable to owners of the Company for the financial period ended 30 June 2013 reached approximately HK\$130,283,000, representing an increase of approximately 15.0% as compared with that for the financial period ended 30 June 2012.
- Basic earnings per Share for the financial period ended 30 June 2013 was HK2.72 cents representing an increase of approximately 12.4% as compared with that for the financial period ended 30 June 2012.
- The Directors propose to declare an interim dividend of HK0.9 cent per Share for the financial period ended 30 June 2013.

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 2013 (the “Period”) together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	1,689,658	1,397,945
Cost of sales		(1,334,039)	(1,089,072)
Gross profit		355,619	308,873
Other income and gains, net		14,781	12,834
Selling and distribution expenses		(39,700)	(43,399)
Administrative expenses		(128,566)	(95,868)
Other operating expenses, net		(5,275)	(511)
Finance costs		(21,404)	(26,476)
Share of profits and losses of associates		(26)	918
PROFIT BEFORE TAX	5	175,429	156,371
Income tax expense	6	(37,198)	(26,913)
PROFIT FOR THE PERIOD		138,231	129,458
Attributable to:			
Owners of the Company		130,283	113,332
Non-controlling interests		7,948	16,126
		138,231	129,458
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK2.72 cents	HK2.42 cents
– Diluted		HK2.69 cents	HK2.41 cents

Details of the dividends are disclosed to note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>138,231</u>	<u>129,458</u>
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent periods:		
Gain on revaluation	423	685
Income tax effect	<u>(70)</u>	<u>(113)</u>
	353	572
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	41,719	18,990
– associates	<u>722</u>	<u>371</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>42,794</u>	<u>19,933</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>181,025</u></u>	<u><u>149,391</u></u>
ATTRIBUTABLE TO:		
Owners of the Company	170,796	132,187
Non-controlling interests	<u>10,229</u>	<u>17,204</u>
	<u><u>181,025</u></u>	<u><u>149,391</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,261,652	1,229,728
Prepaid land lease payments		34,038	33,723
Investment property		53,191	51,961
Goodwill		22,751	22,751
Prepayments		63,443	62,921
Investments in associates		40,161	40,881
Long term deposits		58,927	32,452
Deferred tax assets		3,703	3,703
Total non-current assets		1,537,866	1,478,120
CURRENT ASSETS			
Inventories	9	1,097,560	801,981
Trade and bills receivables	10	1,451,152	1,455,801
Prepayments, deposits and other receivables		189,464	151,557
Due from a related company		1,539	2,528
Tax recoverable		53	82
Pledged deposits		73,611	92,439
Cash and cash equivalents		189,854	221,460
Total current assets		3,003,233	2,725,848
CURRENT LIABILITIES			
Trade and bills payables	11	1,002,359	1,014,378
Accrued liabilities and other payables		138,555	115,185
Due to non-controlling shareholders of subsidiaries		54	54
Tax payable		176,286	172,047
Interest-bearing bank and other borrowings		491,502	564,311
Dividend payable		58,306	—
Total current liabilities		1,867,062	1,865,975
NET CURRENT ASSETS		1,136,171	859,873
TOTAL ASSETS LESS CURRENT LIABILITIES		2,674,037	2,337,993

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	278,336	88,769
Loan from a non-controlling shareholder of a subsidiary	–	7,331
Deferred tax liabilities	55,724	49,016
Total non-current liabilities	334,060	145,116
Net assets	2,339,977	2,192,877
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Issued capital	48,589	47,633
Reserves	2,195,394	2,054,473
	2,243,983	2,102,106
NON-CONTROLLING INTERESTS	95,994	90,771
Total equity	2,339,977	2,192,877

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 manufacturing and sale of high-precision components of consumer electrical products, electrical appliances, 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 2012.

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 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and interpretations, which are effective for accounting periods beginning on or after 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK(IFRIC)-Int 20	Amendments to a number of HKFRSs issued in June 2012
<i>Annual Improvements 2009-2011 Cycle</i>	

Other than as further explained below regarding the impact of amendments to HKAS 1 and HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

3. ACCOUNTING POLICIES (Continued)

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated interim financial statements. HKFRS 13 has been applied prospectively.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair value.

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 2013				
	Electrical	Ironware	Communication	
	fittings	parts	facilities and	
	others			
	Eliminations			
	Consolidated			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:				
Sales to external customers	1,355,896	224,264	109,498	1,689,658
Intersegment sales	4,909	8,238	–	–
Total	<u>1,360,805</u>	<u>232,502</u>	<u>109,498</u>	<u>1,689,658</u>
Segment results before				
depreciation and amortisation	232,189	27,152	5,793	265,134
Depreciation	(68,741)	(6,269)	(2,193)	(77,203)
Amortisation	(362)	(816)	(41)	(1,219)
Segment results	<u>163,086</u>	<u>20,067</u>	<u>3,559</u>	<u>186,712</u>
Unallocated income				14,781
Corporate and other unallocated expenses				(4,634)
Finance costs				(21,404)
Share of profits and losses of associates				(26)
Profit before tax				175,429
Income tax expense				(37,198)
Profit for the period				<u>138,231</u>

4. OPERATING SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30 June 2012				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment revenue:					
Sales to external customers	1,146,869	136,864	114,212	–	1,397,945
Intersegment sales	15,378	29,173	–	(44,551)	–
Total	<u>1,162,247</u>	<u>166,037</u>	<u>114,212</u>	<u>(44,551)</u>	<u>1,397,945</u>
Segment results before depreciation and amortisation	225,571	11,056	4,826	–	241,453
Depreciation	(59,108)	(6,751)	(2,123)	–	(67,982)
Amortisation	(357)	(784)	(40)	–	(1,181)
Segment results	<u>166,106</u>	<u>3,521</u>	<u>2,663</u>	<u>–</u>	<u>172,290</u>
Unallocated income					12,834
Corporate and other unallocated expenses					(3,195)
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					<u>129,458</u>

During the period, the Group performed a review on its businesses and rationalised the allocation for certain revenue and expenses to the respective reporting segments. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

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

	Unaudited six months ended 30 June 2013			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	<u>3,621,704</u>	<u>490,921</u>	<u>98,341</u>	4,210,966
Unallocated assets				330,133
Total assets				<u>4,541,099</u>
Segment liabilities	<u>897,687</u>	<u>191,609</u>	<u>51,672</u>	1,140,968
Unallocated liabilities				1,060,154
Total liabilities				<u>2,201,122</u>

4. OPERATING SEGMENT INFORMATION (Continued)

	Audited 31 December 2012			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	<u>3,290,755</u>	<u>437,242</u>	<u>94,655</u>	3,822,652
Unallocated assets				<u>381,316</u>
Total assets				<u>4,203,968</u>
Segment liabilities	<u>932,435</u>	<u>157,865</u>	<u>46,648</u>	1,136,948
Unallocated liabilities				<u>874,143</u>
Total liabilities				<u>2,011,091</u>

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2013 and 2012.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	1,508,107	1,239,477	67,957	35,796	38,187	48,837	75,407	73,835	1,689,658	1,397,945

Information about major customers

For the six months ended 30 June 2013, revenue of approximately HK\$374,288,000, representing 22.15% of the Group's revenue, was derived from sales by the electrical fittings segment to a single customer, including sales to a group of entities which are known to be under common control of that customer.

For the six months ended 30 June 2012, revenue of approximately HK\$234,018,000 and HK\$146,504,000, representing 16.74% and 10.48% of the Group's revenue, respectively, were derived from sales by the electrical fittings segment to two customers, including sales to a group of entities which are known to be under common control of the respective customers.

5. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	403	397
Amortisation of prepayments	816	784
Depreciation of property, plant and equipment	77,203	67,982
Impairment of trade receivables	3,635	611
Write-back of impairment of trade receivables	(655)	(119)
Write-off of trade receivables	2,039	—
Provision against obsolete inventories	410	6,000
Foreign exchange differences, net	(6,210)	(7,277)
Loss on disposal of property, plant and equipment	750	136
Change in fair value of an investment property	(125)	(247)
Interest income	(827)	(791)
	<u> </u>	<u> </u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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), 深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited) 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	
	2013	2012
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	<u>28</u>	<u>25</u>
	28	25
Current – Elsewhere		
Charge for the period	30,835	23,690
Overprovision in prior years	<u>(88)</u>	<u>–</u>
	30,747	23,690
Deferred	<u>6,423</u>	<u>3,198</u>
Total tax charge for the period	<u>37,198</u>	<u>26,913</u>

The share of tax attributable to associates amounting to HK\$197,000 (30 June 2012: HKD174,000) 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	
	2013	2012
	HK\$'000	HK\$'000
Final dividend declared of HK1.2 cents per ordinary share in respect of the financial year ended 31 December 2012 (2012: final dividend declared and paid in respect of the financial year ended 31 December 2011 – HK1 cent per ordinary share)	<u>58,306</u>	<u>46,833</u>

At the board meeting held on 20 August 2013, the board of directors declared and approved an interim dividend of HK0.9 cent per ordinary share (2012: HK0.8 cent) totalling HK\$43,729,650 (2012: HK\$38,106,400).

8. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$	HK\$
Earnings:		
Profit for the period attributable to owners of the Company	130,283,000	113,332,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	4,785,281,215	4,681,129,670
Effect of dilutive potential ordinary shares:		
Options	64,169,647	16,204,446
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	4,849,450,862	4,697,334,116

9. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Raw materials	424,914	313,022
Work in progress	221,765	176,691
Finished goods	450,881	312,268
	1,097,560	801,981

As at 30 June 2013, moulds of HK\$74,154,000 (2012: HK\$81,407,000) are included in the finished goods.

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Trade receivables	1,296,521	1,342,021
Impairment allowances	(34,912)	(31,776)
	<u>1,261,609</u>	<u>1,310,245</u>
Bills receivables	189,543	145,556
	<u>1,451,152</u>	<u>1,455,801</u>

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 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Within 3 months	1,287,827	1,205,857
4 to 6 months, inclusive	135,608	213,144
7 to 9 months, inclusive	23,087	33,035
10 to 12 months, inclusive	4,194	2,611
More than 1 year	35,348	32,930
	<u>1,486,064</u>	<u>1,487,577</u>
Impairment allowances	(34,912)	(31,776)
	<u>1,451,152</u>	<u>1,455,801</u>

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Trade payables	785,494	720,318
Bills payables	216,865	294,060
	<u>1,002,359</u>	<u>1,014,378</u>

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 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Within 3 months	741,472	650,400
4 to 6 months, inclusive	228,141	298,472
7 to 9 months, inclusive	9,698	47,603
10 to 12 months, inclusive	5,020	1,922
More than 1 year	18,028	15,981
	<u>1,002,359</u>	<u>1,014,378</u>

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business and Financial Review

Tongda Group Holdings Limited (the “Group”) achieved sustained and steady growth in the first half of 2013.

The weakness in the global economy extended into 2013. However, being the world’s leading supplier of high-precision components of consumer electronic products, the Group seized the opportunity presented by the rapid take-up of smartphones markets and experienced growth through close partnerships with leading domestic and international brands. For the six months ended 30 June 2013 (the “Review Period”), turnover increased by 20.9% year-on-year to HK\$1,689.7 million.

Despite the growing competitions in the industry, the Group leveraged its core technology of In-Mould Lamination (“IML”) and focused on developing products with higher profit margin, gross profit increased by 15.1% to HK\$355.6 million compared with HK\$308.9 million for the corresponding period last year. The overall gross profit margin remained high at 21.0% (22.1% in the corresponding period last year).

As the expenses for research and development (R&D) of new and high technology increased and the wage level in the country rose slightly, administrative expenses increased to HK\$128.6 million from HK\$ 95.9 million for the corresponding period last year. Through automation of production process, stringent cost control measures and optimisation of resource and product mix, profit attributable to owners of the Company increased by 15.0% to HK\$130.3 million compared with HK\$113.3 million for the corresponding period last year. Net profit margin reached approximately 7.7% (8.1% in the corresponding period last year).

2. Operational Information by Division

a. Electrical Fittings Division

The Group has strategically diversified its businesses over the years to broaden income sources while balancing risks. The electrical fittings division was divided into three segments, namely handsets, notebook computers and electrical appliances. During the Review Period, revenue from electrical fittings division increased by HK\$209.0 million to HK\$1,355.9 million compared with HK\$1,146.9 million for the corresponding period last year and accounted for 80.2% of the Group's total turnover. Turnover from handsets business increased significantly by 35.2%, turnover from electrical appliances increased by 6.3% and turnover from notebook computers decreased by 9.5%.

i. Handsets

The demand for smartphones has rapidly grown, the reputation and market share of domestic handset brands in the international market are also growing. As the main driver of the Group, handsets business was benefited from such growth and the sales contribution increased from 43.6% to 48.7%. Turnover of handsets division reached HK\$823.1 million, representing a rapid growth of 35.2% from HK\$608.9 million for the corresponding period last year. The Group has been working closely with a number of renowned fast growing domestic and international handset brands, such as Huawei, ZTE, Lenovo, Coolpad, TCL and Nokia. The Group's outstanding R&D team, product innovation capabilities and its investment in smartphone design technology, has enhanced the diversity and flexibility of its customers' products, while shortening the production lead time. Such advantages are well recognized by customers and enable the Group to capture both domestic and international markets and maintain its gross profit margin at a high level.

To deepen the partnership with our core customers, the Group will continue to focus on designing quality and fashionable handset casings, while developing ultra slim and functional components to provide products at reasonable prices with reliable quality. Of which, the Group has introduced Laser Direct Structuring ("LDS") technology to design a new generation of antenna system, and became the only supplier providing a vertical

integrated supply chain of such system in China. The principle of LDS technology is using laser to activate metallic particles of plastic casings with metal components and metalize the plastic materials with copper sheets, this turns handset casing into antenna directly to receive signals. Such equipment was ready for operation in the Review Period and consensus was reached with its core customers. Small scale production is expected to begin in the second half of this year and mass production will begin next year.

ii. Electrical Appliances

The China housing market has been gradually stabilized in the second half of 2012. The Central Government also decided to provide one-year subsidies for five types of energy efficient appliances such as air conditioners, refrigerators, washing machines and flat-screen TVs starting from June last year. Benefiting from the growth of domestic demand, sales of the Group's electrical appliances rebounded by 6.3% to HK\$309.1 million from HK\$290.7 million for the corresponding period of last year.

The Group has maintained a solid partnership with leading domestic appliances brands including Midea, Haier and Gree for years. High-end electrical appliances accessories of the Group, such as IML large plastic appliance casings, are in line with the increasing demand for upmarket electrical appliances, which has made the Group a market leader in high-end appliance casings.

iii. Notebook Computers

Global notebook computer market is full of uncertainties and challenges, global shipments of notebook computer shrank in the first half of the year due to the increasing popularity of smartphones and tablets. The Group's notebook computer business was affected, with sales decreasing by 9.5% to HK\$223.7 million. However, as the Group actively developed tablet market during the Review Period and the Group maintained good cooperative relationship with world renowned notebook computer brands such as Lenovo, Toshiba, Sony NEC and Quanta, Compal, Asus and Acer, the four largest computer manufacturers in Taiwan, while our majors customers are from China and Japan, so the adverse industry only minimally effected the group as the demand in both markets are relatively stable.

High quality metal and ultra-thin computer casings are the main focus of mid-to-high-end notebook computer market. To ride on the market trend, the Group utilized technologies such as IML, In-Mould Decoration ("IMD"), laminated metal filming ("LMF") which are used in metallic materials, together with enhanced R&D, to produce sturdy and ultra-thin metal covers and accessories with different texture. As a one-stop precision structural components supplier, our leading capability of applying decorative materials, as well as R&D capacity are well recognized by our long-term customers. The newly developed LMF

casings effectively maintain the hardness of metals while preserving the attractiveness of IML technology decoration, thus it was widely accepted by a number of brands in the period. The Group will continue to monitor market trends closely and satisfy the diverse needs of customers to ensure stable growth of the division.

b. Ironware Parts Division

To provide one-stop parts and components services and enhance its competitiveness, Tongda Group has focused on the production of aluminum parts and precision metal structures with different surface effects over years. Benefiting from the increasing trend of using metallic parts and casings on appliance casings, sales of the division increased by 63.8% to HK\$224.3 million from HK\$136.9 million in the corresponding period of last year.

c. Communication Facilities Division and Other Business

The communication facilities division of the Group focuses on the production of digital satellite TV receivers and set top boxes and its major customers are from the Middle-East, Europe and United States. Sales of the division maintained to reach HK\$109.5 million during the Review Period, representing a decrease of 4.1%.

d. Revenue Breakdown and Comparison of Products segments for the Six Months Ended 30 June 2013 and 2012

	2013	2012
Electrical Fittings Division	80.2%	82.0%
<i>i. Handsets</i>	48.7%	43.6%
<i>ii. Electrical Appliances</i>	18.3%	20.7%
<i>iii. Notebook Computers</i>	13.2%	17.7%
Ironware Parts Division	13.3%	9.8%
Communication Facilities Division and Other Business	6.5%	8.2%

3. Prospects

The Group is committed to developing casings and components for consumer electronics products with a goal of maintaining high gross profit margins and providing one-stop solution for casings and components through utilizing quality and diversified technologies. Despite the weak global market, China's economy has maintained a stable development, which together with rapid increase in global smartphone demand, has provided a good foundation for a number of Chinese handset brands to rank among the world's ten largest mobile phone suppliers. Such development has proven the success of the Group's strategies.

Looking to the future, the Group will continue to increase investment in the handsets business and at the same time focus on electrical appliances and notebook computers business, allocate more resources to the application and research on new technology, materials and process, as well as provide high-end casings and precision structural components to customers. With our advantages of one-stop services, the Group can further broaden the customer base, and hence increase utilization rate of production facilities and enhance profitability in order to respond to the rapidly-changing and challenging markets. The Group will uphold the principle of prudent financial management, analyze carefully the market situation and actively strengthen operational capabilities to promote sustainable and steady development.

For handsets business, according to China Academy of Telecommunication Research of MIIT, shipments of the Chinese handset market increased by 44.7% to 291 million units from January to June 2013 on a yearly basis, of which 3G handsets increased by 85% year-on-year. It is expected that the granting of the license of the fourth generation wireless communication system (4G) will result in the next smartphone craze. To capture the market opportunities, the Group completed the development of LDS antenna technology during the Review Period and small-scale production is expected to begin in the second half of this year, mass production will commence next year. As the only supplier providing vertically integrated supply chain in China, the Group offers one-stop service from antenna design to production and installation. Such technology can be widely applied to smartphones, notebook computers and tablets and provides a unique competitive advantage for the Group. At the same time, the Group will expand production capacity timely by planning to set up a new handset production base in Xiamen to satisfy the strong customer demand for precision handset casings of the Group.

For electrical appliances, due to the rising living standards in China, high-tech products such as energy efficient and environmentally friendly smart appliances have become an inevitable trend for household appliances industry. The Group will continue to provide cost-effective exterior decorative parts and functional structural components, deepen our partnership with long-term customers, actively explore cooperation projects of new products and further expand our customer base for electrical appliances. During the year, the Group successfully applied the IML one-piece shaping process and technology on the casings of floor standing air conditioners and has become the sole domestic supplier of such product.

For notebook computers, ultra-slim notebook computers with streamlined design are still the mainstream and the demand for LMF and other metallic casings has also increased significantly. The Group will provide a wider range of fashionable casings and one-stop design for precision components to cope with the market pace. At the same time it will be committed to promoting the core technology of IML to the application of other computer related products such as tablets, portable hard disks and computer mouse casings, in order to enhance the value and profit margin of products through the provision of best services.

The management is confident with our future business development and growth. The Group will maintain its rapid response capability and continue to strengthen its core business, further optimize and share resources, consolidate and streamline the structure, achieve synergy for each business segment to provide maximum profits and competitiveness for the Group, while maintaining healthy financial position and stable dividend policy to bring greater returns for shareholders and employees.

4. Liquidity and Financial Resources

At at 30 June 2013, the Group had total assets of HK\$4,541.1 million (31 December 2012: HK\$4,204.0 million); net current assets of HK\$1,136.2 million (31 December 2012: HK\$859.9 million) and total equity of HK\$2,340.0 million (31 December 2012: HK\$2,192.9 million).

The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2013 were maintained at about HK\$263.5 million (31 December 2012: HK\$313.9 million), of which about HK\$73.6 million has been pledged to bank to secure banking facilities (31 December 2012: HK\$92.4 million).

The gearing ratio (net debt/total equity) was 21.6% (31 December 2012: 15.8%).

The Company's bank loans are with annual effective interest rates of Hong Kong Interbank Offered rate ("HIBOR") plus 1.5% and 1.85%. Other than the Company's bank loans, the effective interest rates of bank and other borrowings range from 5.05% to 7.87% per annum, respectively.

5. Capital Expenditure

The total capital expenditure incurred as at 30 June 2013 was HK\$84,144,000 (30 June 2012: HK\$125,745,000), mainly used to acquire production equipments.

6. Treasury Policy

The Group's sales were principally denominated in Hong Kong dollars, RMB and United States dollars while purchases were transacted mainly in Hong Kong dollars, RMB and United States dollars. As the foreign currency risks generated from the sales and purchases can be set off with each other and the fluctuation of RMB in the Review Period did not materially affect the costs and operations of the Group for the Review Period, the directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

On 29 May 2013, the Group acquired the remaining 45% equity interest in a subsidiary, Tongda Optical Company Limited ("Tongda Optical"), from the non-controlling shareholder of Tongda Optical, at a total cash consideration of Japanese Yen 135,000,000 (approximately HK\$11,000,000). Thereafter, Tongda Optical became a wholly-owned subsidiary of the Group.

On 5 August 2013, the Group entered into a memorandum of understanding, pursuant to which the Group placed a tender for the acquisition of a piece of land located at Xiamen at a cash consideration of approximately RMB23 million. Up to the date of this report, the tender is still in process.

Other than the information disclosed above, the Group had no other material acquisitions nor disposals of subsidiaries and associated companies as at 30 June 2013, no contingent liabilities as at 30 June 2013 and at the reporting date, and no future plans for material investments nor acquisitions of material capital assets as at 30 June 2013 and at the reporting date.

7. Human Resources

As at 30 June 2013, the Group employed a total of 13,700 employees (30 June 2012: 11,100 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2013 amounted to HK\$324,832,000 (2012: HK\$267,115,000).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

SUPPLEMENTARY INFORMATION

Interim Dividends

The board of directors (the "Board") of the Company declared an interim dividend of HK0.9 cent (2012: HK0.8 cent) per ordinary share for the period ended 30 June 2013, payable on or about 11 September 2013 to shareholders whose names appear on the register of members of the Company as at the close of business on 3 September 2013.

Closure of register of members

The Register of Members will be closed from 4 September 2013 to 9 September 2013, 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 3 September 2013.

Purchases, redemption or sales of listed securities

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

Corporate Governance

The Company has complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), throughout the Period, 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 2013 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, 20 August 2013

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.