

TONGDA GROUP HOLDINGS LIMITED

# Interim Report

2014

## CONTENTS

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Corporate Information	2
Management Discussion and Analysis	4
Condensed Consolidated Income Statement	14
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	20
Notes to Condensed Consolidated Interim Financial Statements	21
Supplementary Information	50

## 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,  
*SBS, JP*  
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*

### Audit Committee

Mr. Ting Leung Huel Stephen  
(*Chairman*)  
Mr. Cheung Wah Fung, Christopher  
Dr. Yu Sun Say

### Remuneration Committee

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

### Nomination Committee

Mr. Wang Ya Nan (*Chairman*)  
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 Bank

#### In the 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 Rede Law Firm

#### As to Cayman Islands law:

Conyers Dill & Pearman, Cayman

## Investor Relations Consultants

Strategic Financial Relations Limited  
Unit A, 29/F, Admiralty Centre  
18 Harcourt Road  
Hong Kong

## 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

Room 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](mailto:ir@tongda.com.hk)

## Listing Information

Listed 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

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman KY1-1110  
Cayman Islands

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report 2014 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of Tongda Group Holdings Limited (the “Group”). These forward-looking statements represent the Group’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like “potential”, “estimated”, “expects”, “anticipates”, “objective”, “intends”, “plans”, “believes”, “estimates”, and similar expressions or variations on such expressions may be considered “forward-looking statements”.

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group’s results of operations are described in the section “Management Discussion and Analysis”.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Business and Financial Review

The Group is a world leading supplier of high-precision components and committed to the research and development (“R&D”) on diversified applications of decoration technology, with a view to enhancing the integration of decorative and functional components. Over the years, the Group advanced along with the leading domestic and international brands. Different business segments of the Group recorded satisfactory growth for the six months ended 30 June 2014 (the “Period”), with turnover increased by 24.3% year-on-year to HK\$2,100.9 million. Gross profit increased by 35.6% to HK\$482.3 million compared with HK\$355.6 million for the corresponding period last year.

The Group has been targeting the mid-to-high-end market with emphasis on maintaining high gross profit margin. The Group’s overall gross profit margin increased from 21.0% for the same period last year to 23.0%. Profit attributable to owners of the Company increased from HK\$130.3 million for the same period in 2013 to HK\$167.1 million, representing an increase of 28.2% and the overall net profit margin of the Group rose to 8.0% (2013: 7.7%).

## 2. Operational Information by Division

### a. Electrical Fittings Division

The Group primarily engages in the design and production of consumer electronic products, including casings and components for handsets, electrical appliances and notebook computers, and provides one-stop solutions for domestic and international clients. Revenue for the Period grew from HK\$1,317.0 million in the corresponding period last year by 19.2% to approximately HK\$1,569.3 million, representing 74.7% of the total turnover of the Group.

#### *Handsets*

Global economy showed slight improvement during the Period and fourth generation wireless communication system (“4G”) licenses were granted in China at the end of 2013, the introduction stage of domestic 4G handsets was longer than the market had expected due to underdeveloped network of base stations and lack of handset components. Also, the handsets business of the Group was subject to limited production capacities. As a result, its turnover increased from HK\$823.1 million in the corresponding period last year by 16.4% to HK\$958.1 million, representing 45.6% of the total turnover.

The Group has been working closely with various fast growing domestic and foreign brands, including Huawei, ZTE, Lenovo, TCL and OPPO. We have further expanded our customer base since last year and became the certified supplier of Xiaomi and Coolpad. The large-scale production of smartphones offers a new source of growth for the Group.

## 2. Operational Information by Division (continued)

### a. Electrical Fittings Division (continued)

#### *Handsets (continued)*

As domestic brands keep advancing at their positioning, they have also been gaining their shares in both domestic and international markets. Therefore, they have imposed stricter requirements on the product quality, comprehensive compatibility, diversified product design and innovative decoration technology. The Group's one-stop solution and strong R&D capability can cater for clients' needs. In respect of its products, the Group is a one-stop provider of back cover, metal frame and middle frame. With the mature development of the Laser Direct Structuring ("LDS") antenna technology developed over the past two years, the quality of relevant products has been recognized by many clients. As such, a number of domestic brands start adopting our LDS technology in a small scale and have commenced the production of LDS antenna components for some of models of their handsets.

The LDS antenna components of the Group features a vertically integrated supply chain, integrating all-in-one design for both antenna and structural components and combining different production procedures. Such one-stop services of the Group are the key to maintaining its strong competitive edges. Further, such technologies are widely applicable to electronic communication devices, such as smartphones, notebook computers and tablets. The R&D team of the Group initiates communication with clients from the stage of product design, aiming to ensure the production time, cost and design satisfactorily meet the clients' requirements.

In respect of its decorating technology, the Group's core In-Mould Lamination ("IML") technology can be widely applied in casings made of precision plastics, as well as producing of casings made of metal, glass, and other composite material. Further, the Group's Nano Molding Technology ("NMT") can attach metal and plastic on a nano surface, resulting in thinner but stronger products. The Group's Metal Injection Molding ("MIM") technology can produce complicated and delicate components. The Group has also allocated more resources to Computer Numerical Controlling ("CNC") machines by increasing their number to over 300 in the first half year, which have been mainly devoted to the production of high-end metal casings, thereby enhancing and strengthening the Group's ability to produce compatible plastic and metal components.

## 2. Operational Information by Division (continued)

### a. Electrical Fittings Division (continued)

#### *Electrical Appliances*

Benefiting from the considerable market attention given to high-end smart home appliances, the turnover of the Group's electrical appliances business increased from HK\$270.1 million in the corresponding period last year by 19.9% to HK\$323.8 million, representing 15.4% of the turnover.

As a preferred supplier of casings for high-end white goods, the Group has maintained close working relationship with well-known electrical appliance brands in China, such as Haier, Gree and Midea, while its overseas clients include Panasonic, Zojirushi and Electrolux. Starting from this year, the Group offers components manufacturing service for DYSON, an international high-end brand. The underlying products include panels for air-conditioners, refrigerators, washing machines and cookers.

With the popularity and improvement of intelligent control technology and equipment, stronger emphasis has been placed on interaction between users and equipment and connections among different devices with white goods. As such, the development towards smart home devices becomes the trend of white goods industry this year. The Group has been actively applying one-piece shaping IML technology since last year to produce a large scale IML casing of 1.8 meter high for floor-standing air-conditioners. The Group has also offered its clients with touch conductive films features (Indium tin oxide ("ITO film")), which may be assembled with the Group's IML products into an individual unit and help to increase the unit price and profit margins of relevant products. This type of stylish casings serves as an accessory to energy-saving, eco-friendly and intelligent electronic appliances and cloud electronic appliances in China, such as large exquisite floor-standing air-conditioner. It also helps to cement the Group's leading position in the product market for high-end electrical appliances industry.

## 2. Operational Information by Division (continued)

### a. Electrical Fittings Division (continued)

#### *Notebook Computers*

During the Period, revenue from notebook computers increased by 28.5% to HK\$287.4 million, representing 13.7% of the turnover. According to an industrial survey, the global notebook market stabilised in the first half of 2014. The Group focused on producing metallic and ultra-slim casing with high quality and minimalist design during the first half year. Orders from the Group's major partners, Lenovo and NEC, increased, while business volumes secured from other Japanese brands, namely Toshiba and Fujitsu, remained stable. Prior to the disposal of its relevant business during the first half year, Sony was one of the Group's clients in the segment with higher unit price and profit margin. During the Period, the Group expanded its client base by producing tablets for HP and other domestic brands, strengthening relationship between Chinese and Japanese brands, and at the same time actively expanding European and US markets.

### b. Ironware Parts Division

Sales of this division increased by 39.8% from HK\$224.3 million in the corresponding period of last year to HK\$313.5 million, representing 14.9% of the turnover. Over the years, the Group not only produced metal set top boxes casing, but also provided one-stop production services to customers of electrical appliance, products of which included aluminum parts and precision metal structures with different surface effects. With an improved performance in electrical appliances business, and increased demand for metal and plastic set top boxes driven from the huge popularity of FIFA World Cup, the sales of metallic parts also recorded growth.

## 2. Operational Information by Division (continued)

### c. Communication Facilities Division and Other Business

Sales of this division increased by 47.0% from HK\$148.4 million in the corresponding period of last year to HK\$218.1 million, representing 10.4% of the turnover. The division pivoted on the production of digital satellite TV receivers and plastic set top boxes casing for certain customers from the Middle-East, Europe and United States. During this year, it commenced production of durable products, which boosted the sales of this division.

### d. Percentage in total sales by product categories for the six months ended 30 June 2014 and comparison with the corresponding period in 2013 are as follows:

	2014	2013
Electrical Fittings Division	74.7%	77.9%
i. Handsets	45.6%	48.7%
ii. Electrical Appliances	15.4%	16.0%
iii. Notebook Computers	13.7%	13.2%
Ironware Parts Division	14.9%	13.3%
Communication Facilities Division and Other Business	10.4%	8.8%

### 3. Prospects

China has commenced a large-scale 4G network construction and its government issued 4G licenses at the end of last year. After introduction stage in the first quarter of this current year, various leading handset brands in China have developed and eventually launched their 4G smartphones in the first half of 2014, officially unveiling the new era of mobile communication. Moreover, some of the domestic brands, after successfully breaking into the rank of top-ten global handset suppliers, have actively engaged in the R&D of mid-to-high-end smartphones in an attempt to enhancing brand positioning, thereby becoming the highlights in both domestic and international markets.

Market participants expect that as China's 4G network and mobile phones hardware supporting system will be much improved in the second half of this year, various mobile brands and telecommunication providers will vigorously promote the sales of mid-priced 4G smartphones during the same period to fulfill the full-year sales targets. On the other hand, the second half year is the traditional peak season of the handset business, and in which the market in mainland China is expected to rebound rapidly. As LDS antenna is the mainstream core technology of 4G mobile phones, the popularity in 4G mobile phones is likely to generate substantial business opportunities for the Group's LDS antenna.

The Group will continue to increase its investment in the handsets business, allocate more resources to the application and research on new technology, materials and process, with a view to improving the Group's overall ancillary services capacity. The Group will continue to devote more resources to computer numerical controlling ("CNC") machines in the second half of the year. It is expected that the number of machines to be made will increase to more than 500 for the whole year. Such technologies can enhance capability of the Group to process of exquisite plastic and metal casing from different aspects and enrich the design of surface processing.

### 3. Prospects (continued)

The Group will continue to uphold its principle of prudent financial management and strengthen its operational capabilities. Construction of the first phase of the new plant in Xiamen was initially completed in June this year and operation is expected to commence in phases in the second half of the year. The plant mainly produces plastic and metallic handset casing, which will satisfy the enormous demand for handset casings from the Group's customers.

For electrical appliances, the high-end market of intelligent and exquisite appliances featuring energy efficiency, environmentally friendliness attracted most attention in the half year in mainland China. In view of the demand arising from customers' pursuit of upgraded products, the Group will strengthen its R&D in large electrical home appliance casings as well as embed the casings with functional parts to boost product value.

With the global notebook computer market slowly recovering, the Group will continue to actively seek new customers from China, its primary market, as well as Japan and the international market, and the Group will offer ultra thin casings with better texture, and develop peripheral products such as tablets and mouse casings. In addition, the Group will also streamline the plants and optimize resources, flexibly utilize production capacities and improve the machinery utilization rate.

With its expertise in the industry, outstanding solution packages and exceptional execution capability, the Group has successfully won long-term trust from a wide array of customers. Looking ahead, with emphasis on quality improvement and diversification of production lines, principle of financial prudence, the Group is well prepared to embrace a future full of opportunities.

#### 4. Liquidity and Financial Resources

At at 30 June 2014, the Group had total assets of HK\$5,863.1 million (31 December 2013: HK\$4,656.9 million); net current assets of HK\$1,857.8 million (31 December 2013: HK\$1,234.1 million) and total equity of HK\$3,277.5 million (31 December 2013: HK\$2,549.2 million).

The Group's cash and cash equivalents and pledged deposits balances as at 30 June 2014 were maintained at about HK\$582.8 million (31 December 2013: HK\$240.4 million), of which about HK\$101.1 million has been pledged to bank to secure banking facilities (31 December 2013: HK\$62.8 million).

The gearing ratio (net debt/total equity) was 9.7% (31 December 2013: 23.9%).

The Company's bank loans carried annual effective interest rates of 2.65% and Hong Kong Interbank Offered rate plus 1.5% and 1.85%. Other than the Company's bank loans, the effective interest rates of bank and other borrowings ranged from 3.23% to 7.80% per annum, respectively.

#### 5. Capital Expenditure

The total capital expenditure incurred during the six months ended 30 June 2014 was HK\$238.6 million (30 June 2013: HK\$84.1 million), which was mainly used for construction of new manufacturing plants and acquisition of 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 Period did not materially affect the costs and operations of the Group for 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 arises.

## 6. Treasury Policy (continued)

The Group did not have other material acquisitions or disposals of subsidiaries during the Period. It did not have any contingent liabilities as at 30 June 2014 and on the reporting date. There were no future plans for material investments or acquisitions of material capital assets as at 30 June 2014 and on the reporting date.

## 7. Pledge of Assets of The Group

Other than bank deposits of HK\$101.1 million and HK\$62.8 million pledged to banks at 30 June 2014 and 31 December 2013, respectively, and one of the Group's buildings with net carrying amount of HK\$40.0 million (31 December 2013: HK\$40.0 million), there were no other assets of Group that had been pledged to any financial institutions.

## 8. Acquisition of Subsidiaries

In January 2014, the Group acquired the remaining equity interests in Meijitsu Tongda (HK) Company Limited ("Meijitsu HK") and its subsidiaries, former associates of the Company, from the other shareholder of Meijitsu HK. Upon completion of the acquisition, Meijitsu HK and its subsidiaries had become wholly-owned subsidiaries of the Company. Further details are set out in note 21 to the interim financial statements.

## 9. Human Resources

As at 30 June 2014, the Group employed a total of 14,000 employees (30 June 2013: 13,700 employees) in Hong Kong and China. The total expenses for salaries and wages for the six months ended 30 June 2014 were HK\$405.7 million (2013: HK\$324.8 million).

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 to qualified employees based on operating conditions and individual performance.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
	Notes		
REVENUE	4	2,100,931	1,689,658
Cost of sales		(1,618,597)	(1,334,039)
Gross profit		482,334	355,619
Other income and gains, net		87	14,781
Selling and distribution expenses		(42,949)	(39,700)
Administrative expenses		(177,233)	(128,566)
Other operating expenses, net		174	(5,275)
Finance costs		(27,289)	(21,404)
Share of profits and losses of associates		(21)	(26)
PROFIT BEFORE TAX	5	235,103	175,429
Income tax expense	6	(47,520)	(37,198)
PROFIT FOR THE PERIOD		187,583	138,231
Attributable to:			
Owners of the Company		167,111	130,283
Non-controlling interests		20,472	7,948
		187,583	138,231
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK3.24 cents	HK2.72 cents
– Diluted		HK3.19 cents	HK2.69 cents

Details of the dividends are disclosed in note 7.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
PROFIT FOR THE PERIOD	187,583	138,231
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	432	423
Income tax effect	(71)	(70)
	361	353
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	(37,441)	41,719
– associates	(62)	722
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	(37,503)	42,794
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	150,441	181,025
ATTRIBUTABLE TO:		
Owners of the Company	131,018	170,796
Non-controlling interests	19,423	10,229
	150,441	181,025

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,468,050	1,327,626
Prepaid land lease payments		33,143	34,051
Investment property	10	53,932	53,992
Goodwill		8,480	6,135
Prepayments		61,656	63,421
Investments in associates		4,233	40,647
A loan to a non-controlling shareholder of a subsidiary		12,610	–
Long term deposits		126,316	78,945
Deferred tax assets		3,703	3,703
<b>Total non-current assets</b>		<b>1,772,123</b>	<b>1,608,520</b>
<b>CURRENT ASSETS</b>			
Inventories	11	1,372,590	1,088,267
Trade and bills receivables	12	1,933,780	1,585,497
Prepayments, deposits and other receivables		193,642	132,288
A loan to a non-controlling shareholder of a subsidiary		6,305	–
Due from a related company		1,723	1,749
Tax recoverable		158	110
Pledged deposits		101,103	62,793
Cash and cash equivalents		481,682	177,643
<b>Total current assets</b>		<b>4,090,983</b>	<b>3,048,347</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	1,274,393	894,417
Accrued liabilities and other payables		174,863	140,458
Due to non-controlling shareholders of subsidiaries		54	54
Tax payable		194,618	187,547
Interest-bearing bank and other borrowings	14	589,206	591,761
<b>Total current liabilities</b>		<b>2,233,134</b>	<b>1,814,237</b>

	Notes	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
NET CURRENT ASSETS		1,857,849	1,234,110
TOTAL ASSETS LESS CURRENT LIABILITIES		3,629,972	2,842,630
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	311,199	257,906
Deferred tax liabilities		41,232	35,554
Total non-current liabilities		352,431	293,460
Net assets		3,277,541	2,549,170
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Issued capital	15	54,652	48,589
Reserves		3,109,173	2,406,288
NON-CONTROLLING INTERESTS		3,163,825	2,454,877
		113,716	94,293
Total equity		3,277,541	2,549,170

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2014  
Attributable to owners of the Company

	Issued capital	Share premium account	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	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 2014	48,589	693,156	9,173	17,008	26,262	98,147	287	229,092	1,333,163	2,454,877	94,293	2,549,170
Profit for the period	-	-	-	-	-	-	-	-	167,111	167,111	20,472	187,583
Other comprehensive income/(expense) for the period:												
Gain on property revaluation, net of tax	-	-	-	-	361	-	-	-	-	361	-	361
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(36,321)	-	(36,321)	(1,049)	(37,370)
Release of exchange reserve upon disposal of an associate	-	-	-	-	-	-	-	(133)	-	(133)	-	(133)
Total comprehensive income for the period	-	-	-	-	361	-	-	(36,454)	167,111	131,018	19,423	150,441
Shares issued (note 15(ii))	6,000	651,834	-	-	-	-	-	-	-	657,834	-	657,834
Share issue expense	-	(328)	-	-	-	-	-	-	-	(328)	-	(328)
Equity-settled share option arrangements	-	-	5,173	-	-	-	-	-	-	5,173	-	5,173
Shares issued upon exercise of share options (note 15(iii))	63	3,151	(521)	-	-	-	-	-	-	2,693	-	2,693
Final 2013 dividend declared (note 7)	-	-	-	-	-	-	-	-	(87,442)	(87,442)	-	(87,442)
At 30 June 2014	54,652	1,347,813	13,825	17,008	26,623	98,147	287	192,638	1,412,832	3,163,825	113,716	3,277,541

Unaudited six months ended 30 June 2013  
Attributable to owners of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	47,633	659,964	16,567	16,092	25,552	70,759	287	162,767	1,102,485	2,102,106	90,771	2,192,877
Profit for the period	-	-	-	-	-	-	-	-	130,283	130,283	7,948	138,231
Other comprehensive income for the period:												
Gain on property revaluation, net of tax	-	-	-	-	353	-	-	-	-	353	-	353
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	40,160	-	40,160	2,281	42,441
Total comprehensive income for the period	-	-	-	-	353	-	-	40,160	130,283	170,796	10,229	181,025
Acquisition of non-controlling interests	-	-	-	916	-	-	-	1,717	-	2,633	(5,006)	(2,373)
Shares issued upon exercise of share options (note 15(i))	956	33,192	(7,394)	-	-	-	-	-	-	26,754	-	26,754
Final 2012 dividend declared (note 7)	-	-	-	-	-	-	-	-	(58,306)	(58,306)	-	(58,306)
At 30 June 2013	48,589	693,156	9,173	17,008	25,905	70,759	287	204,644	1,174,462	2,243,983	95,994	2,339,977

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>13,447</b>	<b>(87,896)</b>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(299,619)</b>	<b>(90,781)</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>604,580</b>	<b>132,092</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>318,408</b>	<b>(46,585)</b>
Cash and cash equivalents at beginning of period	177,643	221,460
Effects of foreign exchange rate changes, net	(14,369)	14,979
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>481,682</b>	<b>189,854</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	481,682	189,854

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **1. Corporate Information**

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

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

The principal activity of the Company 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 2013.

### 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 2013, 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 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

Other than as further explained below regarding the impact of amendments to HKAS 39, HKFRS 10, and HKAS 32, the adoption of the new and revised HKFRSs has had no significant financial effect on these interim financial statements.

### 3. Accounting Policies (continued)

The principal effects of adopting these new and revised HKASs and HKFRSs are as follows:

- (a) HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.
- (b) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.
- (c) The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

## 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 components for electrical appliance products including handsets, notebook computers and other electrical appliance products;
- (b) the ironware parts segment is a supplier of metallic casings for set top boxes and other ironware parts for electrical and electronic appliances; and
- (c) the communication facilities and others segment comprises the supply of plastic set top box casings and the trading of durable products, the Group's management services business and the corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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, a loan to a non-controlling shareholder of a subsidiary, 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 and 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									
	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Segment revenue:										
Sales to external customers	1,569,312	1,316,962	313,509	224,264	218,110	148,432	-	-	2,100,931	1,689,658
Intersegment sales	20,168	4,909	9,952	8,238	-	-	(30,120)	(13,147)	-	-
<b>Total</b>	<b>1,589,480</b>	<b>1,321,871</b>	<b>323,461</b>	<b>232,502</b>	<b>218,110</b>	<b>148,432</b>	<b>(30,120)</b>	<b>(13,147)</b>	<b>2,100,931</b>	<b>1,689,658</b>
Segment results before depreciation and amortisation	304,817	228,151	27,528	27,152	27,724	9,831	-	-	360,069	265,134
Depreciation	(73,614)	(68,741)	(7,731)	(6,269)	(2,618)	(2,193)	-	-	(83,963)	(77,203)
Amortisation	(361)	(362)	(814)	(816)	(41)	(41)	-	-	(1,216)	(1,219)
<b>Segment results</b>	<b>230,842</b>	<b>159,048</b>	<b>18,983</b>	<b>20,067</b>	<b>25,065</b>	<b>7,597</b>	<b>-</b>	<b>-</b>	<b>274,890</b>	<b>186,712</b>
Unallocated income									87	14,781
Corporate and other unallocated expenses									(12,564)	(4,634)
Finance costs									(27,289)	(21,404)
Share of profits and losses of associates									(21)	(26)
<b>Profit before tax</b>									<b>235,103</b>	<b>175,429</b>
Income tax expense									(47,520)	(37,198)
<b>Profit for the period</b>									<b>187,583</b>	<b>138,231</b>

#### 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 2014

	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	4,382,284	585,122	277,426	5,244,832
Unallocated assets				618,274
Total assets				5,863,106
Segment liabilities	1,133,150	234,604	81,556	1,449,310
Unallocated liabilities				1,136,255
Total liabilities				2,585,565

##### Audited 31 December 2013

	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	3,702,037	504,290	159,509	4,365,836
Unallocated assets				291,031
Total assets				4,656,867
Segment liabilities	791,081	172,540	71,308	1,034,929
Unallocated liabilities				1,072,768
Total liabilities				2,107,697

#### 4. Operating Segment Information (continued)

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

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2014 and 2013.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	1,960,016	1,508,107	71,097	67,957	3,561	38,187	66,257	75,407	2,100,931	1,689,658

#### Information about major customers

For the six months ended 30 June 2014, revenue of approximately HK\$647,424,000 (30 June 2013: HK\$374,288,000), representing 30.8% (30 June 2013: 22.2%) 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.

## 5. Profit before Tax

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid land lease payments	402	403
Amortisation of prepayments	814	816
Depreciation	83,963	77,203
Impairment of trade receivables	265	3,635
Write-back of impairment of trade receivables	(101)	(655)
Write-off/(written back) of trade receivables	(564)	2,039
Provision against obsolete inventories	3,800	410
Foreign exchange differences, net	9,974	(6,210)
Loss on disposal of items of property, plant and equipment	27	750
Change in fair value of an investment property	(749)	(125)
Interest income	(1,401)	(827)
Equity-settled share option expense	5,173	–
Gain on disposal of associates	3,732	–

## 6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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)

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	1,782	28
Underprovision in prior year	10	–
	<b>1,792</b>	28
Current – Elsewhere		
Charge for the period	40,422	30,835
Overprovision in prior years	(457)	(88)
	<b>39,965</b>	30,747
Deferred	<b>5,763</b>	6,423
Total tax charge for the period	<b>47,520</b>	37,198

The share of tax attributable to associates amounting to HK\$12,000 (30 June 2013: HK\$197,000) is included in “share of profits and losses of associates” on the face of the condensed consolidated income statement.

## 7. Dividends

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Dividends paid during the period:		
Final dividend declared of HK1.6 cents per ordinary share in respect of the financial year ended 31 December 2013 (2013: final dividend declared and paid in respect of the financial year ended 31 December 2012 – HK1.2 cents per ordinary share)	<b>87,442</b>	58,306

At the board meeting held on 12 August 2014, the Board declared and approved an interim dividend of HK1.0 cent per ordinary share (each a “Share”) in the Company (2013: HK0.9 cent) totalling HK\$54,651,500 (2013: HK\$43,729,650).

## 8. Earnings per Share

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
<b>Earnings:</b>		
Profit for the period attributable to owners of the Company	<b>167,111,000</b>	130,283,000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>5,162,773,757</b>	4,785,281,215
Effect of dilutive potential ordinary shares: Share options	<b>76,381,732</b>	64,169,647
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>5,239,155,489</b>	4,849,450,862

## 9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$238,564,000 (30 June 2013: HK\$84,144,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$27,000 (30 June 2013: HK\$933,000) for proceeds of approximately HK\$27,000 (30 June 2013: HK\$183,000).

At 30 June 2014, the Group's leasehold building situated in Hong Kong was revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$40,000,000 (31 December 2013: HK\$40,000,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong equates to its highest and best use.

## 9. Property, Plant and Equipment (continued)

A revaluation surplus of HK\$432,000 (30 June 2013: HK\$423,000), resulting from the above valuation, has been credited to other comprehensive income. The resulting deferred tax liability of HK\$71,000 (30 June 2013: HK\$70,000) arising from the revaluation has also been debited to the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong at valuation of HK\$40,000,000 (31 December 2013: HK\$40,000,000) is held under long term leases and was pledged to secure bank loans granted to the Group. The Group's leasehold buildings situated in Mainland China are held under medium term leases.

## 10. Investment Property

The Group's investment property in Shanghai was revalued on 30 June 2014 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers at HK\$53,932,000 (31 December 2013: HK\$53,992,000). Consequently, gain in fair value change of an investment property of HK\$749,000 (30 June 2013: HK\$125,000) and exchange realignment of HK\$809,000 (30 June 2013: HK\$1,105,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2014. In the opinion of the directors, the current use of the investment property in Shanghai equates to its highest and best use.

The investment property in Shanghai is leased to a related company controlled by a director of the Company under an operating lease, further details of which are included in notes 17(a) and 20(a)(v) to the interim financial statements.

The land in Shanghai where the investment property is located is held under a medium term lease.

## 11. Inventories

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Raw materials	411,612	402,075
Work in progress	327,632	258,555
Finished goods	633,346	427,637
	<b>1,372,590</b>	1,088,267

As at 30 June 2014, moulds of HK\$169,541,000 (31 December 2013: HK\$145,375,000) are included in the finished goods.

## 12. Trade and Bills Receivables

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Trade receivables	1,738,912	1,397,826
Impairment allowances	(32,907)	(32,884)
	<b>1,706,005</b>	1,364,942
Bills receivable	227,775	220,555
	<b>1,933,780</b>	1,585,497

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

## 12. Trade and Bills Receivables (Continued)

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

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Within 3 months	1,546,520	1,358,407
4 to 6 months, inclusive	346,184	210,488
7 to 9 months, inclusive	30,320	10,085
10 to 12 months, inclusive	8,329	4,854
More than 1 year	35,334	34,547
	<b>1,966,687</b>	1,618,381
Impairment allowances	<b>(32,907)</b>	(32,884)
	<b>1,933,780</b>	1,585,497

## 13. Trade and Bills Payables

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Trade payables	944,562	715,337
Bills payable	329,831	179,080
	<b>1,274,393</b>	894,417

### 13. Trade and Bills Payables (Continued)

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:

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Within 3 months	1,019,910	642,229
4 to 6 months, inclusive	226,075	224,202
7 to 9 months, inclusive	8,901	12,540
10 to 12 months, inclusive	1,150	1,586
More than 1 year	18,357	13,860
	<b>1,274,393</b>	894,417

### 14. Interest-Bearing Bank and Other Borrowings

During the six months ended 30 June 2014, the Group repaid bank and other borrowings of approximately HK\$600,481,000 (30 June 2013: HK\$417,335,000) and raised new bank and other borrowings of approximately HK\$651,219,000 during the period (30 June 2013: HK\$534,093,000). Among the new borrowings raised, a loan of HK\$98,130,000 carries interest at fixed market rate of 2.65% and is repayable in installments over a period of three years. The remaining borrowings carry interest at variable market rates and are repayable within five years.

## 15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each, authorised: Balance at 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2013	4,763,300,000	47,633
Shares issued upon exercise of share options (note i)	95,550,000	956
At 30 June 2013, 31 December 2013 and 1 January 2014	4,858,850,000	48,589
Issue of shares (note ii)	600,000,000	6,000
Shares issued upon exercise of share options (note iii)	6,300,000	63
At 30 June 2014	5,465,150,000	54,652

## 15. Share Capital (continued)

Notes:

- (i) During the six months ended 30 June 2013, the subscription rights attaching to 95,550,000 share options were exercised at the subscription prices of HK\$0.280 per share, resulting in the issue of 95,550,000 shares of HK\$0.01 each for a total cash consideration, before expense, of HK\$26,754,000. An amount of HK\$7,394,000 was transferred from the share option reserve to the share premium account upon the exercises of the share options.
- (ii) On 24 March 2014, the Company, Landmark Worldwide Holdings Limited (“Landmark”), the controlling shareholder of the Company which then held 41.17% of the Company’s issued share capital and two independent third party placing agents (the “Joint Placing Agents”) entered into a placing agreement pursuant to which the Joint Placing Agent agreed to place, on a full underwritten basis, 600,000,000 existing shares of the Company at the placing price of HK\$1.12 per share (the “Placing”) to not less than six independent placees. On the same date and at the same time, the Company and Landmark entered into a subscription agreement with the Company for the subscription of 600,000,000 new shares at HK\$1.12 per share (the “Subscription”).

The Placing and the Subscription was completed on 27 March 2014 and 31 March 2014, respectively.

- (iii) During the six months ended 30 June 2014, the subscription rights attaching to 2,000,000, 4,000,000 and 300,000 share options were exercised at the subscription prices of HK\$0.586, HK\$0.315 and HK\$0.87 per share resulting in the issue of 6,300,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$2,693,000. An amount of HK\$521,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

## 16. Share Option Schemes

The Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 25 June 2013 for the primary purpose of providing incentives or rewards to the selected eligible participants who contribute to the success of the Group’s operations, and will expire on 24 June 2023. Details of the Scheme were disclosed in the consolidated financial statements for the year ended 31 December 2013.

## 16. Share Option Schemes (continued)

The table below discloses movement of the Company's share options held by the Group's employees and directors:

	Number of share options	
	2014 '000	2013 '000
Outstanding as at 1 January	129,000	224,550
Granted during the period	93,000	–
Forfeited during the period	–	–
Exercised during the period	(6,300)	(95,550)
Outstanding as at 30 June	215,700	129,000

Share option of 93,000,000 shares was granted on 12 May 2014. The closing price of the Company's shares immediately before the date of grant was HK\$0.79. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$1.08. The fair value of the option was determined at the date of grant using the Binomial model amounted to approximately HK\$30,115,000.

The following assumptions were used to calculate the fair value of share option:

	12 May 2014
Closing share price at date of grant	HK\$0.87
Exercise price	HK\$0.87
Expected exercise multiple	1.68
Expected volatility	57.02%
Expected dividend yield	2.87%
Risk free rate	1.30%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## 16. Share Option Schemes (continued)

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options granted	Vesting period	Exercise period	Exercise Price
March 2007	9/3/2007	10,360,000	-*	10/3/2007-9/3/2007	HK\$0.485
July 2007	3/7/2007	40,000,000	-*	4/7/2007-3/7/2017	HK\$0.586
February 2008	16/2/2008	111,000,000	-*	16/2/2008-15/2/2008	HK\$0.315
May 2014	12/5/2014	9,300,000	-*	12/5/2014-11/5/2019	HK\$0.87
		9,300,000	12/5/2014-11/5/2015	12/5/2015-11/5/2019	HK\$0.87
		74,400,000	12/5/2014-11/5/2016	12/5/2016-11/5/2019	HK\$0.87

The Group recognised an expense of HK\$5,173,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: nil) in relation to the share options granted by the Company.

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

## 17. Operating Lease Arrangements

### (a) As lessor

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

## 17. Operating Lease Arrangements (continued)

### (a) As lessor (continued)

At 30 June 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Within one year	3,446	4,221
In the second to fifth years, inclusive	3,159	4,956
	<b>6,605</b>	9,177

### (b) As lessee

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

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Within one year	20,930	16,441
In the second to fifth years, inclusive	52,693	46,616
After five years	11,338	16,114
	<b>84,961</b>	79,171

## 18. Commitments

In addition to the operating lease commitments set out in note 17(b) above, the Group had the following capital commitments contracted but not provided for at the end of the reporting period:

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Contracted for commitment in respect of		
– Purchases of property, plant and equipment	89,789	33,614
– Construction of plants	38,689	96,796
	<b>128,478</b>	130,410

## 19. Contingent Liabilities

At 30 June 2014, 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\$68,792,000 (2013: HK\$124,670,000). Save as disclosed above, the Group did not have any significant contingent liabilities as at the end of the reporting period.

## 20. 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 Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Associates:			
Technology consultancy fee	(i)	–	300
Sales of products	(ii)	298	734
Purchases of raw materials and finished goods	(iii)	–	245
Rental income	(iv)	–	606
Related companies controlled by directors of the Company:			
Rental income	(v)	1,723	1,539

Notes:

- (i) At 30 June 2013, the technology consultancy fee charged at 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 was generated from the subleasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC, which was charged at cost.
- (v) The rental income received from a related company controlled by a director of the Company were charged at a monthly rate of RMB200,000 for the period from 1 January 2013 to 31 May 2013 and increase to RMB230,000 commencing from 1 June 2013.

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

## 21. Step Acquisition from Associates to Subsidiaries and Disposal of An Associate

Pursuant to a sale and purchase agreement entered into between the Group and the other shareholder of Meijitsu HK (the “Vendor”) on 23 January 2014, the remaining 50% equity interest of Meijitsu HK, a then associate of the Company, was acquired by the Group from the Vendor (the “Acquisition”).

Immediately before the completion of the Acquisition, Meijitsu HK then had four subsidiaries, namely (1) 通達名科技(深圳)有限公司 (“Meijitsu Science”), a wholly-owned subsidiary of Meijitsu HK established in the PRC, (2) Meijitsu Tongda (Vietnam) Company Limited (“Meijitsu Vietnam”), a wholly-owned subsidiary of Meijitsu HK established in the Vietnam, (3) Tongda Fuso (HK) Company Limited (“Fuso (HK)”), a 60%-owned subsidiary of Meijitsu HK incorporated in Hong Kong and (4) Tongda Fuso Printing (Shanghai) Company Limited (“Fuso (Shanghai)”), a wholly-owned subsidiary of Fuso (HK) established in the PRC.

Since the other 40% shareholder of Fuso (HK) is a wholly-owned subsidiary of the Company, Fuso (HK) and Fuso (Shanghai) effectively were the 70% associates of the Company immediately before the completion of the Acquisition.

The consideration of the Acquisition made by the Group to the Vendor comprised of (1) transfer the Group’s 50% equity interest in Meijitsu Vietnam to the Vendor at a consideration of HK\$1 and (2) execution of the deed of assignment entered into amongst Meijitsu HK, the Vendor and the Group pursuant to which the Vendor agreed to transfer and assign the loan of HK\$13,433,000 to the Group at HK\$747,000 of which the loan was originally due from Meijitsu HK to the Vendor.

Furthermore, on the same date, Meijitsu HK, the Vendor and Meijitsu Vietnam entered into another deed of assignment pursuant to which Meijitsu HK agreed to transfer and assign the loan of HK\$14,654,000 to the Vendor at HK\$1 of which the loan was originally due from Meijitsu Vietnam to Meijitsu HK.

Upon the completion of the above transaction, Meijitsu HK and Meijitsu Science, the former 50% associates of the Company; and Fuso (HK) and Fuso (Shanghai), the former 70% associates of the Company, became the wholly-owned subsidiaries of the Company while the Group does not retain any interest in Meijitsu Vietnam.

## 21. Step Acquisition from Associates to Subsidiaries and Disposal of An Associate (continued)

The Acquisition and disposal of Meijitsu Vietnam was completed on 23 January 2014 (the “Completion Date”). In accordance with HKFRSs, the Group continued to share the results of Meijitsu HK and its subsidiaries under the equity method of accounting during the period from 1 January 2014 to the Completion Date.

The fair value of the Group’s effective equity interest in Meijitsu HK, Meijitsu Science, Fuso (HK) and Fuso (Shanghai) (collectively the “Existing Shareholding”) and Meijitsu Vietnam as at the Completion Date were HK\$7,830,000 and HK\$4,450,000, respectively; and the carrying amount of the Group’s interest in the Existing Shareholding and Meijitsu Vietnam were HK\$5,266,000 and HK\$3,282,000, respectively. The aggregate difference between the fair value and the carrying amount of the Existing Shareholding and Meijitsu Vietnam as at the Completion Date of HK\$3,732,000 has been recognised in the consolidated income statement of the Company as a gain on disposal of associates.

The fair value of the Existing Shareholding and Meijitsu Vietnam at the Completion Date formed part of the acquisition cost and was included in the calculations of goodwill in relation to the Acquisition in accordance with HKFRS 3 (Revised) Business Combinations (“HKFRS 3R”).

Upon completion of the Acquisition, the Company has recognised a provisional goodwill of approximately HK\$2,345,000 and an overall increase in the consolidated net assets attributable to shareholders was approximately HK\$4,576,000.

## 21. Step Acquisition from Associates to Subsidiaries and Disposal of An Associate (continued)

The fair value of the identifiable assets and liabilities as at the Completion Date were as follows:

	HK\$'000
Property, plant and equipment	5,054
Inventories	12,020
Trade and bills receivables	8,692
Prepayments, deposits and other receivables	8,589
Cash and cash equivalents	23,972
Trade payables	(5,894)
Accrued liabilities and other payables	(3,426)
Amounts due to group companies, net	(30,835)
Tax payable	(13,596)
<b>Total identifiable net asset at fair value</b>	<b>4,576</b>
Goodwill (provisional)	2,345
<b>Total consideration</b>	<b>6,921</b>
Satisfied by:	
Fair value of 50% equity interest in Meijitsu Vietnam	4,450
Fair value of Existing Shareholding	7,830
Differences in loan assignment*	(5,359)
	6,921
<b>Net impact to the consolidated income statement</b>	
Gain on disposal of the Existing Shareholding and Meijitsu Vietnam	3,732

\* Balance represented (1) the gain of HK\$12,686,000 arose from the transfer and assignment of loan of HK\$13,433,000 to the Group of which the loan was originally due from Meijitsu HK to the Vendor at a cash consideration of HK\$747,000; and (2) the Group's share of loss of HK\$7,327,000 of Meijitsu HK, the then associate from the transfer and assignment of loan to the vendor at HK\$1.

The transaction costs of HK\$194,000 incurred for the Acquisition has been expensed and included in other operating expenses in the condensed consolidated income statement.

## 21. Step Acquisition from Associates to Subsidiaries and Disposal of An Associate (continued)

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK\$'000
Cash consideration paid	(747)
Cash and cash equivalents acquired	23,972
	23,225

Since the Acquisition, Meijitsu HK and its subsidiaries contributed HK\$19,170,000 to the Group's turnover and loss of HK\$505,000 included in the consolidated profit for the period ended 30 June 2014.

Had the combination taken place at the beginning of the period, the turnover of the Group and the loss of the Group for the period ended 30 June 2014 would have been HK\$3,192,000 and HK\$434,000 respectively.

In accordance with HKFRS 3R, the amounts recorded for the Acquisition are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the Completion Date and, if known, would have affected the measurement of the amounts recognised as of that date.

## 22. Fair Value and Fair Value Hierarchy

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, amounts due from associates and a related company, a loan to a non-controlling shareholder of a subsidiary, financial assets included in prepayments, deposits and other receivables, financial liabilities included in accrued liabilities and other payables, trade and bills payables, amounts due to associates and non-controlling shareholders of subsidiaries and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 22. Fair Value and Fair Value Hierarchy (continued)

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

During the six months ended 30 June 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 23. Transferred Financial Assets

### (i) Transferred financial assets that are not derecognised in their entirety

The following table provide a summary of financial assets that have been transferred in such a way that part of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

	Unaudited 30 June 2014		
	Trade receivables Note (a) HK\$'000	Bills receivables Notes (b) and (c) HK\$'000	Total HK\$'000
Carrying amount of assets that continued to be recognised	–	32,327	32,327
Carrying amount of associated liabilities	–	(32,327)	(32,327)

## 23. Transferred Financial Assets (continued)

### (i) Transferred financial assets that are not derecognised in their entirety (continued)

	Audited 31 December 2013		
	Trade	Bills	Total
	receivables	receivables	
	Note (a)	Notes (b) and (c)	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of assets that continued to be recognised	–	52,170	52,170
Carrying amount of associated liabilities	–	(52,170)	(52,170)

Notes:

#### (a) Trade receivables factoring

As part of its normal business, the Group entered into a trade receivables factoring arrangement (the “Factoring Arrangement”) and transferred certain trade receivables to a bank in the PRC. Under the Factoring Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 30 days. The Group is exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group does not retain any rights on the use of the trade receivables, including sale, transfer or pledge of the trade receivables to any other third parties. There are no trade receivables under the Factoring Arrangement as at 30 June 2014 and 31 December 2013.

#### (b) Discounting of bills receivable

At 30 June 2014, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$13,769,000 (31 December 2013: HK\$36,390,000) to local banks and a financial institution in the PRC for cash. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the respective banks and other loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank and other loans recognised due to the Discounted Bills is HK\$13,769,000 (31 December 2013: HK\$36,390,000) as at 30 June 2014.

## 23. Transferred Financial Assets (continued)

### (i) Transferred financial assets that are not derecognised in their entirety (continued)

#### (c) *Bills endorsement under the Law of Negotiable Instruments of the PRC*

At 30 June 2014, the Group endorsed certain bills receivable accepted by certain local banks and a financial institution in the PRC (the “Endorsed Bills”) with a carrying amount of HK\$18,558,000 (31 December 2013: HK\$15,780,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse is HK\$18,558,000 (31 December 2013: HK\$15,780,000) as at 30 June 2014.

### (ii) Transferred financial assets that are derecognised in their entirety

#### (a) *Discounting of bills receivable*

At 30 June 2014, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$270,821,000 (31 December 2013: HK\$258,055,000) to certain reputable banks and a financial institution in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have maturity period from three to six months.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The discounting of bills has been made evenly throughout the period.

## 23. Transferred Financial Assets (continued)

### (ii) Transferred financial assets that are derecognised in their entirety (continued)

#### *(b) Bills endorsement under the Law of Negotiable Instruments of the PRC*

At 30 June 2014, the Group endorsed certain bills receivable accepted by certain reputable banks in the PRC (the “Derecognised Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK\$116,708,000 (31 December 2013: HK\$154,800,000). The Derecognised Endorsed Bills have a maturity from one to six months at the end of the reporting period. The Group has the Continuing Involvement in relation to the endorsed bills (the “Endorsement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Endorsed Bills are not significant.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The Endorsement has been made evenly throughout the period.

## 24. Approval of the Interim Financial Statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 12 August 2014.

## SUPPLEMENTARY INFORMATION

### Interim Dividend

The board (the “Board”) of directors (the “Directors”) declared an interim dividend of HK1.0 cent (2013: HK0.9 cent) per Share for the six months ended 30 June 2014 payable on or about 10 September 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on 1 September 2014.

### Closure of Register of Members

The register of members of the Company will be closed from 2 September 2014 to 4 September 2014, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the dividend, 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 1 September 2014.

### Directors’ Interest and Short Positions in Shares and Underlying Shares

At 30 June 2014, 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	259,160,000	2,296,490,000	1,2	2,555,650,000	46.76
Mr. Wang Ya Hua	55,720,000	2,000,490,000	1	2,056,210,000	37.62
Mr. Wong Ah Yu	60,960,000	2,000,490,000	1	2,061,450,000	37.72
Mr. Wong Ah Yeung	67,800,000	2,000,490,000	1	2,068,290,000	37.85
Mr. Wong Ming Che	16,000,000	–		16,000,000	0.29
Mr. Choi Wai Sang	24,750,000	78,750,000	3	103,500,000	1.89
Dr. Yu Sun Say	2,300,000	–		2,300,000	0.09
Mr. Ting Leung Huel Stephen	1,950,000	–		1,950,000	0.04
Mr. Cheung Wah Fung, Christopher	5,950,000	–		5,950,000	0.11

### 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 2014 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	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	At	Number of share options		At
					1 January 2014	Granted during the period	Exercised during the period	30 June 2014
<b>Directors</b>								
Mr. Wang Ya Nan	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	8,500,000	-	-	8,500,000
	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	15,000,000	-	-	15,000,000
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	1,200,000	-	1,200,000
			12 May 2014 to 11 May 2015	0.87	-	1,200,000	-	1,200,000
		12 May 2014 to 11 May 2016	0.87	-	9,600,000	-	9,600,000	
Mr. Wang Ya Hua	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	8,500,000	-	-	8,500,000
	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	15,000,000	-	-	15,000,000
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	1,200,000	-	1,200,000
			12 May 2014 to 11 May 2015	0.87	-	1,200,000	-	1,200,000
		12 May 2014 to 11 May 2016	0.87	-	9,600,000	-	9,600,000	

## Share Option Scheme (Continued)

Name or category of participants	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	Number of share options			At 30 June 2014
					At 1 January 2014	Granted during the period	Exercised during the period	
Mr. Wong Ah Yu	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	8,500,000	-	-	8,500,000
	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	15,000,000	-	-	15,000,000
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	1,200,000	-	1,200,000
			12 May 2014 to 11 May 2015	0.87	-	1,200,000	-	1,200,000
		12 May 2014 to 11 May 2016	0.87	-	9,600,000	-	9,600,000	
Mr. Wong Ah Yeung	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	8,500,000	-	-	8,500,000
	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	15,000,000	-	-	15,000,000
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	1,200,000	-	1,200,000
			12 May 2014 to 11 May 2015	0.87	-	1,200,000	-	1,200,000
		12 May 2014 to 11 May 2016	0.87	-	9,600,000	-	9,600,000	
Mr. Choi Wai Sang	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	5,000,000	-	-	5,000,000
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	300,000	-	300,000
			12 May 2014 to 11 May 2015	0.87	-	300,000	-	300,000
			12 May 2014 to 11 May 2016	0.87	-	2,400,000	-	2,400,000

## Share Option Scheme (Continued)

Name or category of participants	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	Number of share options			At 30 June 2014
					At 1 January 2014	Granted during the period	Exercised during the period	
Mr. Wang Ming Che	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	-	2,400,000	-	2,400,000
Mr. Ting Leung Huel Stephen	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	2,000,000.00	-	-	2,000,000.00
		16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	2,000,000.00	-	-
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	-	2,400,000	-	2,400,000
Mr. Cheung Wah Fung, Christopher, SBS, JP	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	2,000,000	-	(2,000,000)	-
		16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	2,000,000	-	(2,000,000)
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	-	2,400,000	-	2,400,000

## Share Option Scheme (Continued)

Name or category of participants	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	Number of share options			At 30 June 2014
					At 1 January 2014	Granted during the period	Exercised during the period	
Dr. Yu Sun Say, GBM, GBS, SBS, JP	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	2,000,000	-	(2,000,000)	-
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	300,000	(300,000)	-
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	-	300,000	-	300,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	-	2,400,000	-	2,400,000
<b>Other employees</b>								
In aggregate	9 March 2007	- *	10 March 2007 to 9 March 2017	0.485	10,000,000	-	-	10,000,000
	16 February 2008	- *	16 February 2008 to 15 February 2018	0.315	10,000,000	-	-	10,000,000
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	-	3,000,000	-	3,000,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	-	3,000,000	-	3,000,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	-	24,000,000	-	24,000,000
					129,000,000	93,000,000	(6,300,000)	215,700,000

\* 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.

## Share Option Scheme (Continued)

The weighted average share price at the date of exercises for share options exercised during the period was HK\$1.086 per share.

Grantee	Number of share options granted during the period	Theoretical value of share options HK\$
Mr. Wang Ya Nan	12,000,000	3,886,000
Mr. Wang Ya Hua	12,000,000	3,886,000
Mr. Wong Ah Yu	12,000,000	3,886,000
Mr. Wong Ah Yeung	12,000,000	3,886,000
Mr. Choi Wai Sang	3,000,000	971,000
Mr. Ting Leung Huel Stephen	3,000,000	971,000
Mr. Cheung Wah Fung, Christopher, <i>SBS, JP</i>	3,000,000	971,000
Dr. Yu Sun Say, <i>GBM, GBS, SBS, JP</i>	3,000,000	971,000
Mr. Wang Ming Che	3,000,000	971,000
	63,000,000	20,399,000

At the date of approval of these interim financial statements, the Company had 215,700,000 share options outstanding under the New Scheme, which represented approximately 3.95% of the Company's share in issue as at that date.

## Substantial Shareholders

At 30 June 2014, 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	36.60
E-Growth	2	Directly beneficially owned	296,000,000	5.42

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 2014, 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.

## Placing of shares

Pursuant to the general mandate granted at the 2013 annual general meeting, the Company placed a total of 600,000,000 shares on 24 March 2014, representing approximately 12.35% of its total issued share capital before placing. Upon completion of the share placing, the total number of issued shares of the Company increased to 5,458,850,000 shares.

## 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 2014 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.

## 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, 12 August 2014