

TONGDA GROUP HOLDINGS LIMITED

Interim Report

2015

CONTENTS

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	48

CORPORATE INFORMATION

Board Of Directors

Executive Directors

Mr. Wang Ya Nan (*Chairman*)
Mr. Wang Ya Hua (*Vice Chairman*)
Mr. Wong Ah Yeung
Mr. Wong Ah Yu
Mr. Choi Wai Sang
Mr. Wang Ming Che

Independent Non-executive Directors

Dr. Yu Sun Say, *GBM, GBS, SBS, JP*
Mr. Cheung Wah Fung, Christopher,
SBS, JP
Mr. Ting Leung Huel Stephen
*MH, FCCA, FCPA (PRACTISING),
ACA, CTA (HK), FHKIoD*

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

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
China Construction Bank (Asia)
Corporation Limited

In the PRC:

Bank of China Limited
China Construction Bank Corporation
China Merchant Bank

Legal Advisers

As to Hong Kong laws:

Michael Li & Co.
Hui & Lam

As to PRC laws:

Fujian Rede Law Firm

As to Cayman Islands laws:

Conyers Dill & Pearman, Cayman

Investor Relations

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Hong Kong

Registered Office

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George Town
Grand Cayman
Cayman Islands

Head Office And Principal Place Of Business in Hong Kong

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Wanchai, Hong Kong
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Website: <http://www.tongda.com>
Email (Investor Relations):
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
A18/F., Asia Orient Tower
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 2015 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of Tongda Group Holdings Limited (the “Company”, and together with its subsidiaries 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 headed “Management Discussion and Analysis” below.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2015 (the “Period under Review” or the “Period”), the Group’s turnover grew from HK\$2,100.9 million in the corresponding period of last year by 37.1% to HK\$2,881.2 million. Profit attributable to owners of the Company increased from HK\$167.1 million in the corresponding period of last year by 76.1% to HK\$294.2 million.

Revenue

As a world-leading one-stop solution provider of high-precision components for consumer electronic products, during the Period, the Group benefited from the shift in trend by mid-to-high-end smartphone brands in the PRC towards metallic and ultra-thin casing with large screen, resulting in a 37.1% increase in turnover for the six months ended 30 June 2015.

Financial Review (continued)

Gross Profit

The Group's gross profit for the Period increased 40.5% to HK\$677.6 million compared with HK\$482.3 million in the corresponding period of last year, which was mainly attributable to overall increase in gross profit margin from 23.0% last year to 23.5% due to increased proportion of handset business with higher segment margin in general.

Other Income and Gains, net

During the Period under Review, other income and gains, net was HK\$17.7 million, an increase of HK\$17.6 million from the corresponding period of last year, which was mainly attributable to the increase in government grants and decrease in net loss from exchange differences as well as change in fair value gain on an investment property during the Period.

Selling and Distribution Expenses

During the Period under Review, selling and distribution expenses increased by 75.5% from HK\$42.9 million to HK\$75.3 million. The increase was mainly attributable to the increase in freight charges.

Administrative Expenses

During the Period under Review, administrative expenses remained stable at HK\$175.9 million.

Other Operating Expenses, net

During the Period under Review, other operating expenses, net amounted to HK\$6.0 million, an increase of HK\$6.2 million from the corresponding period of last year, which was mainly attributable to the loss on disposal of property, plant and equipment items.

Financial Review (continued)

Finance Costs

During the Period under Review, finance costs decreased 1.1% from HK\$27.3 million to HK\$27.0 million as a result of the reduction in factoring expense.

Profit before Tax

For the six months ended 30 June 2015, profit before tax amounted to HK\$410.8 million, representing a period-on-period growth of 74.7% from HK\$235.1 million in line with the growth in net profit of the Group.

Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company increased 76.1% from HK\$167.1 million in the corresponding period of last year to HK\$294.2 million, and the overall net profit margin increased to 10.2% (2014: 8.0%), which was mainly attributable to the improved profit from handset business segment.

Liquidity, Financial Resources and Capital Structure

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities.

During the Period, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China.

As at 30 June 2015, it has cash and cash equivalents and pledged deposits balance of HK\$524.1 million (31 December 2014: HK\$477.6 million) and without holding any structural investment contract.

The Group's cash and bank balances remained at about HK\$524.1 million (31 December 2014: HK\$477.6 million), of which approximately HK\$188.6 million (31 December 2014: HK\$117.5 million) has been pledged to banks as security for trade financing.

Liquidity, Financial Resources and Capital Structure (continued)

As at 30 June 2015, the Group had total assets of HK\$7,510.0 million (31 December 2014: HK\$6,367.1 million), net current assets of HK\$1,988.8 million (31 December 2014: HK\$1,934.0 million) and equity of HK\$3,836.8 million (31 December 2014: HK\$3,636.5 million).

Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

Capital Expenditure

The total capital expenditure incurred for the Period was HK\$489.4 million (31 December 2014: HK\$625.8 million), which was mainly used in acquisition of production equipments and construction of new manufacturing plants.

Treasury Policy

The Group's sales were principally denominated in Hong Kong dollars, RMB and US dollars while purchases were transacted mainly in Hong Kong dollars, RMB, US dollars and Japanese Yen. As the foreign currency risks generated from the sales and purchases can be set off against each other and the fluctuation of RMB in 2015 did not materially affect the costs and operations of the Group for the year, 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.

Charges on Group Assets

Apart from bank deposits amounting to HK\$188.6 million (31 December 2014: HK\$117.5 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK\$40.0 million (31 December 2014: HK\$40.0 million) mortgaged by the Group as at 30 June 2015, the Group had no other pledge of assets to any financial institutions.

Human Resources

As at 30 June 2015, the Group employed a total of approximately 19,000 employees (30 June 2014: 14,000 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 30 June 2015 amounted to HK\$557.2 million (30 June 2014: HK\$405.7 million).

Employees are remunerated based on their performances, experiences and prevailing industry practices. 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.

Gearing Ratio and Indebtedness

As at 30 June 2015, the gearing ratio of the Group (consolidated net borrowings/total equity) was 28.2% (31 December 2014: 13.8%).

As at 30 June 2015, other than the non-current portion of bank loans of HK\$706.5 million (31 December 2014: HK\$350.8 million), the Group had bank and other borrowings of HK\$900.7 million (31 December 2014: HK\$629.1 million) which will be repayable within one year from the end of the reporting period.

The effective interest rates per annum for the Company's bank loans are Hong Kong Interbank Offered Rate ("HIBOR") plus 1.85% per annum ("p.a."), 1.50% p.a. and 1.75% p.a. and fixed rate of 2.65% p.a.. Other than the Company's bank loans, the effective interest rates for the Group's bank and other borrowings are HIBOR plus 1.90% p.a. and 1.68% p.a. to 7.28% p.a..

Business Review

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\$1,569.3 million in the corresponding period of last year by 47.3% to approximately HK\$2,310.8 million, representing 80.2% of the total turnover of the Group.

Handsets

The rising popularity of metal casings for handsets in the second half of last year led to a surge in related orders for the Period. As the unit price and gross profit margin were higher than precision plastic casings, its turnover increased from HK\$958.1 million in the corresponding period of last year by 83.3% to HK\$1,755.9 million. It accounted for 60.9% of total turnover.

The Group has been strategically concentrating on leading handset brands in China and fostering close cooperation with domestic and international brands, including Huawei, Xiaomi, Oppo, Vivo, Asus, ZTE, Lenovo, Coolpad and TCL. As a result, it obtained several high-end flagship handset projects. During the Period, leveraging on its comprehensive strengths and diverse craftsmanship, the Group added Letv, Tecno and Tin no (天籟), to create extra stability to customer base.

With escalating competition and increased similarity among functional components in the smartphone market, consumers have become more demanding in the quality and specialty of handset casings. Metal casings, with their outstanding mechanical capability and attractive texture, are now a staple component for mid-to-high-end handsets for this year. The Group applied Nano Molding Technology (“NMT”) in the production of its metal casings to attach metal and plastic at Nano level. Production lead time is generally shorter than traditional uni-body metal casing with higher yield. The technology was well-recognised by customers and widely used in mid-to-high-end handset models during the Period. The Group also conducted research and development (“R&D”) on technology for the treatment of metal middle frames, including composite die-casting. At the same time, it had actively enhanced the capacity of Computer Numerical Control (“CNC”) and applied Metal Injection Molding (“MIM”) in the production of metal precision components.

Business Review (continued)

Handsets (continued)

During the Period, the sales of precision plastic casings also improved. The Group's core technology of In-Mold Lamination ("IML") and the latest technology of In-mold Transfer ("IMT") can be widely used in precision plastic casings. In addition, the Group is also capable to produce casings made of glass and other composite materials. As a one-stop provider of handset casings, metal frames, middle frames and Laser Direct Structuring ("LDS") antenna, the Group rode on its overall comprehensive compatibility, products with outstanding cost-performance ratio and leading position in the industry to become one of the prominent domestic manufacturers of handsets casings despite the increasingly intense competition and industrial integration.

Electrical Appliances

In the latest trend of Internet of Things (IoT), China's high-end intelligent electrical appliances came under spotlight in the market. During the Period, the electrical appliances business recorded increase in sales of 1.3% from HK\$323.8 million in the corresponding period of last year to HK\$328.0 million. It accounted for 11.4% of total turnover.

The Group maintained close cooperation with both domestic and overseas home appliance customers, including Haier, Gree, Midea, Panasonic, Zojirushi, Electrolux and DYSON. With greater customer attention to high-end market during the Period, there was a significant increase in the production volume of the Group's 1.8-meter casings for floor-standing air-conditioners by one-piece shaping IML technology. The Group also installed touch film switch (Indium tin oxide ("ITO film")) in the panel of high-end air-conditioners, refrigerators, washing machines as well as rice cookers. After integration with the Group's IML casings, the products boast impressive functionality and appearance.

Business Review (continued)

Notebook Computers

During the Period, revenue from notebook computers division decreased from HK\$287.4million by 21.1% to HK\$226.9 million. It accounted for 7.9% of total turnover. Notwithstanding the Group obtained new orders from major partners, such as Lenovo for its high-end product lines, the business segment remained being affected by the continued lackluster in the notebook computers market during the Period. Major products of the operation include precision metal and plastic ultrabook and tablet casings with light, simple and grand design.

Ironware Parts Division

Sales of this division increased by 3.1% from HK\$313.5 million in the corresponding period of last year to HK\$323.1 million, representing 11.2% 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.

Communication Facilities Division and Other Business

Sales of the division increased by 13.4% from HK\$218.1 million in the corresponding period of last year to HK\$247.3 million, representing 8.6% 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. It also offered durable household goods and sports equipment. Earlier, the Group has also expanded into the automotive interior decorations segment. The operation had secured some orders from domestic and foreign automotive brands for mass production of automotive interior decorations for these customers.

Business Review (continued)

Percentage in total sales by product categories for the six months ended 30 June 2015 and comparison with the corresponding period of last year in 2014 are as follows:

	2015	2014
Electrical Fittings Division	80.2%	74.7%
i. Handsets	60.9%	45.6%
ii. Electrical Appliances	11.4%	15.4%
iii. Notebook Computers	7.9%	13.7%
Ironware Parts Division	11.2%	14.9%
Communication Facilities and Other Business	8.6%	10.4%

Business Prospects

With wider application of IoT that has enabled further integration of computers and mobiles into daily use of consumer electronics, consumers pursue products with more advanced specification. As a supplier with advanced technologies, dominant integrated capabilities and products with outstanding cost-performance ratio, the Group will remain fully focused on improvement of its product portfolio and seize opportunities for development in the future, thereby competing for additional market share amid industry consolidation.

Given the increasing penetration rate of metal casings for smartphones around the world, the Group's metal casings using NMT technology is now a customers' favourite. Furthermore, the Group has successfully developed new technology for processing of metal middle frames. Particularly, the composite die casting technology has further reduced the processing time of CNC and boosted the cost-performance ratio of products. It will facilitate the Group's expansion of the mid-to-high-end market and enhance its earnings. The Group will also strive to enhance the yield rate and efficiency of metal and precision plastic casings. It will also seek to improve the overall comprehensive compatibility by applications of and research on new technologies, materials and craftsmanship in order to confront keen competition in industry.

Business Review (continued)

Business Prospects (continued)

In the new era of IoT, appliance users are persistently looking for product upgrade, resulting in an increase in demand for efficient, energy-saving, environmental-friendly and exquisite intelligent appliances. The Group will continue its research and development of large-scale electrical appliance casings and actively expand into the U.S. market. The Group's partnerships with international brands like Whirlpool and General Electric will be commenced in this year. Moreover, the Group will actively secure orders from customers in respect of various product lines and provide customised notebook computer and tablet casings with different texture according to customers' requirements. As to the communication facilities and other business division, so far for this year, new customers secured by the Group include Bugaboo (an infant pushchair brand), Carestream (a medical imaging system company) and Domino (a printer manufacturer). With regard to mid-to-long-term strategic plan, while making progress alongside its domestic and international customers, the Group will eagerly seek to tap into new markets such as automotive industry and others.

The Group is as devoted as ever to technology innovation in order to reduce production costs. We will enhance yield rate and machine utilisation rate through automated production processes, with a view to polishing its production process and strengthening its integrated competitiveness. The Group will further expand the customer base for its business so as to thrive in the bright future.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
	Notes		
REVENUE	4	2,881,201	2,100,931
Cost of sales		(2,203,645)	(1,618,597)
Gross profit		677,556	482,334
Other income and gains, net		17,706	87
Selling and distribution expenses		(75,283)	(42,949)
Administrative expenses		(175,863)	(177,233)
Other operating expenses, net		(5,989)	174
Finance costs		(26,981)	(27,289)
Share of losses of associates		(365)	(21)
PROFIT BEFORE TAX	5	410,781	235,103
Income tax expense	6	(80,954)	(47,520)
PROFIT FOR THE PERIOD		329,827	187,583
Attributable to:			
Owners of the Company		294,232	167,111
Non-controlling interests		35,595	20,472
		329,827	187,583
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK5.38 cents	HK3.24 cents
– Diluted		HK5.28 cents	HK3.19 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE PERIOD	329,827	187,583
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	441	432
Income tax effect	(73)	(71)
	368	361
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	(27,642)	(37,441)
– associates	(27)	(62)
	(27,669)	(37,503)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(27,301)	(37,503)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	302,526	150,441
ATTRIBUTABLE TO:		
Owners of the Company	268,481	131,018
Non-controlling interests	34,045	19,423
	302,526	150,441

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,133,411	1,757,234
Investment property	10	55,318	54,545
Prepaid land lease payments		60,419	61,657
Investments in associates		2,666	3,059
Prepayments		60,178	61,534
Long term deposits		286,195	147,119
Loan to a non-controlling shareholder of a subsidiary		12,610	12,610
Deferred tax assets		3,703	3,703
Total non-current assets		2,614,500	2,101,461
CURRENT ASSETS			
Inventories	11	1,613,420	1,400,901
Trade and bills receivables	12	2,420,883	2,166,186
Prepayments, deposits and other receivables		324,721	204,441
Loan to a non-controlling shareholder of a subsidiary		6,305	6,305
Due from a related company		5,860	9,848
Tax recoverable		202	344
Pledged deposits		188,572	117,463
Cash and cash equivalents		335,506	360,161
Total current assets		4,895,469	4,265,649
CURRENT LIABILITIES			
Trade and bills payables	13	1,599,612	1,329,422
Accrued liabilities and other payables		217,641	195,609
Interest-bearing bank and other borrowings	14	900,734	629,143
Due to a non-controlling shareholder of a subsidiary		54	54
Tax payable		188,634	177,406
Total current liabilities		2,906,675	2,331,634

	Notes	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
NET CURRENT ASSETS		1,988,794	1,934,015
TOTAL ASSETS LESS CURRENT LIABILITIES		4,603,294	4,035,476
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	706,485	350,835
Deferred tax liabilities		60,010	48,172
Total non-current liabilities		766,495	399,007
Net assets		3,836,799	3,636,469
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	54,692	54,692
Reserves		3,588,787	3,422,502
NON-CONTROLLING INTERESTS		3,643,479	3,477,194
		193,320	159,275
Total equity		3,836,799	3,636,469

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2015

Attributable to owners of the Company

	Share 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 equity
	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 2015	54,692	1,295,199	20,696	17,008	26,987	154,979	287	216,756	1,690,590	3,477,194	159,275	3,636,469
Profit for the period	-	-	-	-	-	-	-	-	294,232	294,232	35,595	329,827
Other comprehensive income/(expense) for the period:												
Gain on property revaluation, net of tax	-	-	-	-	368	-	-	-	-	368	-	368
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(26,119)	-	(26,119)	(1,550)	(27,669)
Total comprehensive income for the period	-	-	-	-	368	-	-	(26,119)	294,232	268,481	34,045	302,526
Equity-settled share option arrangements	-	-	7,187	-	-	-	-	-	-	7,187	-	7,187
Final 2014 dividend declared (note 7)	-	(109,383)	-	-	-	-	-	-	-	(109,383)	-	(109,383)
At 30 June 2015	54,692	1,185,816	27,883	17,008	27,355	154,979	287	190,637	1,984,822	3,643,479	193,320	3,836,799

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

	Share 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 equity 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(i))	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(ii))	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	165,708	13,447
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	2,140	1,401
Purchases of items of property, plant and equipment	(342,247)	(159,619)
Proceeds from disposal of items of property, plant and equipment	123	–
Acquisition of subsidiaries	–	23,225
Increase in long term deposits	(286,195)	(126,316)
Increase in pledged deposits	(71,109)	(38,310)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(697,288)	(299,619)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	1,178,251	651,219
Repayment of bank loans	(551,010)	(600,481)
Proceeds from issue of shares	–	657,506
Proceeds from exercise of share options	–	2,693
Loan to a non-controlling shareholder of a subsidiary	–	(18,915)
Dividends paid	(109,383)	(87,442)
NET CASH FLOWS FROM FINANCING ACTIVITIES	517,858	604,580
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(13,722)	318,408
Cash and cash equivalents at beginning of period	360,161	177,643
Effect of foreign exchange rate changes, net	(10,933)	(14,369)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	335,506	481,682
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	335,506	481,682
	335,506	481,682

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 manufacture and sale of components of handsets, notebook computers and electrical appliances, ironware products and other electronic 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 2014.

3. Accounting Policies

The accounting policies and basis of preparation adopted are consistent with those adopted in the Group's financial statements for the year ended 31st December, 2014 except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, which are effective for accounting period beginning on or after 1st January, 2015 and as disclosed below.

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs

Adoption of these revised HKFRSs and HKASs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented.

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 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 and the manufacture of sport 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 losses of associates are excluded from such measurement.

Segment assets exclude investments in associates, deferred tax assets, 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	2,310,752	1,569,312	323,084	313,509	247,365	218,110	-	-	2,881,201	2,100,931
Inter segment sales	14,535	20,168	11,701	9,952	4,205	-	(30,441)	(30,120)	-	-
Total	2,325,287	1,589,480	334,785	323,461	251,570	218,110	(30,441)	(30,120)	2,881,201	2,100,931
Segment results before depreciation and amortisation	464,004	304,817	24,094	27,528	46,304	27,724	-	-	534,402	360,069
Depreciation	(82,765)	(73,614)	(9,533)	(7,731)	(4,723)	(2,618)	-	-	(97,021)	(83,963)
Amortisation	(659)	(361)	(816)	(814)	(41)	(41)	-	-	(1,516)	(1,216)
Segment results	380,580	230,842	13,745	18,983	41,540	25,065	-	-	435,865	274,890
Unallocated income									17,706	87
Corporate and other unallocated expenses									(15,444)	(12,564)
Finance cost									(26,981)	(27,289)
Share of losses of associates									(365)	(21)
Profit before tax									410,781	235,103
Income tax expense									(80,954)	(47,520)
Profit for the period									329,827	187,583

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 2015				
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	6,135,274	582,968	242,163	6,960,405
Unallocated assets				549,564
Total assets				7,509,969
Segment liabilities	1,579,957	169,709	67,641	1,817,307
Unallocated liabilities				1,855,863
Total liabilities				3,673,170

Audited 31 December 2014				
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	4,942,593	596,229	324,643	5,863,465
Unallocated assets				503,645
Total assets				6,367,110
Segment liabilities	1,155,363	239,164	130,558	1,525,085
Unallocated liabilities				1,205,556
Total liabilities				2,730,641

4. Operating Segment Information (continued)

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2015 and 2014.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	2,602,801	1,960,016	193,254	71,097	1,512	3,561	83,634	66,257	2,881,201	2,100,931

Information about major customers

For the six months ended 30 June 2015, revenue of approximately HK\$719,512,000 (30 June 2014: HK\$647,424,000) and HK\$579,039,000 (30 June 2014: HK\$62,572,000), representing 25.0% (30 June 2014: 30.8%) and 20.1% (30 June 2014: 3%) of the Group's revenue, respectively, was 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 that customers.

5. Profit before Tax

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	700	402
Amortisation of prepayments	816	814
Depreciation	97,021	83,963
Impairment of trade receivables	50	265
Write-back of impairment of trade receivables	(43)	(101)
Write-off/(written back) of trade receivables	120	(564)
Provision against obsolete inventories	2,500	3,800
Foreign exchange differences, net	2,437	9,974
Loss on disposal of items of property, plant and equipment	1,254	27
Change in fair value of an investment property	(1,252)	(749)
Interest income	(2,140)	(1,401)
Equity-settled share option expense	7,187	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% (2014: 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	
	2015	2014
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	2,134	1,782
Underprovision in prior year	597	10
	2,731	1,792
Current – Elsewhere		
Charge for the period	66,365	40,422
Overprovision in prior years	–	(457)
	66,365	39,965
Deferred	11,858	5,763
Total tax charge for the period	80,954	47,520

The share of tax attributable to associates amounting to HK\$18,000 (30 June 2014: HK\$12,000) is included in “share of losses of associates” on the face of the condensed consolidated income statement.

7. Dividends

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Dividends paid during the period:		
Final dividend declared of HK2.0 cents per ordinary share in respect of the financial year ended 31 December 2014 (2014: final dividend declared and paid in respect of the financial year ended 31 December 2013 – HK1.6 cents per ordinary share)	109,383	87,442

At the board meeting held on 18 August 2015, the Board declared and approved an interim dividend of HK1.6 cents per ordinary share (each a “Share”) (2014: HK1.0 cent) totalling HK\$87,506,400 (2014: HK\$54,651,500).

8. Earnings per Share

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
Earnings:		
Profit for the period attributable to owners of the Company	294,232,000	167,111,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	5,469,150,000	5,162,773,757
Effect of dilutive potential ordinary shares: Share options	105,334,855	76,381,732
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	5,574,484,855	5,239,155,489

9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$489,366,000 (30 June 2014: HK\$238,564,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$1,377,000 (30 June 2014: HK\$27,000) for proceeds of approximately HK\$123,000 (30 June 2014: Nil). Movements of property, plant and equipment during the period also included an exchange realignment of HK\$15,232,000 (31 December 2014: HK\$5,132,000) and depreciation of HK\$97,021,000 (30 June 2014: HK\$83,963,000).

At 30 June 2015, 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 2014: 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\$441,000 (30 June 2014: HK\$432,000), resulting from the above valuation, has been credited to other comprehensive income. The resulting deferred tax liability of HK\$73,000 (30 June 2014: HK\$71,000) 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 2014: 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 2015 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers at HK\$55,318,000 (31 December 2014: HK\$54,545,000). Consequently, gain in fair value change of an investment property of HK\$1,252,000 (30 June 2014: HK\$749,000) and exchange realignment of HK\$479,000 (30 June 2014: HK\$809,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2015. 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)(iii) to the interim financial statements.

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

11. Inventories

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Raw materials	522,771	482,131
Work in progress	492,131	360,711
Finished goods	598,518	558,059
	1,613,420	1,400,901

As at 30 June 2015, moulds in the amount of HK\$204,561,000 (31 December 2014: HK\$175,012,000) are included in the finished goods.

12. Trade and Bills Receivables

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade receivables	2,170,242	1,998,829
Impairment allowances	(39,937)	(40,013)
	2,130,305	1,958,816
Bills receivable	290,578	207,370
	2,420,883	2,166,186

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:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within 3 months	2,119,573	1,907,767
4 to 6 months, inclusive	260,376	216,833
7 to 9 months, inclusive	28,817	35,902
10 to 12 months, inclusive	6,620	8,762
More than 1 year	45,434	36,935
	2,460,820	2,206,199
Impairment allowances	(39,937)	(40,013)
	2,420,883	2,166,186

13. Trade and Bills Payables

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Trade payables	1,031,610	959,576
Bills payable	568,002	369,846
	1,599,612	1,329,422

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:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within 3 months	1,200,030	993,691
4 to 6 months, inclusive	369,092	308,268
7 to 9 months, inclusive	10,536	10,417
10 to 12 months, inclusive	5,611	776
More than 1 year	14,343	16,270
	1,599,612	1,329,422

14. Interest-Bearing Bank and Other Borrowings

During the six months ended 30 June 2015, the Group repaid bank and other borrowings of approximately HK\$551,010,000 (30 June 2014: HK\$600,481,000) and raised new bank and other borrowings of approximately HK\$1,178,251,000 during the period (30 June 2014: HK\$651,219,000).

15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each, authorised:		
Balance at 1 January 2014, 31 December 2014, 1 January 2015 and 30 June 2015	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2014	4,858,850,000	48,589
Issue of shares (note i)	600,000,000	6,000
Shares issued upon exercise of share options (note ii)	10,300,000	103
At 31 December 2014, 1 January 2015 and 30 June 2015	5,469,150,000	54,692

15. Share Capital (continued)

Notes:

- (i) On 24 March 2014, the Company, Landmark Worldwide Holdings Limited (“Landmark”), a major shareholder of the Company 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 places. On the same date and at the same time, Landmark entered into a subscription agreement with the Company for the subscription of 600,000,000 new shares issued by the Company at HK\$1.12 per share (the “Subscription”).

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

- (ii) During the year ended 31 December 2014, an aggregate of 10,300,000 share options had been exercised at a weighted average subscription price of HK\$0.4364 per share resulting in the issue of 10,300,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$4,495,000. An amount of HK\$797,000 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 2014.

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

	Number of share options	
	2015 '000	2014 '000
Outstanding as at 1 January	211,700	129,000
Granted during the period	–	93,000
Forfeited during the period	–	–
Exercised during the period	–	(6,300)
Outstanding as at 30 June	211,700	215,700

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.

16. Share Option Schemes (continued)

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.

Details of specific categories of options are as follows:

Options	Date of grant	Number of share options outstanding as at the end of the reporting period	Vesting period	Exercise period	Exercise Price
March 2007	9/3/2007	10,000,000	–*	10/3/2007-9/3/2017	HK\$0.485
July 2007	3/7/2007	34,000,000	–*	4/7/2007-3/7/2017	HK\$0.586
February 2008	16/2/2008	75,000,000	–*	16/2/2008-15/2/2018	HK\$0.315
May 2014	12/5/2014	9,000,000	–*	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\$7,187,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$5,173,000) 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.

At 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within one year	3,454	3,485
In the second to fifth years, inclusive	–	1,452
	3,454	4,937

17. Operating Lease Arrangements (continued)

(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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Within one year	26,222	29,059
In the second to fifth years, inclusive	47,027	37,477
After five years	11,722	13,348
	84,971	79,884

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:

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
Contracted for commitment in respect of		
– Purchases of property, plant and equipment	84,456	152,084
– Construction of plants	13,548	14,991
	98,004	167,075

19. Contingent Liabilities

At 30 June 2015, 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\$525,906,000 (2014: HK\$245,056,000). 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	
		2015 HK\$'000	2014 HK\$'000
Associates:			
Sales of products	(i)	194	298
Related companies controlled by directors of the Company:			
Subcontracting fee	(ii)	2,284	–
Rental income	(iii)	1,727	1,723

Notes:

- (i) 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.
- (ii) The subcontracting fee to a related company controlled by a director of the Company was made on a basis mutually agreed by both parties.
- (iii) The rental income received from a related company controlled by a director of the Company were charged at a monthly rate of RMB230,000 for the period end 30 June 2015 (2014: RMB230,000).

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

21. 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, 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.

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 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

22. 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 2015		
	Trade receivables	Bills receivables	Total
	Note (a) HK\$'000	Notes (b) and (c) HK\$'000	HK\$'000
Carrying amount of assets that continued to be recognised	–	70,814	70,814
Carrying amount of associated liabilities	–	(70,814)	(70,814)

	Audited 31 December 2014		
	Trade receivables	Bills receivables	Total
	Note (a) HK\$'000	Notes (b) and (c) HK\$'000	HK\$'000
Carrying amount of assets that continued to be recognised	–	28,646	28,646
Carrying amount of associated liabilities	–	(28,646)	(28,646)

22. Transferred Financial Assets (continued)

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

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 2015 and 31 December 2014.

(b) *Discounting of bills receivable*

At 30 June 2015, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of HK\$36,274,000 (31 December 2014: HK\$11,323,000) 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\$36,274,000 (31 December 2014: HK\$11,323,000) as at 30 June 2015.

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

At 30 June 2015, 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\$34,540,000 (31 December 2014: HK\$17,323,000) 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\$34,540,000 (31 December 2014: HK\$17,323,000) as at 30 June 2015.

22. Transferred Financial Assets (continued)

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

(a) *Discounting of bills receivable*

At 30 June 2015, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$240,807,000 (31 December 2014: HK\$309,765,000) 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.

22. 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 2015, 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\$210,414,000 (31 December 2014: HK\$179,000,000). 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.

23. Events after the reporting period

Issuance of HK\$880,000,000 1% convertible bonds

On 15 June 2015, the Company entered into a subscription agreement with PA Macro Opportunity VIII Limited (the “Subscriber”), an independent third party, in relation to its issue of convertible bonds in the principal amount of HK\$880,000,000 (“Convertible Bonds”). The Convertible Bonds bear interest at the rate of 1% per annum and will be due in 2018. The Convertible Bonds are convertible into shares of the Company at an initial conversion price of HK\$1.88 per share, which is subject to an adjustment upon events of default or relevant event in accordance with the terms of the Convertible Bonds. The issue of the Convertible Bonds was completed on 2 July 2015. Please refer to the announcement of the Company dated 2 July 2015 for more details.

Acquisition of additional interests in Subsidiaries

On 28 April 2015, a sale and purchase agreement (the “Acquisition Agreement”) was entered into between Tongda (Xiamen) Company Limited (“Tongda Xiamen”), an indirect wholly-owned subsidiary of the Company as purchaser and Mr. Hui Wai Man as vendor (“Vendor”) in relation to the acquisition of the entire issued share capital in Grand Prosper Investments Limited (“Target Company”). Pursuant to the Acquisition Agreement, Tongda Xiamen agreed to acquire the entire issued share capital in the Target Company at the consideration of HK\$275,077,000. The consideration shall be paid to the Vendor as to HK\$30,357,000 by way of cash and as to the balance of HK\$244,720,000 by procuring the Company to allot and issue 190,000,000 consideration shares to the Vendor. The Target Company was the beneficial owner of 25% of the entire equity interests of Tongda (Xiamen) Technology Limited and Shenzhen Tongda Electronic Company Limited (the “PRC Companies”). The balance of the 75% equity interests of each of the PRC Companies were beneficially owned by the Group.

Immediately upon completion of the above transaction, the Target Company and the PRC Companies and their subsidiaries became indirect wholly-owned subsidiaries of the Group. The acquisition was completed on 20 July 2015. Please refer to the announcement of the Company dated 28 April 2015 for more details.

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 18 August 2015.

SUPPLEMENTARY INFORMATION

Interim Dividend

The board (the “Board”) of directors (the “Directors”) of the Company declared an interim dividend of HK1.6 cents (2014: HK1.0 cent) per Share for the six months ended 30 June 2015 payable on or about 17 September 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on 8 September 2015.

Closure of Register of Members

The register of members of the Company will be closed from 9 September 2015 to 11 September 2015, 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, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on 8 September 2015.

Directors’ Interest and Short Positions in Shares and Underlying Shares

At 30 June 2015, 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	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Note	Total	
Mr. Wang Ya Nan	269,570,000 (L)	2,026,490,000 (L) 270,000,000 (S)	1, 2, 4	2,296,060,000 (L) 270,000,000 (S)	41.98 4.94
Mr. Wang Ya Hua	55,720,000 (L)	1,730,490,000 (L) 270,000,000 (S)	1, 4	1,786,210,000 (L) 270,000,000 (S)	32.66 4.94
Mr. Wong Ah Yeung	67,800,000 (L)	1,730,490,000 (L) 270,000,000 (S)	1, 4	1,798,290,000 (L) 270,000,000 (S)	32.88 4.94
Mr. Wong Ah Yu	60,960,000 (L)	1,730,490,000 (L) 270,000,000 (S)	1, 4	1,791,450,000 (L) 270,000,000 (S)	32.76 4.94
Mr. Wang Ming Che	16,000,000 (L)	–		16,000,000 (L)	0.29
Mr. Choi Wai Sang	24,750,000 (L)	78,750,000 (L)	3	103,500,000 (L)	1.89
Dr. Yu Sun Say	2,300,000 (L)	–		2,300,000 (L)	0.04
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–		5,950,000 (L)	0.11
Mr. Ting Leung Huel Stephen	5,950,000 (L)	–		5,950,000 (L)	0.11

L: Long position
S: Short position

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.
- 270,000,000 shares were lent by Landmark Worldwide Holdings Limited to PAG-P Asia Fund L.P., pursuant to the stock lending agreement entered into between PAG-P Asia Fund L.P. and Landmark Worldwide Holdings Limited on 26 June 2015.

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

Saved as disclosed above, as at 30 June 2015 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	Number of share options		At 30 June 2015	
					At 1 January 2015	Granted during the period Exercised during the period		
Directors								
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	12 May 2015 to 11 May 2019	0.87	1,200,000	-	-
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	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	12 May 2015 to 11 May 2019	0.87	1,200,000	-	-
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	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 2015
					At 1 January 2015	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	At 1 January 2015	Number of share options		At 30 June 2015
						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	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	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
Dr. Yu Sun Say, GBM, GBS, SBS, JP	12 May 2014	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
Other employees								
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
					211,700,000	–	–	211,700,000

Share Option Scheme (Continued)

* 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.

At the date of approval of these interim financial statements, the Company had 211,700,000 share options outstanding under the New Scheme, which represented approximately 3.87% of the Company's share in issue as at that date.

Substantial Shareholders

At 30 June 2015, 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 and short 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	1,730,490,000 (L) 270,000,000 (S)	31.64 4.94
E-Growth	2	Directly beneficially owned	296,000,000 (L)	5.41
LSV Asset Management		Investment manager	276,440,900 (L)	5.05

L: Long position

S: Short position

1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers. 270,000,000 shares were lent by Landmark Worldwide Holdings Limited to PAG-P Asia Fund L.P., pursuant to the stock lending agreement entered into between PAG-P Asia Fund L.P. and Landmark Worldwide Holdings Limited on 26 June 2015.

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 2015, the Company had not been notified by any substantial shareholders other than directors or chief executives of the Company, who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

Purchases, Redemption or Sales of Listed Securities

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

Corporate Governance

The 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, Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher. 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 2015 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 Yeung, Mr. Wong Ah Yu, Mr. Wang Ming Che and Mr. Choi Wai Sang as executive directors; and Dr. Yu Sun Say, J.P., Mr. Cheung Wah Fung, Christopher, J.P. and Mr. Ting Leung Huel Stephen, as independent non-executive directors.

On behalf of the Board

Wang Ya Nan

Chairman

Hong Kong, 18 August 2015