

TONGDA GROUP HOLDINGS LIMITED

# Interim Report

2016

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## CORPORATE INFORMATION

### Board Of Directors

#### Executive Directors

Mr. Wang Ya Nan (*Chairman*)  
Mr. Wang Ya Hua (*Vice Chairman*)  
Mr. Wong Ah 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.

#### As to PRC laws:

Fujian Rede Law Firm

#### As to Cayman Islands laws:

Conyers Dill & Pearman, Cayman

## Investor Relations

Strategic Financial Relations Limited  
Unit A, 29/F, Admiralty Centre I  
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 in Hong Kong

Room 1201-02, 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  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point, 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 2016 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 2016, the Group’s turnover grew from HK\$2,881.2 million in the corresponding period of last year by 12.4% to HK\$3,238.8 million. Profit attributable to owners of the Company increased from HK\$294.2 million in the corresponding period of last year by 29.2% to HK\$380.1 million.

### Revenue

As a world-leading one-stop solution provider of high-precision components for consumer electronic products, during the Period, the Group mainly benefited from the increase in sales of metal handset casings, resulting in an increase in revenue. For the six months ended 30 June 2016 (the “Period under Review” or the “Period”), turnover increased by 12.4%.

## Financial Review (continued)

### Gross Profit

The Group's gross profit for the Period increased by 16.6% to HK\$790.1 million compared with HK\$677.6 million in the corresponding period of last year, which was mainly attributable to the overall increase in gross profit margin from 23.5% last year to 24.4% due to increased proportion of sales of handset business and handset parts with higher segment margin in general.

### Other Income and Gains, net

During the Period under Review, other income and gains, net was HK\$11.1 million, a decrease of HK\$6.6 million from the corresponding period of last year, which was mainly attributable to the increase in net loss from exchange differences.

### Selling and Distribution Expenses

During the Period under Review, selling and distribution expenses decreased by 19.3% from HK\$75.3 million to HK\$60.8 million. The decrease was mainly attributable to the decrease in air freight charges and sales commission.

### Administrative Expenses

During the Period under Review, administrative expenses increased to HK\$256.4 million, which was mainly attributable to the increase in research and development ("R&D") expenses and labour costs. The increase in R&D expenses was attributable to the continuous investment in R&D projects and further business development.

### Other Operating Expenses, net

During the Period under Review, other operating expenses, net recorded an income of HK\$6.2 million, as compared with an expense of HK\$6.0 million for the corresponding period of last year, which was mainly attributable to the decrease in bad and doubtful trade and other receivables and the increase in reversal of impairment of trade receivables.

## Financial Review (continued)

### Finance Costs

During the Period under Review, finance costs increased 27.0% from HK\$27.0 million to HK\$34.3 million, which was mainly attributable to the decrease in interest expenses on discounting, the increase in interest expenses on borrowings and the increase in interests on convertible bonds.

### Profit before Tax

For the six months ended 30 June 2016, profit before tax amounted to HK\$457.0 million, representing a period-on-period growth of 11.2% from HK\$410.8 million in line with the growth in net profit of the Group and the effective control on operating expenses.

### Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company increased 29.2% from HK\$294.2 million in the corresponding period of last year to HK\$380.1 million, and the overall net profit margin increased to 11.7% (2015: 10.2%), 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 2016, the Group has cash and cash equivalents and pledged deposits balance of HK\$886.5 million (31 December 2015: HK\$936.0 million) without holding any structural investment contract.

The Group's cash and bank balances remained at about HK\$886.5 million (31 December 2015: HK\$936.0 million), of which approximately HK\$224.0 million (31 December 2015: HK\$173.6 million) has been pledged to banks as security for trade financing.

## Liquidity, Financial Resources and Capital Structure (continued)

As at 30 June 2016, the Group had total assets of HK\$9,539.5 million (31 December 2015: HK\$8,588.9 million), net current assets of HK\$2,330.0 million (31 December 2015: HK\$2,469.9 million) and equity of HK\$4,235.2 million (31 December 2015: HK\$4,039.3 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\$368.6 million (31 December 2015: HK\$1,133.2 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 2016 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\$224.0 million (31 December 2015: HK\$173.6 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK\$39.9 million (31 December 2015: HK\$40.5 million) mortgaged by the Group as at 30 June 2016, the Group had no other pledge of assets to any financial institutions.

## Human Resources

As at 30 June 2016, the Group employed a total of approximately 24,000 employees (30 June 2015: 19,000 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 30 June 2016 amounted to HK\$690.5 million (30 June 2015: HK\$557.2 million).

The Group offers remuneration packages for employees mainly based on their performance and experiences, and with reference to prevailing industry practices. In addition to enrolling our new employees into the mandatory provident fund scheme in Hong Kong and State-managed pension scheme in Mainland China and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options and discretionary bonuses to employees based on employees' individual performance and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

## Gearing Ratio and Indebtedness

As at 30 June 2016, the gearing ratio of the Group (consolidated net borrowings/total equity) was 47.0% (31 December 2015: 35.5%).

As at 30 June 2016, other than the non-current portion of bank loans of HK\$551.9 million (31 December 2015: HK\$519.3 million), the Group had bank and other borrowings of HK\$1,450.1 million (31 December 2015: HK\$976.4 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 3.20% p.a. to 5.22% p.a., HIBOR plus 1.32% p.a. to 1.90% p.a. and cost of funding of bank plus 1.60% p.a.

## Business Review

The Group is a world-leading solution provider of high-precision components for smart mobile communication and consumer electronic products. During the Period, revenue and net profit maintained a stable growth as in the past. In particular, revenue grew from HK\$2,881.2 million in the corresponding period of last year by 12.4% to approximately HK\$3,238.8 million, and net profit attributable to owners of the Company grew from HK\$294.2 million in the corresponding period of last year by 29.2% to approximately HK\$380.1 million.

### Electrical Fittings Division

This division primarily engages in design and production of consumer electronic products, including casings and components for handsets, electrical appliances and notebook computers. Revenue for the Period grew from HK\$2,310.8 million in the corresponding period of last year by 13.4% to approximately HK\$2,619.3 million, representing 80.9% of the total turnover of the Group.

### Handsets

Metal casings remained as the mainstream of handset designs. During the Period, such products rapidly penetrated from the high-end handset market to the mid-range market segment. As the unit price of metal casings was higher than precision plastic casings, turnover increased from HK\$1,755.9 million in the corresponding period of last year by 19.1% to HK\$2,090.5 million, accounting for 64.5% of total turnover.

Domestic handset brands in China are gradually emerging as major players in the market. According to IDC, a market research institute, among the world's top five brands in the first half of the year, three were domestic brands and their market share further increased. This marked a new landscape of the global market. Riding on the trend of increasing focus on major brands in the domestic handset market, the growth of the Group's major handset customers, especially Huawei and OPPO, was far higher than their peers during the Period. To actively capture market shares, all brands pulled off all of their efforts by launching more stylish high-end exquisite handsets while focusing on advanced and cost-effective handsets, which are featured by extraordinary metal casings, for the mid-range market segment. The Group applied Nano Molding Technology ("NMT") as a one-stop solution to produce plastic-metal hybrid casings. Such casings were launched at an affordable price to cater for the demand of mid-range handset market segment, and therefore the handset shipment increased significantly during the Period.

## Business Review (continued)

### Handsets (continued)

The Group applied NMT to attach metal and plastic at Nano level. As its production lead time is generally shorter than that of traditional uni-body metal casing, such plastic-metal casing is produced at a more competitive cost, resulting in higher cost-performance ratio of products. The Group also integrated its own antenna technology team with its design team to closely cooperate with customers from design, production to packaging. Such one-stop production of metal casings with antenna solutions has been well recognized by customers. At the same time, the Group further expanded the capability of Computer Numerical Control (“CNC”) machines during the Period and the metal Stamping/Forging technology can shorten CNC processing time. Composite Die-Casting technology is used in processing metal middle frames, and technologies including Metal Injection Molding (“MIM”) are also applied in the production of metal precision components which together with other diverse treatment solutions and innovative technologies, enable customers to be more focused on designing unique handsets.

The precision rubber parts developed by the Group last year has started to be delivered to international leading brands, which further stabilized its customer base. Precision rubber parts have excellent sealing, waterproof and insulating properties, which provide good protection to the electronic components in handsets. During the Period, the Group also developed Liquid Silicone Rubber (LSR) for the customer, which is used in various precision rubber parts in handsets to enhance the supply capacity of compatible components of the Group. The Group expects to provide different customers with one-stop supply of a wide variety of components, including precision rubber handset casings, metal back covers, metal middle frames, rubber parts and Laser Direct Structuring (“LDS”) antennas, thereby enhancing its overall competitiveness. Handset upgrade cycle will support the future growth momentum of the business as the sector will emphasize more on the casing design in order to cope with the increasingly high expectations of consumers.

## Business Review (continued)

### Electrical Appliances

During the Period, the electrical appliances business recorded an increase in sales of 7.3% from HK\$328.0 million in the corresponding period of last year to HK\$351.9 million, representing 10.9% of the total turnover.

The Group's major customers included Haier, Gree, Midea, Panasonic, Zojirushi, Electrolux, General Electric, Whirlpool and DYSON. The performance of the business was stable during the Period. The recent trend of cross-border acquisition of overseas brand by domestic corporations will help the Group to explore new customers.

### Notebook Computers

As affected by the generally poor conditions of the notebook computers market, revenue from notebook computers for the Period decreased from HK\$226.9 million by 22.0% to HK\$176.9 million, representing 5.5% of the total turnover. Major products of the operation include precision metal and plastic ultrabook and tablet casings with light, simple and stylish design.

### Ironware Parts Division

During the Period, revenue of this division decreased by 39.2% from HK\$323.1 million in the corresponding period of last year to HK\$196.4 million, representing 6.1% of the turnover, which was mainly attributable to the decrease in demand for metal set top boxes due to the preference of customers to order plastic set top boxes during the Period. The Group not only produced metal set top boxes casings, but also provided one-stop production services to customers of electrical appliances, products of which included aluminum handles and precision metal structures with different surface effects.

## Business Review (continued)

### Communication Facilities and Other Business

Sales of the communication facilities division of the Group increased by 71.1% from HK\$247.3 million in the corresponding period of last year to HK\$423.1 million, representing 13.0% of the turnover. In addition to the production of plastic set top boxes casings, durable household goods, digital satellite TV receivers and sports equipment, the automotive business also experienced a rapid expansion, and has become a supplier of a bulk amount of automotive interior decorations to Ford, BYD and General Motors. In the coming one to two years, the business will carry out trial and mass production for other new customers. The Group can utilize the technologies and production capacity of electrical appliances, and the automotive business has a high entry barrier, which resulted in a stable amount of orders. A long-term momentum of the business is also expected along with the continuous development of the domestic automotive market.

**Percentage of total revenue by types of product for the six months ended 30 June 2016 and a comparison with the corresponding period of last year are as follows:**

	<b>2016</b>	2015
Electrical Fittings Division	<b>80.9%</b>	80.2%
i. Handsets	<b>64.5%</b>	60.9%
ii. Electrical Appliances	<b>10.9%</b>	11.4%
iii. Notebook Computers	<b>5.5%</b>	7.9%
Ironware Parts Division	<b>6.1%</b>	11.2%
Communication Facilities and Other Business	<b>13.0%</b>	8.6%

## Business Review (continued)

### Business Prospects

Leveraging handsets with outstanding cost-performance ratio, the brand awareness of domestic brands continued to increase and metal casings has also become more popular. The Group understands that given the fast-changing market, we have to keep abreast of the market dynamics at all times by researching and mastering different new technologies, new materials, new craftsmanship, especially the application of materials including metal, glass, ceramic, precision plastic and composite materials, and to make new breakthroughs in respect of the overall compatibility of antenna and waterproof parts. As a one-stop solution provider, the Group is confident in capturing further market share in respect of its existing customers with its quality, reliable and highly cost-effective products as well as the Company's full process capability, which allows it to benefit from the wave of handset upgrade in the future.

The Group will also strive to open up the automotive interior decoration components market in China. In view of the high development potential of new energy-driven automotive, "Internet of Vehicles" and connected mobility, it is believed that sales of localized joint venture brands and domestic brands will boom, and the demand of mid-range vehicles for automotive interior decoration components of the Group will increase, which foster the Group's expansion of customer base.

Besides, the Group believes that good corporate governance are increasingly important to the maintenance and strengthening of confidence of the Group's shareholders ("Shareholders"). Therefore, we have always been strictly adhering to highly effective corporate governance practices as our business is growing. In addition to voluntary announcements on quarterly operating position as well as making timely disclosure in a public and comprehensive manner in recent years, the Group will also strengthen its internal control and improve risk prevention and management in all respects in the future. Moreover, the Group will enhance its corporate value, accountability and transparency so as to maintain a high level of corporate governance.

The Group believes that laying a solid foundation for fundamental technologies, enhancing quality of research staff and extensive experience are the keys to succeed. A high technical threshold would not have been established in the long-term without the support of more automated and standardized factories. The Group will continue its in-depth exploration of technologies, emphasis on device products and optimization of quality management. In addition, we will also actively keep ourselves informed of latest products in the market and provide customers with value-added service while enhancing overall competitiveness and strengthening corporate governance, in order to seize future opportunities.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited	
		Six months ended 30 June 2016 HK\$'000	2015 HK\$'000
REVENUE	4	3,238,765	2,881,201
Cost of sales		(2,448,642)	(2,203,645)
Gross profit		790,123	677,556
Other income and gains, net		11,107	17,706
Selling and distribution expenses		(60,817)	(75,283)
Administrative expenses		(256,406)	(175,863)
Other operating expenses, net		6,187	(5,989)
Finance costs		(34,347)	(26,981)
Share of profit and losses of associates		151	(365)
Share of profit of a jointly-controlled entity		1,033	–
PROFIT BEFORE TAX	5	457,031	410,781
Income tax expense	6	(81,851)	(80,954)
PROFIT FOR THE PERIOD		375,180	329,827
Attributable to:			
Owners of the Company		380,083	294,232
Non-controlling interests		(4,903)	35,595
		375,180	329,827
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK6.63 cents	HK5.38 cents
– Diluted		HK6.13 cents	HK5.28 cents

Details of the dividends are disclosed in note 7.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	375,180	329,827
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:		
(Loss)/Gain on property revaluation	(150)	441
Income tax effect	25	(73)
	(125)	368
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	(73,115)	(27,642)
– associates	(46)	(27)
	(73,161)	(27,669)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(73,286)	(27,301)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	301,894	302,526
ATTRIBUTABLE TO:		
Owners of the Company	306,743	268,481
Non-controlling interests	(4,849)	34,045
	301,894	302,526

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,816,222	2,627,744
Investment property	10	53,597	53,902
Prepaid land lease payments		62,871	58,198
Investments in associates		2,771	2,666
Investments in a jointly-controlled entity		30,795	–
Prepayments		56,089	57,842
Long term deposits		390,260	248,299
Loan to a non-controlling shareholder of a subsidiary		10,500	1,500
Deferred tax assets		3,703	3,703
<b>Total non-current assets</b>		<b>3,426,808</b>	<b>3,053,854</b>
<b>CURRENT ASSETS</b>			
Inventories	11	1,833,040	1,605,937
Trade and bills receivables	12	2,939,114	2,682,939
Prepayments, deposits and other receivables		374,771	300,950
Due from a related company		6,506	8,922
Due from a jointly-controlled entity		71,942	–
Tax recoverable		763	287
Pledged deposits		224,002	173,581
Cash and cash equivalents		662,522	762,392
<b>Total current assets</b>		<b>6,112,660</b>	<b>5,535,008</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	1,783,992	1,572,221
Accrued liabilities and other payables		367,447	324,419
Interest-bearing bank and other borrowings	14	1,450,090	976,356
Due to a jointly-controlled entity		1,964	–
Due to a non-controlling shareholder of a subsidiary		54	54
Tax payable		179,072	192,029
<b>Total current liabilities</b>		<b>3,782,619</b>	<b>3,065,079</b>

	Notes	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
NET CURRENT ASSETS		2,330,041	2,469,929
TOTAL ASSETS LESS CURRENT LIABILITIES		5,756,849	5,523,783
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	551,866	519,321
Convertible bonds Due to a former non-controlling shareholder of a subsidiary		873,028	873,028
Deferred tax liabilities		30,034	30,034
		66,767	62,082
Total non-current liabilities		1,521,695	1,484,465
Net assets		4,235,154	4,039,318
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	57,357	57,257
Reserves		4,191,514	3,999,929
		4,248,871	4,057,186
NON-CONTROLLING INTERESTS		(13,717)	(17,868)
Total equity		4,235,154	4,039,318

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2016  
Attributable to owners of the Company

	Equity component										Non-controlling interests	Total equity	
	Share capital	Share premium account	convertible bonds	Share option reserve	Capital reserve	Asset revaluation reserve	Statutory reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits			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 2016	57,257	1,425,527	6,972	27,806	(125,657)	28,150	229,894	287	88,436	2,318,514	4,057,186	(17,868)	4,039,318
Profit for the period	-	-	-	-	-	-	-	-	-	380,083	380,083	(4,903)	375,180
Other comprehensive income/(expense) for the period:													
Gain on property revaluation, net of tax	-	-	-	-	-	(125)	-	-	-	-	(125)	-	(125)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(73,215)	-	(73,215)	54	(73,161)
Total comprehensive income for the period	-	-	-	-	-	(125)	-	-	(73,215)	380,083	306,743	(4,849)	301,894
Capital contribution from a non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	9,000	9,000
Share issued upon exercise of share options	100	3,651	-	(601)	-	-	-	-	-	-	3,150	-	3,150
Equity-settled share option arrangements	-	-	-	2,240	-	-	-	-	-	-	2,240	-	2,240
Final 2015 dividend declared (note 7)	-	(120,448)	-	-	-	-	-	-	-	-	(120,448)	-	(120,448)
At 30 June 2016	57,357	1,308,730	6,972	29,445	(125,657)	28,025	229,894	287	15,221	2,698,597	4,248,871	(13,717)	4,235,154

Unaudited six months ended 30 June 2015  
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 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

\* These reserve accounts comprise the consolidated reserves of HK\$4,191,514,000 (30 June 2015: HK\$3,588,787,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	130,933	165,708
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Interest received	1,697	2,140
Purchases of items of property, plant and equipment	(126,624)	(342,247)
Proceeds from disposal of items of property, plant and equipment	2,622	123
Capital contribution to a jointly-controlled entity	(29,762)	–
Increase in long term deposits	(390,260)	(286,195)
Increase in pledged deposits	(50,421)	(71,109)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(592,748)</b>	<b>(697,288)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	1,104,227	1,178,251
Repayment of bank loans	(597,948)	(551,010)
Proceeds from exercise of share options	3,150	–
Loan to a non-controlling shareholder of a subsidiary	(9,000)	–
Capital contribution from a non-controlling shareholder of a subsidiary	9,000	–
Dividends paid	(120,449)	(109,383)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>388,980</b>	<b>517,858</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(72,835)</b>	<b>(13,722)</b>
Cash and cash equivalents at beginning of period	762,392	360,161
Effect of foreign exchange rate changes, net	(27,035)	(10,933)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>662,522</b>	<b>335,506</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	662,522	335,506
	662,522	335,506

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Corporate Information

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

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

The principal activity of the Company consists of investment holding. The principal activities of the Company’s subsidiaries are 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 of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKASs”) 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 2015.

### 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 31 December 2015 except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, which are effective for accounting period beginning on 1 January 2016 and as disclosed below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidated Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 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, share of losses of associates and share of profit of a jointly-controlled entity are excluded from such measurement.

Segment assets exclude investments in associates, investments in a jointly-controlled entity, deferred tax assets, loan to a non-controlling shareholder of a subsidiary, tax recoverable, due from a jointly-controlled entity, 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, due to a jointly-controlled entity, convertible bonds, due to a former non-controlling shareholder of a subsidiary 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	2,619,308	2,310,752	196,369	323,084	423,088	247,365	-	-	3,238,765	2,881,201
Segment results before depreciation and amortisation	556,303	464,004	1,516	24,094	67,179	46,304	-	-	624,998	534,402
Depreciation	(117,989)	(82,765)	(12,119)	(9,533)	(4,223)	(4,723)	-	-	(134,331)	(97,021)
Amortisation	(677)	(659)	(782)	(816)	(39)	(41)	-	-	(1,498)	(1,516)
Segment results	437,637	380,580	(11,385)	13,745	62,917	41,540	-	-	489,169	435,865
Unallocated income									11,107	17,706
Corporate and other unallocated expenses									(10,082)	(15,444)
Finance cost									(34,347)	(26,981)
Share of profit and losses of:										
Associates									151	(365)
Jointly-controlled entity									1,033	-
Profit before tax									457,031	410,781
Income tax expense									(81,851)	(80,954)
Profit for the period									375,180	329,827

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

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

	Unaudited 30 June 2016			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	7,055,818	796,206	680,446	8,532,470
Unallocated assets				1,006,998
Total assets				9,539,468
Segment liabilities	1,645,332	316,779	189,382	2,151,493
Unallocated liabilities				3,152,821
Total liabilities				5,304,314

	Audited 31 December 2015			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	6,336,103	675,920	632,710	7,644,733
Unallocated assets				944,129
Total assets				8,588,862
Segment liabilities	1,499,662	215,514	181,518	1,896,694
Unallocated liabilities				2,652,850
Total liabilities				4,549,544

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

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2016 and 2015.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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	3,000,184	2,602,801	139,937	193,254	-	1,512	98,644	83,634	3,238,765	2,881,201

#### Information about major customers

For the six months ended 30 June 2016, revenue of approximately HK\$733,582,000 (30 June 2015: HK\$579,039,000) and HK\$694,146,000 (30 June 2015: HK\$719,512,000), representing 22.7% (30 June 2015: 20.1%) and 21.4% (30 June 2015: 25.0%) 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 these customers.

## 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>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid land lease payments	716	700
Amortisation of prepayments	782	816
Depreciation	134,331	97,021
Salaries and wages	690,516	557,190
Impairment of trade receivables	114	50
Write-back of impairment of trade receivables	(7,666)	(43)
Write-off of trade receivables	253	120
Provision against obsolete inventories	6,000	2,500
Foreign exchange differences, net	12,097	2,437
(Gain)/Loss on disposal of items of property, plant and equipment	(405)	1,254
Change in fair value of an investment property	(600)	(1,252)
Interest income	(1,697)	(2,140)
Equity-settled share option expense	2,240	7,187

## 6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	1,359	2,134
Underprovision in prior year	–	597
	<b>1,359</b>	2,731
Current – Elsewhere		
Charge for the period	75,839	66,365
Overprovision in prior years	(235)	–
	<b>75,604</b>	66,365
Deferred	4,888	11,858
Total tax charge for the period	<b>81,851</b>	80,954

The share of tax attributable to associates amounting to HK\$25,000 (30 June 2015: HK\$18,000) 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>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Dividends paid during the period:		
Final dividend declared of HK2.1 cents per ordinary share in respect of the financial year ended 31 December 2015 (2015: final dividend declared and paid in respect of the financial year ended 31 December 2014 – HK2.0 cents per ordinary share)	120,449	109,383

At the board meeting held on 15 August 2016, the board of directors declared and approved an interim dividend of HK2.0 cents per ordinary share (2015: HK1.6 cents) totalling HK\$114,713,000 (2015: HK\$91,610,400).

## 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>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	<b>380,083</b>	294,232
Interest on convertible bonds	<b>4,364</b>	–
Profit for the year attributable to owners of the Company before interest on convertible bonds	<b>384,447</b>	294,232
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>5,729,606</b>	5,469,150
Effect of dilutive potential ordinary shares arising from		
– share options	<b>67,756</b>	105,335
– convertible bonds	<b>477,409</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>6,274,771</b>	5,574,485

## 9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$368,563,000 (30 June 2015: HK\$489,366,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$2,217,000 (30 June 2015: HK\$1,377,000) for proceeds of approximately HK\$2,622,000 (30 June 2015: HK\$123,000).

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

At 30 June 2016, 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\$39,900,000 (31 December 2015: HK\$40,500,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong equates to its highest and best use.

A revaluation deficit of HK\$150,000 (30 June 2015: surplus of HK\$441,000), resulting from the above valuation, has been debited (30 June 2015: credited) to asset revaluation reserve. The resulting decrease in deferred tax liability of HK\$25,000 (30 June 2015: HK\$73,000) arising from the revaluation has also been included (30 June 2015: debited) in the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong at valuation of HK\$39,900,000 (31 December 2015: HK\$40,500,000) 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 2016 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers at HK\$53,597,000 (31 December 2015: HK\$53,902,000). Consequently, gain in fair value change of an investment property of HK\$600,000 (30 June 2015: HK\$1,252,000) and debit exchange realignment of HK\$905,000 (30 June 2015: HK\$479,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2016. 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 had been 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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Raw materials	431,514	412,742
Work in progress	464,992	421,146
Finished goods	936,534	772,049
	<b>1,833,040</b>	1,605,937

As at 30 June 2016, moulds in the amount of HK\$283,686,000 (31 December 2015: HK\$223,785,000) are included in the finished goods.

## 12. Trade and Bills Receivables

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Trade receivables	2,512,354	2,440,733
Impairment allowances	(41,062)	(48,835)
	<b>2,471,292</b>	2,391,898
Bills receivables	467,822	291,041
	<b>2,939,114</b>	2,682,939

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. Trade receivables are non-interest-bearing. At the end of the reporting period, 20.9% (31 December 2015: 20.4%) and 59.9% (31 December 2015: 52.9%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

## 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 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Within 3 months	2,472,299	2,363,751
4 to 6 months, inclusive	400,109	274,776
7 to 9 months, inclusive	57,126	25,976
10 to 12 months, inclusive	10,970	10,068
More than 1 year	39,672	57,203
	<b>2,980,176</b>	2,731,774
Impairment allowances	<b>(41,062)</b>	(48,835)
	<b>2,939,114</b>	2,682,939

## 13. Trade and Bills Payables

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Trade payables	1,133,701	1,049,275
Bills payable	650,291	522,946
	<b>1,783,992</b>	1,572,221

### 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 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Within 3 months	1,367,537	1,198,928
4 to 6 months, inclusive	370,320	349,159
7 to 9 months, inclusive	20,596	7,375
10 to 12 months, inclusive	7,794	2,521
More than 1 year	17,745	14,238
	<b>1,783,992</b>	<b>1,572,221</b>

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

During the six months ended 30 June 2016, the Group repaid bank and other borrowings of approximately HK\$597,948,000 (30 June 2015: HK\$551,010,000) and raised new bank and other borrowings of approximately HK\$1,104,227,000 during the period (30 June 2015: HK\$1,178,251,000).

## 15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each, authorised: Balance at 1 January 2015, 31 December 2015, 1 January 2016 and 30 June 2016	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2015	5,469,150,000	54,692
Issue of shares (note i)	190,000,000	1,900
Shares issued upon exercise of share options (note ii)	66,500,000	665
At 31 December 2015 and 1 January 2016	5,725,650,000	57,257
Share issued upon exercise of share options	10,000,000	100
At 30 June 2016 (note iii)	5,735,650,000	57,357

## 15. Share Capital (continued)

Notes:

- (i) On 20 July 2015, the Group issued 190,000,000 ordinary shares as a settlement of the Consideration Shares for acquiring Grand Prosper and the details of the Acquisition were set out in note 39 to the financial statements.
- (ii) During the year ended 31 December 2015, an aggregate of 66,500,000 share options has been exercised at a weighted average subscription price of HK\$0.3275 per share resulting in the issue of 66,500,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$21,781,000. An amount of HK\$6,205,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (iii) During the period ended 30 June 2016, an aggregate of 10,000,000 share options had been exercised at a weighted average subscription price of HK\$0.315 per share resulting in the issue of 10,000,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$3,150,000. An amount of HK\$601,000 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 2015.

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

	Number of share options '000
Outstanding as at 1 January 2015	211,700
Exercised during the year	(66,500)
Balance at 31 December 2015	145,200
Exercised during the period	(10,000)
Outstanding as at 30 June 2016	135,200

## 16. Share Option Schemes (continued)

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
May 2014	12/5/2014	8,400,000	–*	12/5/2014-11/5/2019	HK\$0.87
		8,400,000	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\$2,240,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$7,187,000) 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 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Within one year	–	280
In the second to fifth years, inclusive (Note (i))	–	–
	–	280

Note:

- (i) On 29 January 2016, the Company entered into the termination agreement to terminate the lease agreement with effect from 31 January 2016.

## 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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Within one year	47,436	41,594
In the second to fifth years, inclusive	65,326	78,606
After five years	16,070	19,993
	<b>128,832</b>	140,193

## 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 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Contracted for commitment in respect of		
– Purchases of property, plant and equipment	117,397	85,694
– Construction of plants	–	3,325
	<b>117,397</b>	<b>89,019</b>

## 19. Contingent Liabilities

At 30 June 2016, 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\$1,169,817,000 (2015: HK\$525,906,000). 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	
		2016 HK\$'000	2015 HK\$'000
Related companies controlled by directors of the Company:			
Rental expenses	(i)	2,374	–
Subcontracting fee	(ii)	1,224	2,284
Rental income	(iii)	276	1,727

Notes:

- (i) The rental expenses paid to 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 2016 (2015: RMB230,000). On 29 January 2016, the Company entered into the termination agreement to terminate the lease agreement with effect from 31 January 2016.

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 a jointly controlled entity 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 a jointly controlled entity and non-controlling shareholders of a subsidiary 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 2016, 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:

	<b>Unaudited</b> <b>30 June 2016</b> <b>Bills</b> <b>receivables</b> <b>Notes (a)</b> <b>and (b)</b> <b>HK\$'000</b>
Carrying amount of assets that continued to be recognised	188,470
Carrying amount of associated liabilities	188,470

	<b>Audited</b> <b>31 December</b> <b>2015</b> <b>Bills</b> <b>receivables</b> <b>Notes (a)</b> <b>and (b)</b> <b>HK\$'000</b>
Carrying amount of assets that continued to be recognised	72,104
Carrying amount of associated liabilities	72,104

## 22. Transferred Financial Assets (continued)

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

Notes:

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

At 30 June 2016, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$108,531,000 (31 December 2015: HK\$61,363,000) 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\$108,531,000 (31 December 2015: HK\$61,363,000) as at 30 June 2016.

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

At 30 June 2016, 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\$79,939,000 (31 December 2015: HK\$10,741,000) 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\$79,939,000 (31 December 2015: HK\$10,741,000) as at 30 June 2016.

## 22. Transferred Financial Assets (continued)

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

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

At 30 June 2016, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$35,264,000 (31 December 2015: HK\$200,789,000) 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 2016, 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\$120,870,000 (31 December 2015: HK\$50,608,000). 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. Approval of the Interim Financial Statements**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 15 August 2016.

## **SUPPLEMENTARY INFORMATION**

### **Interim Dividend**

The Board declared an interim dividend of HK2.0 cents (2015: HK1.6 cents) per ordinary share for the six months ended 30 June 2016 payable on or about 22 September 2016 to shareholders whose names appear on the register of members of the Company as at the close of business on 9 September 2016.

### **Closure of Register of Members**

The register of members of the Company will be closed from 12 September 2016 to 14 September 2016, 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, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on 9 September 2016.

### **Directors' Interest and Short Positions in Shares and Underlying Shares**

At 30 June 2016, 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	323,440,000 (L)	2,026,490,000 (L) 270,000,000 (S)	1, 2, 4	2,349,930,000 (L) 270,000,000 (S)	40.97 4.71
Mr. Wang Ya Hua	70,720,000 (L)	1,730,490,000 (L) 270,000,000 (S)	1, 4	1,801,210,000 (L) 270,000,000 (S)	31.40 4.71
Mr. Wong Ah Yeung	98,800,000 (L)	1,730,490,000 (L) 270,000,000 (S)	1, 4	1,829,290,000 (L) 270,000,000 (S)	31.89 4.71
Mr. Wong Ah Yu	75,960,000 (L)	1,730,490,000 (L) 270,000,000 (S)	1, 4	1,806,450,000 (L) 270,000,000 (S)	31.50 4.71
Mr. Choi Wai Sang	29,750,000 (L)	78,750,000 (L)	3	108,500,000 (L)	1.89
Dr. Yu Sun Say	9,010,000 (L)	–	–	9,010,000 (L)	0.16
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–	–	5,950,000 (L)	0.10
Mr. Ting Leung Huel Stephen	8,050,000 (L)	–	–	8,050,000 (L)	0.14

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)**

Save as disclosed above, as at 30 June 2016 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, or any of its 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 2016
					At 1 January 2016	Granted during the period	Exercised during the period	
<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
	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	-	-	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
	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	-	-	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	At 1 January 2016	Number of share options		At 30 June 2016
						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
	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	-	-	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. Wong Ah Yeung	3 July 2007	- *	4 July 2007 to 3 July 2017	0.586	8,500,000	-	-	8,500,000
	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	-	-	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. Choi Wai Sang	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 2016
					At 1 January 2016	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 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 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	2,700,000	-	-	2,700,000
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	2,700,000	-	-	2,700,000
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	24,000,000	-	-	24,000,000
					145,200,000	-	(10,000,000)	135,200,000

## 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 135,200,000 share options outstanding under the New Scheme, which represented approximately 2.36% of the Company's share in issue as at that date.

## Substantial Shareholders

At 30 June 2016, 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)	30.17
			270,000,000 (S)	4.71
E-Growth	2	Directly beneficially owned	296,000,000 (L)	5.16

L: Long position

S: Short position

- 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.
- 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 2016, 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 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 Articles of Association.

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 risk management and internal control system of the Group.

The AC had reviewed the unaudited interim results of the Group for the six months ended 30 June 2016 prior to the submission to the Board for approval.

## **Model Code of Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

## **Board of Directors**

As at the date of this report, the executive Directors include Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu, Wong Ah Yeung, Choi Wai Sang and Wang Ming Che and the independent non-executive Directors include Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *SBS, JP* and Mr. Ting Leung Huel Stephen.

On behalf of the Board

**Tongda Group Holding Limited**

**Wang Ya Nan**

*Chairman*

Hong Kong, 15 August 2016