



# Tongda Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 698

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent Non-executive Directors

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

#### COMPANY SECRETARY

Mr. Ko Chun Hay, Kelvin  
*MSc, FCPA, ACMA*

#### AUDITOR

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

##### In PRC:

Bank of China Limited  
 China Construction Bank Corporation

#### LEGAL ADVISER

##### As to Hong Kong law:

Chiu & Partners  
 Michael Li & Co.  
 Hui & Lam

##### As to PRC law:

Fujian Xieli & Partners Law Firm

##### As to Cayman Islands law:

Conyes Dill & Pearman, Cayman

#### REGISTERED OFFICE

Century Yard  
 Cricket Square  
 Hutchins Drive  
 P.O. Box 2681GT  
 George Town  
 Grand Cayman, Cayman Islands

#### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1201-03, 12th Floor  
 Shui On Centre  
 6-8 Harbour Road  
 Wanchai, Hong Kong

#### PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman)  
 Limited  
 Butterfield House  
 68 Fort Street  
 P. O. Box 705  
 George Town  
 Grand Cayman, Cayman Islands

#### HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited  
 Rooms 1901-02  
 Fook Lee Commercial Centre  
 Town Place  
 33 Lockhart Road  
 Wanchai, Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### 1. Financial

For the six months ended 30 June 2009 (the "Period"), driven by growth of the core business of the electrical fittings division, the Group's turnover rose by approximately 10% year-on-year to approximately HK\$678,086,000 (2008: HK\$614,756,000). In the consolidated account, about 9% (2008: 10%) of the total turnover of the Group for the period was contributed by Tongda (Xiamen) Technology Limited ("Xiamen Technology") 75%-owned by the Group. Excluding the contribution from the above, the Group's turnover increased by 11% year-on-year.

Although the overall average selling price of the Group's products dropped slightly when compared with the last corresponding period, with raw material price down and the Group implementing effective cost control measures and focusing on high value-added products, particularly In-Mould Lamination ("IML") products for notebook computers. Gross profit margin increased to approximately 17% (2008: 16%). Profit attributable to shareholders amounted to approximately HK\$40,977,000 (2008: HK\$45,317,000). Despite the challenging business environment and rising operating costs, the Group's net profit margin was maintained at approximately 6% (2008: 7%).

The global economy is recovering. While there are still uncertainties, opportunities are emerging for enterprises with strong foundation. To make sure it can capture those opportunities, the Group has diligently adhered to a prudent financial strategy to maintain a healthy financial position. As at 30 June 2009, the Group had cash and bank and pledged deposits balances of approximately HK\$249,116,000 (31 December 2008: HK\$191,613,000) and, to facilitate business development, it secured a long-term bank loan of HK\$350,000,000 last year.

Although the Group's financial performance was affected by the challenging market conditions, the Board is committed to generate steady returns for shareholders. Thus, the Board has recommended payment of an interim dividend of HK0.35 cent (2008: HK0.4 cent) per share for the review period, equivalent to a dividend payout ratio of 34%.

#### 2. Operational Information by Division

##### a. *Electrical Fittings Division*

After the acquisition of Xiamen Technology, the Group has become one of a few one-stop solutions providers who can manufacture the entire exterior cover of handsets, including the lens, casing, hinges, sliding lids and keypads, and the electrical fittings division has continued to report strong revenues. Furthermore, the notebook computer casing business, which has been growing rapidly, also provided significant turnover contribution to the division. During the period under review, turnover from the electrical fittings division rose by approximately 28% to approximately HK\$461,303,000 (2008: HK\$360,103,000), representing 68% of the Group's total turnover.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

IML products remained as the core business of the Group, making up 78% of the divisional turnover. During the period, the Group manufactured around 64 million pieces of IML products (2008: 45 million pieces). After years of efforts in strategic planning and technological enhancement, the Group boasts mastery of the IML technology today. IML products of the Group now applied mainly in handsets, notebook computers and electrical appliances accounted for 62%, 15% and 23% respectively of gross IML sales. Details of performance of different products are as follows:

### i. Handsets

IML application in handsets is the key business of the division. Turnover from it increased by 11% from approximately HK\$198,437,000 in the same period last year to approximately HK\$221,143,000. During the period under review, orders from world-renowned mobile phone manufacturers Nokia and Sony Ericsson continued to increase and braced the steady advancement of handset business. Orders from other key handset manufacturers in China including Huawei, ZTE Corporation and Lenovo were stable, helping to consolidate the Group's leading presence in the handset supply chain.

### ii. Notebook Computers

To optimize product mix and boost gross margin, the Group extended the use of IML technology to casings of notebook computers in 2007 and major breakthroughs in application were made subsequently. During the period under review, turnover from the business surged 8 times from approximately HK\$6,975,000 in the same period last year to HK\$54,552,000. The rapid growth of this business was owed to the IML technological breakthroughs that make integration of IML techniques including color coating, plasma surface treatment, leather incrustation, multi-colour automatic printing and alloys with various textures possible for high quality and unique surface-finishing effects for computer casings. The advancements caught the eyes of the world's four largest computer manufacturers based in Taiwan namely Asus, Hon Hai, Quanta and Compal which supply over 90% of the global notebook computer demand, and that translated into a gush of orders in a short period.

### iii. Electrical Appliances

During the period under review, with the Chinese Government continuing to subsidise rural China in purchasing household appliances and the Group having long-standing cooperative relationship with well-known customers including Haier, Midea, Gree, Philips, Cisco, Sony and Samsung, the business recorded a steady stream of orders and an approximately 20% increase in turnover to approximately HK\$83,199,000 (2008: HK\$69,171,000). With the Chinese Government committed to promote domestic consumption, this business can expect to see steady development in China.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### b. Ironware Parts Division

The strategy set by the Group for this division is to focus on relatively higher margin products including smaller and more delicate precision ironware parts and catering for overseas sales orders with higher gross margin. Thus, the Group has intentionally cut back on taking lower margin orders and, as a result, turnover of the division for the period declined to approximately HK\$163,502,000 (2008: HK\$197,421,000). As the Group has decided to dedicate more resources on other businesses with higher profitability particularly the electrical fittings division in the medium to long term, the proportion of contribution from this division to the total turnover is expected to gradually reduce.

### c. Communication Facilities Division and Other Businesses

The Group's communication facilities division mainly sells satellite television modems. It generated a turnover of approximately HK\$53,281,000 during the period under review (2008: HK\$57,232,000).

Always keeping abreast of market needs, the Group has been active in developing related high value-added products to strengthen its business mix. During the period under review, the Group invested in the business of producing handsets with interchangeable stylish and unique casings and trial production has begun. Related products are scheduled for launch in 2010 to satisfy strong customer demands for fashionable products.

Other electrical appliance business of the Group mainly manufactures trendy lifestyle consumer products including satellite navigation systems and bar speaker amplifiers. This is a new business still in investment stage, but the Group expects it to stabilise soon and secure more customers and in turn enable the Group to land new markets and generate satisfactory income.

### d. Turnover Breakdown by Products for the Six Months Ended 30 June 2009 and 2008

	<b>2009</b>	2008
Electrical Fittings Division	<b>68%</b>	59%
i. Handset	<b>44%</b>	44%
ii. Notebook Computers	<b>11%</b>	1%
iii. Electrical Appliances	<b>12%</b>	12%
iv. Other	<b>1%</b>	2%
Ironware Parts Division	<b>24%</b>	32%
Communication Facilities Division and Other Businesses	<b>8%</b>	9%

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 3. Prospect

Although the global economy has not fully recovered yet, the Group is optimistic about the prospect of the high value-added electronic consumer product market. In fact, consumers have been putting more weight on the style and design of the casings when they are buying consumer electronics and the Group's IML technology can meet such market needs. Riding on a solid foundation, advanced technologies and a strong customer base, the Group will make sure it is ready to identify development opportunities amid challenges and implement aggressive yet prudent strategies to hasten business development.

Seeing immense potential in the notebook computer market, the Group believes its computer casing business will become a growth driver of its overall operation. To capture the huge opportunities in the sector, the Group announced the acquisition of the entire issued share capital of Tongda (Shanghai) Company Limited in August this year. The acquisition secured for the Group a parcel of land with a site area of approximately 15,643 square metres and two industrial dormitory buildings with total gross floor area of approximately 9,617 square metres in Songjiang District in Shanghai, China. The Group intended to expand its production regime by adding facilities in Shanghai on top of those in Shenzhen, Xiamen and Fujian so as to stay closer to the production bases of international notebook computer manufacturers and prepare for capacity expansion in the future. To cater for the rising demand of attractive casings for notebook computers, the Group will devote more resources to develop the business.

Furthermore, as 3G network in China continues to expand, the population of 3G mobile phone users will increase and that will drive growth of the Group's handset casings business. As one of the few manufacturers capable of manufacturing the entire exterior cover of handsets and riding on the close relationship it has with major handset manufacturers in China, the Group stands well to benefit from the trend and expects handset casings business to become another strong growth driver of its business.

The Group has strived to find development opportunities for its electrical appliance business. It will collaborate with the famous Japanese company Matsushita Shokai to produce light guide plate used in LED TV from the fourth quarter of 2009. According to related researches, the penetration rate of LED TV in the market in 2009 was estimated at less than 3%, but by 2013 it was expected to rise notably to 40%. This means the market will grow at high speed in the next few years. Therefore, the cooperation is expected to bring a major breakthrough in the development of this division.

Apart from focusing on developing notebook computer, handset and electrical appliance casings business, the Group will closely monitor the fast changing market, allocate resources to support projects with strong potential and pursue merger and acquisition opportunities at suitable time so as to realise stable and rapid development.

## MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

### 4. Liquidity and financial resources

At 30 June 2009, the Group had total assets of HK\$2,166 million (31 December 2008: HK\$2,073 million); net current assets of HK\$527 million (31 December 2008: HK\$548 million) and total equity of HK\$1,238 million (31 December 2008: HK\$1,215 million).

The Group's cash and bank and pledged deposits balances as at 30 June 2009 was maintained at about HK\$249 million (31 December 2008: HK\$192 million), out of which HK\$18 million has been pledged to bank to secure banking facilities granted (31 December 2008: HK\$44 million).

The gearing ratio (total debt/equity attributable to equity holders of the Company plus total debt) was 0.40 (31 December 2008: 0.39).

As at 30 June 2009, total bank loans of the Group amounted to approximately HK\$406 million, approximately HK\$346 million was floating-rate loan and the remaining balance of approximately HK\$60 million were fixed-rate loans. The effective interest rate of the Group's bank loan is HIBOR plus 1.1% and is denominated in Hong Kong dollars. Other than the aforesaid bank loan, the remaining bank loans of the Group are denominated in RMB and EUR with effective interest rates of 5.0% and ranging from 7.8% to 7.9% respectively.

### 5. Foreign Currency risk

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 73% (2008: 53%) of the Group's sales and purchases transactions are denominated in RMB while the remaining balance of sales and purchases transactions denominated mainly in Hong Kong dollars and United States dollars. As the foreign currencies risks generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency.

Considering the appreciation of RMB, the Group will maintain a comparatively higher level of Hong Kong dollars borrowings than RMB borrowings to minimise the possible currency risk therefrom.



**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2009</b>	2008
		<b>HK\$'000</b>	<i>HK\$'000</i>
REVENUE	4	<b>678,086</b>	614,756
Cost of sales		<b>(562,460)</b>	(518,956)
Gross profit		<b>115,626</b>	95,800
Other income and gains, net		<b>17,639</b>	45,927
Selling and distribution costs		<b>(18,190)</b>	(19,490)
Administrative expenses		<b>(49,196)</b>	(45,112)
Other expenses		<b>(821)</b>	(13,323)
Finance costs		<b>(9,739)</b>	(13,654)
Share of profits and losses of:			
Associates		<b>435</b>	1,855
A jointly-controlled entity		<b>-</b>	3,572
PROFIT BEFORE TAX	5	<b>55,754</b>	55,575
Tax	6	<b>(10,623)</b>	(7,914)
PROFIT FOR THE PERIOD		<b>45,131</b>	47,661
Attributable to:			
Ordinary equity holders of the Company		<b>40,977</b>	45,317
Minority interests		<b>4,154</b>	2,344
		<b>45,131</b>	47,661
DIVIDEND	7		
Interim		<b>13,964</b>	15,959
		<b>13,964</b>	15,959
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
– Basic		<b>1.03 cents</b>	1.14 cents
– Diluted		<b>1.03 cents</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	<b>45,131</b>	47,661
Exchange realignment	<b>56</b>	28,716
Surplus on revaluation	<b>1,159</b>	1,554
	<b>1,215</b>	30,270
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>46,346</b>	77,931
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	<b>42,192</b>	75,587
Minority interests	<b>4,154</b>	2,344
	<b>46,346</b>	77,931

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2009</b>	2008
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>783,028</b>	752,758
Investment property	10	<b>4,120</b>	3,850
Prepaid land lease payments		<b>27,560</b>	27,887
Interest in associates		<b>31,745</b>	31,226
Prepayments		<b>54,841</b>	55,449
Long term deposits		<b>7,352</b>	7,352
Deferred tax assets		<b>3,833</b>	3,833
		<hr/>	<hr/>
Total non-current assets		<b>912,479</b>	882,355
<b>CURRENT ASSETS</b>			
Inventories		<b>368,674</b>	305,872
Trade and bills receivables	11	<b>538,211</b>	600,152
Prepayments, deposits and other receivables		<b>96,405</b>	90,019
Derivative financial assets		<b>766</b>	2,894
Tax recoverable		<b>676</b>	110
Pledged deposits		<b>17,719</b>	43,738
Cash and cash equivalents		<b>231,397</b>	147,875
		<hr/>	<hr/>
Total current assets		<b>1,253,848</b>	1,190,660
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	<b>314,348</b>	262,300
Accrued liabilities and other payables		<b>75,962</b>	98,041
Derivative financial liabilities		<b>2,042</b>	2,273
Interest-bearing bank borrowings	13	<b>207,715</b>	170,907
Due to minority shareholders		<b>2,306</b>	609
Tax payable		<b>110,532</b>	108,591
Dividend payable		<b>13,964</b>	-
		<hr/>	<hr/>
Total current liabilities		<b>726,869</b>	642,721
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		<b>526,979</b>	547,939
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		<b>1,439,458</b>	1,430,294

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****(Continued)**

		<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
	<i>Notes</i>		
NON- CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	<b>198,006</b>	211,205
Deferred tax liabilities		<b>3,607</b>	3,757
		<hr/>	<hr/>
Total non-current liabilities		<b>201,613</b>	214,962
		<hr/>	<hr/>
Net assets		<b>1,237,845</b>	1,215,332
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	14	<b>39,898</b>	39,898
Reserves		<b>1,162,017</b>	1,133,789
Proposed final dividend		<b>-</b>	7,980
		<hr/>	<hr/>
Minority interests		<b>1,201,915</b>	1,181,667
		<b>35,930</b>	33,665
		<hr/>	<hr/>
Total equity		<b>1,237,845</b>	1,215,332
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Unaudited six months ended 30 June 2009												
	Attributable to ordinary equity holders of the Company												
	Issued capital	Share premium account	Share option reserve	Capital reserve	Assets revaluation reserve	Capital redemption reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2009	39,898	473,527	9,666	993	10,391	287	49	81,769	557,107	7,900	1,181,667	33,665	1,215,332
Profit for the period	-	-	-	-	-	-	-	-	40,977	-	40,977	4,154	45,131
Other comprehensive income	-	-	-	-	1,159	-	-	56	-	-	1,215	-	1,215
Total comprehensive income	-	-	-	-	1,159	-	-	56	40,977	-	42,192	4,154	46,346
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	-	(960)	(960)
Partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(996)	(996)
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	75	75
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	(7,900)	(7,900)	-	(7,900)
Interim 2009 dividend	-	-	-	-	-	-	-	-	(13,964)	-	(13,964)	-	(13,964)
At 30 June 2009	<u>39,898</u>	<u>473,527</u>	<u>9,666</u>	<u>993</u>	<u>11,550</u>	<u>287</u>	<u>49</u>	<u>81,825</u>	<u>584,120</u>	<u>-</u>	<u>1,201,915</u>	<u>35,930</u>	<u>1,237,845</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Unaudited six months ended 30 June 2008 (Restated)											Minority interests	Total equity
	Attributable to ordinary equity holders of the Company												
	Issued capital	Share premium account	Share option reserve	Capital reserve	Assets revaluation reserve	Capital redemption reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	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	HK\$'000
At 1 January 2008	39,975	472,734	4,393	993	11,796	190	49	51,847	519,077	31,918	1,132,972	5,429	1,138,401
Profit for the period	-	-	-	-	-	-	-	-	45,317	-	45,317	2,344	47,661
Other comprehensive income	-	-	-	-	1,554	-	-	28,716	-	-	30,270	-	30,270
Total comprehensive income	-	-	-	-	1,554	-	-	28,716	45,317	-	75,587	2,344	77,931
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	40,516	40,516
Share issued upon exercise of share options	20	610	-	-	-	-	-	-	-	-	630	-	630
Transfer of share option reserve upon exercise of share options	-	183	(183)	-	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	4,449	-	-	-	-	-	-	-	4,449	-	4,449
Repurchase and cancellation of shares	(97)	-	-	-	-	97	-	-	(3,332)	-	(3,332)	-	(3,332)
Final 2007 dividend declared	-	-	-	-	-	-	-	-	-	(31,918)	(31,918)	-	(31,918)
Interim 2008 dividend	-	-	-	-	-	-	-	-	(15,959)	-	(15,959)	-	(15,959)
At 30 June 2008	<u>39,898</u>	<u>473,527</u>	<u>8,659</u>	<u>993</u>	<u>13,350</u>	<u>287</u>	<u>49</u>	<u>80,563</u>	<u>545,103</u>	<u>-</u>	<u>1,162,429</u>	<u>48,289</u>	<u>1,210,718</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>105,776</b>	24,871
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(38,624)</b>	(115,356)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<b>16,314</b>	30,553
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>83,466</b>	(59,932)
Cash and cash equivalents at beginning of period	<b>147,875</b>	146,627
Effects of foreign exchange rate changes, net	<b>56</b>	5,297
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b><u>231,397</u></b>	<u>91,992</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balance	<b><u>231,397</u></b>	<u>91,992</u>

## 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 address of its registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of accessories for electrical appliance products and other electronic products and ironware products.

### 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 2008.

### 3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2008, except that the Group has adopted a number of new interpretations and amendments to the Hong Kong Financial Reporting Standards (the "HKFRSs"), which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations, for the first time for the Interim Financial Statements. Except for HKAS 1 (Revised) and HKFRS 8 as described below, the adoption of these new interpretations and amendments has had no material effect on these condensed consolidated interim financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 3. ACCOUNTING POLICIES (Continued)

HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

Apart from the above, the HKICPA has issued Improvements to HKFRSs\* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

\* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 3. ACCOUNTING POLICIES (Continued)

HKFRS 8, which replaced HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. Following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed. In prior years, segment information reported externally was analysed on the Group's four operating divisions, i.e. electrical fittings, ironware parts, communications facilities and corporate and others, in accordance with HKAS 14 "Segment Reporting". However, information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance focuses specifically on three operating divisions only. As a result, the communication facilities, and corporate and others are combined into one category, namely communication facilities and others only. Disclosures about each of these segments are shown in note 4 and comparative figures for 2008 have been restated.

The Group has not early applied the following new and revised HKFRSs relevant to the condensed consolidated interim financial statements, that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results of operations and financial position of the Group.

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items <sup>1</sup>
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. SEGMENT INFORMATION

The following tables present unaudited revenue, results, assets and liabilities for the Group's operating segments for the periods ended 30 June 2009 and 2008.

	Unaudited six months ended 30 June 2009				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment revenue:					
Sales to external customers	461,303	163,502	53,281	-	678,086
Intersegment sales	1,762	786	-	(2,548)	-
Total	<u>463,065</u>	<u>164,288</u>	<u>53,281</u>	<u>(2,548)</u>	<u>678,086</u>
Segment results before depreciation and amortisation	75,833	16,733	(4,824)	(1,004)	86,738
Depreciation	(31,196)	(5,276)	(1,881)	-	(38,353)
Amortisation	(291)	(638)	(37)	-	(966)
Segment results	<u>44,346</u>	<u>10,819</u>	<u>(6,742)</u>	<u>(1,004)</u>	47,419
Unallocated income					17,639
Finance costs					(9,739)
Share of profits and losses of: Associates					435
Profit before tax					55,754
Tax					(10,623)
Profit for the period					<u>45,131</u>

Segment results represents the profit earned or loss incurred by each segment without allocation of other income and gains – net, finance costs and share of profits and losses of associates. This is the information reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30 June 2009				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment assets	<u>1,714,088</u>	<u>380,505</u>	<u>767,432</u>	<u>(981,833)</u>	<u>1,880,192</u>
Unallocated assets					<u>286,135</u>
Total assets					<u>2,166,327</u>
Segment liabilities	<u>1,294,086</u>	<u>248,631</u>	<u>290,078</u>	<u>(1,426,215)</u>	<u>406,580</u>
Unallocated liabilities					<u>521,902</u>
Total liabilities					<u>928,482</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30 June 2008 (Restated)				Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	
Segment revenue:					
Sales to external customers	360,103	197,421	57,232	-	614,756
Intersegment sales	4,884	-	3,927	(8,811)	-
<b>Total</b>	<b>364,987</b>	<b>197,421</b>	<b>61,159</b>	<b>(8,811)</b>	<b>614,756</b>
Segment results before depreciation and amortisation	61,732	12,608	(17,632)	1,398	58,106
Depreciation	(33,215)	(4,896)	(1,361)	-	(39,472)
Amortisation	(212)	(510)	(37)	-	(759)
<b>Segment results</b>	<b>28,305</b>	<b>7,202</b>	<b>(19,030)</b>	<b>1,398</b>	<b>17,875</b>
Unallocated income					45,927
Finance costs					(13,654)
Share of profits and losses of:					
Associates					1,855
A jointly controlled entity					3,572
Profit before tax					55,575
Tax					(7,914)
<b>Profit for the period</b>					<b>47,661</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 4. SEGMENT INFORMATION (Continued)

	Audited 31 December 2008 (Restated)				
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	<u>1,816,388</u>	<u>486,763</u>	<u>1,027,266</u>	<u>(1,487,078)</u>	1,843,339
Unallocated assets					<u>229,676</u>
Total assets					<u>2,073,015</u>
Segment liabilities	<u>1,402,299</u>	<u>326,436</u>	<u>543,513</u>	<u>(1,911,298)</u>	360,950
Unallocated liabilities					<u>496,733</u>
Total liabilities					<u>857,683</u>

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2009 and 2008.

	Unaudited six months ended 30 June											
	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Segment revenue:												
Sales to external customers	<u>23,440</u>	<u>67,526</u>	<u>519,004</u>	<u>463,480</u>	<u>63,669</u>	<u>8,884</u>	<u>20,182</u>	<u>9,112</u>	<u>51,791</u>	<u>65,754</u>	<u>678,086</u>	<u>614,756</u>

For the six months ended 30 June 2009 and 2008, the revenue from the Group's largest customer was less than 10% of the Group's total revenue.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 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>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid land lease payments	<b>327</b>	249
Amortisation of prepayments	<b>639</b>	510
Depreciation of property, plant and equipment	<b>38,353</b>	39,472
Net fair value change on foreign exchange derivative financial instruments	<b>2,144</b>	3,783
Impairment/(write-back of impairment) of trade receivables	<b>(818)</b>	9,889
Foreign exchange differences, net	<b>2,577</b>	(32,621)
Loss on write-off of items of property, plant and equipment	<b>-</b>	38
Write-off of trade receivable	<b>655</b>	-
Change in fair value of an investment property	<b>(270)</b>	(350)
	<b><u>          </u></b>	<b><u>          </u></b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") being effective on 1 January 2008, the Corporate Income Tax (the "CIT") rate was changed from 33% to 25%. Under the relevant laws and regulations in the PRC, certain subsidiaries of the Group operating in Mainland China are exempted from CIT for two years from their respective first profit-making years and are eligible for a 50% reduction in CIT for the following three years. In addition, a reduced tax rate of 20% (2008: 18%) can be enjoyed by the subsidiary in the year 2009 if it is located in the Special Economic Zone of the PRC.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	<b>47</b>	2,733
Underprovision in prior years	<b>22</b>	–
	<b>69</b>	2,733
Current – Elsewhere		
Charge for the period	<b>10,802</b>	5,181
Underprovision in prior years	<b>131</b>	–
	<b>10,933</b>	5,181
Deferred tax	<b>(379)</b>	–
Total tax charge for the period	<b>10,623</b>	7,914

The share of tax attributable to associates amounting to HK\$3,400 (2008: HK\$103,130) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 7. DIVIDEND

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Interim dividend – HK0.35 cent (2008: HK0.4 cent) per ordinary share	<b>13,964</b>	15,959

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the unaudited profit attributable to the ordinary equity holders of the Company of HK\$40,977,000 (2008: HK\$45,317,000), and the weighted average of 3,989,800,000 (2008: 3,989,864,451) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2009 is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK\$40,977,000. The weighted average number of ordinary shares of 3,997,378,927 used in the calculation is the weighted average of 3,989,800,000 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 7,578,927 ordinary shares assumed to have been issued at no consideration on the deemed exercise of 20,000,000 dilutive share options during the period.

The diluted earnings per share for the period ended 30 June 2008 had not been disclosed as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during that period and thus the share options had no diluting effect.

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2009, the Group acquired assets with a total cost of HK\$67,266,000 (31 December 2008: HK\$229,905,000). During the six-month ended 30 June 2008, assets with a net book value of HK\$5,618,000 were disposed of and written off by the Group.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 10. INVESTMENT PROPERTY

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Carrying amount at 1 January	<b>3,850</b>	4,000
Fair value adjustment	<b>270</b>	(150)
	<hr/> <b>4,120</b> <hr/>	<hr/> 4,000 (150) <hr/>
Carrying amount at 30 June	<b>4,120</b>	3,850
	<hr/> <b>4,120</b> <hr/>	<hr/> 3,850 <hr/>

The Group's investment property located at Unit C, 7th Floor, Seabright Plaza, Nos. 9, 11, 13, 15, 17, 19, 21 and 23 Shell Street, Hong Kong and held under the medium term lease and has been pledged as security against banking facilities granted to the Group.

The Group's investment property was revalued on 30 June 2009 by Asset Appraisal Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis of HK\$4,120,000 (31 December 2008: HK\$3,850,000).

### 11. TRADE AND BILLS RECEIVABLES

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Trade receivables	<b>512,754</b>	579,040
Impairment allowances	<b>(18,824)</b>	(19,642)
	<hr/> <b>493,930</b> <hr/>	<hr/> 579,040 (19,642) <hr/>
Bills receivables	<b>44,281</b>	40,754
	<hr/> <b>538,211</b> <hr/>	<hr/> 559,398 40,754 <hr/>
	<hr/> <b>538,211</b> <hr/>	<hr/> 600,152 <hr/>

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 past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The trade receivables are non-interest-bearing.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 11. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the Group's trade and bills receivables as at 30 June 2009, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Within 3 months	<b>443,145</b>	495,404
4 to 6 months, inclusive	<b>63,098</b>	86,596
7 to 9 months, inclusive	<b>20,683</b>	4,343
10 to 12 months, inclusive	<b>2,590</b>	1,378
More than 1 year	<b>27,519</b>	32,073
	<b>557,035</b>	619,794
Impairment allowances	<b>(18,824)</b>	(19,642)
	<b>538,211</b>	600,152

### 12. TRADE AND BILLS PAYABLES

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Trade payables	<b>212,556</b>	205,789
Bills payables	<b>101,792</b>	56,511
	<b>314,348</b>	262,300

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 30 June 2009, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Within 3 months	<b>249,963</b>	223,012
4 to 6 months, inclusive	<b>49,259</b>	28,866
7 to 9 months, inclusive	<b>6,531</b>	4,949
10 to 12 months, inclusive	<b>1,310</b>	1,607
More than 1 year	<b>7,285</b>	3,866
	<b>314,348</b>	262,300

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 13. INTEREST-BEARING BANK BORROWINGS

	<b>Maturity</b>	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
<b>Current</b>			
Bank loans – unsecured	2009/2010	<b>207,715</b>	117,525
Bank loans – secured	2009	<b>–</b>	53,382
		<hr/>	<hr/>
		<b>207,715</b>	170,907
<b>Non-current</b>			
Bank loans – unsecured	2010-2011	<b>198,006</b>	211,205
		<hr/>	<hr/>
		<b>405,721</b>	382,112
		<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2009, the Group's banking facilities were supported by:

- (a) an investment property owned by the Group (note 10) to secure the issuance of trade finance facilities;
- (b) the pledge of bank deposits of approximately HK\$17,719,000 (31 December 2008: HK\$43,738,000) to secure the issuance of bills payables; and
- (c) corporate guarantees from the Company and certain of its subsidiaries.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 14. SHARE CAPITAL

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<b>200,000</b>	200,000
Issued and fully paid:		
3,989,800,000 (2008: 3,989,800,000) ordinary shares of HK\$0.01 each	<b>39,898</b>	39,898

### 15. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment property (note 10) under operating lease arrangements, with leases negotiated for terms of two 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Within one year	<b>1,511</b>	1,358
In the second to fifth years, inclusive	<b>2,753</b>	3,239
	<b>4,264</b>	4,597

#### (b) As lessee

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. In addition, the Group leases certain of its offices properties under operating lease arrangements for terms of over five years.

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
Within one year	<b>8,441</b>	6,938
In the second to fifth years, inclusive	<b>14,968</b>	17,566
After five years	<b>10,332</b>	10,222
	<b>33,741</b>	34,726

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 16. COMMITMENTS

In addition to the operating lease commitments set out in note 15(b) above, the Group had the following capital commitments contracted but not provided for at the balance sheet date:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Purchases of property, plant and equipment	<b>5,336</b>	7,687
Construction of factory buildings in Mainland China	<b>699</b>	–
Investments in subsidiaries	<b>49,202</b>	60,202
	<b>55,237</b>	67,889

The Company had no significant commitments at the balance sheet (31 December 2008: Nil).

### 17. CONTINGENT LIABILITIES

At 30 June 2009, the Company had contingent liabilities in respect of outstanding irrevocable letters of credit of HK\$25 million (31 December 2008: HK\$22 million). Save as disclosed above, the Group did not have any significant contingent liabilities as at the balance sheet date.

### 18. POST BALANCE SHEET EVENT

On 11 August 2009, the Group entered into a sales and purchases agreement to acquire the entire equity interests of Tongda (Shanghai) Company Limited, a company incorporated in Hong Kong, and a loan of HK\$7,005,000 from E-Growth Resources Limited, at a total consideration of HK\$71,188,000 (the "Acquisition"). The Acquisition constitutes a connected transaction to the Group and the details of which are set out in the Group's announcement dated 14 August 2009. The Acquisition is still subject to certain conditions to complete, up to the date of these Interim Financial Statements.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 19. RELATED PARTIES TRANSACTIONS

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.

	<i>Notes</i>	<b>Unaudited 30 June 2009 HK\$'000</b>	Unaudited 30 June 2008 HK\$'000
Associates:			
Technology consultancy fee	<i>(i)</i>	<b>300</b>	300
Sales of products	<i>(ii)</i>	<b>4,804</b>	–
Purchases of raw materials and finished goods	<i>(iii)</i>	<b>364</b>	–
Rental income	<i>(iv)</i>	<b>636</b>	–
A former jointly-controlled entity:			
Sales of raw materials	<i>(ii)</i>	–	1,267
Purchases of raw materials and finished goods	<i>(iii)</i>	–	3,924
Rental income	<i>(iv)</i>	–	699
A related company in which a director of the Company is a shareholder:			
Sales of raw material	<i>(ii)</i>	–	897

#### Notes:

- (i) The technology consultancy fee was received from an associate for the provision of technology support provided by the Group charged at HK\$50,000 (2008: HK\$50,000) per month.
- (ii) The sales to associates, a former jointly-controlled entity and a related company were made according to the terms similar to those offered to the Group's non-related customers.
- (iii) The purchases from associates and a former jointly-controlled entity were made according to the terms similar to those offered to the Group's non-related suppliers.
- (iv) The rental income received from associates and a former jointly-controlled entity represented the leasing of factory premises and staff quarters of the Group located at Shenzhen and Xiamen, the PRC, respectively.

### 20. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 23 September 2009.

## SUPPLEMENTARY INFORMATION

### Interim Dividend

The board of directors (the "Board") of the Company declared an interim dividend of HK0.35 cent (2008: HK0.4 cent) per ordinary share for the period ended 30 June 2009 payable on or about 6 November 2009 to shareholders whose names appear on the register of members of the Company on 27 October 2009.

### Closure of register of members

The Register of Members will be closed from 27 October 2009 to 2 November 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on 23 October 2009.

### Directors' interest and short positions in shares and underlying shares

At 30 June 2009, 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:

Name of directors	Directly beneficially owned	Number of shares held, capacity and nature of interest through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	34,920,000	2,000,490,000*	2,035,410,000	51.02
Mr. Wang Ya Hua	19,920,000	2,000,490,000*	2,020,410,000	50.64
Mr. Wong Ah Yu	25,160,000	2,000,490,000*	2,025,650,000	50.77
Mr. Wong Ah Yeung	32,000,000	2,000,490,000*	2,032,490,000	50.94
Mr. Choi Wai Sang	21,250,000	78,750,000**	100,000,000	2.51
Mr. Cheung Wah Fung	12,210,000	-	12,210,000	0.31

#### Notes:

\* These shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% each by Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").

\*\* These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.



**SUPPLEMENTARY INFORMATION (Continued)****Directors' interest and short positions in shares and underlying shares (Continued)**

Saved as disclosed above, as at 30 June 2009 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.

**SUPPLEMENTARY INFORMATION (Continued)****Share Option Scheme (Continued)**

The following table lists the details of the share options granted under the Scheme and their movements during the Period:

Name and category of participants	1 January 2009	Number of share options			As at 30 June 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$
		Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period				
Directors								
Mr. Wang Ya Nan	23,500,000	-	-	-	23,500,000	3 July 2007 and 16 February 2008	4 July 2007 to 3 July 2017 and 17 February 2008 to 16 February 2018	0.586 and 0.315
Mr. Wang Ya Hua	23,500,000	-	-	-	23,500,000	3 July 2007 and 16 February 2008	4 July 2007 to 3 July 2017 and 17 February 2008 to 16 February 2018	0.586 and 0.315
Mr. Wong Ah Yu	23,500,000	-	-	-	23,500,000	3 July 2007 and 16 February 2008	4 July 2007 to 3 July 2017 and 17 February 2008 to 16 February 2018	0.586 and 0.315
Mr. Wong Ah Yeung	23,500,000	-	-	-	23,500,000	3 July 2007 and 16 February 2008	4 July 2007 to 3 July 2017 and 17 February 2008 to 16 February 2018	0.586 and 0.315
Mr. Choi Wai Sang	5,000,000	-	-	-	5,000,000	16 February 2008	17 February 2008 to 16 February 2018	0.315
Mr. Ting Leung Huel, Stephen	4,000,000	-	-	-	4,000,000	3 July 2007 and 16 February 2008	4 July 2007 to 3 July 2017 and 17 February 2008 to 16 February 2018	0.586 and 0.315
Mr. Cheung Wah Fung Christopher	4,000,000	-	-	-	4,000,000	3 July 2007 and 16 February 2008	4 July 2007 to 3 July 2017 and 17 February 2008 to 16 February 2018	0.586 and 0.315
Mr. Yu Sun Say	2,000,000	-	-	-	2,000,000	16 February 2008	17 February 2008 to 16 February 2018	0.315
	109,000,000	-	-	-	109,000,000			
Other employees In aggregate	48,000,000	-	-	-	48,000,000	9 March 2007 and 16 February 2008	10 March 2007 to 9 March 2017 and 17 February 2008 to 16 February 2018	0.485 and 0.315
	157,000,000	-	-	-	157,000,000			

**SUPPLEMENTARY INFORMATION (Continued)****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 157,000,000 share options outstanding under the New Scheme, which represented approximately 3.94% of the Company's share in issue as at that date.

**Substantial shareholders**

At 30 June 2009, the interests and short positions of the substantial shareholders, other than directors or chief executives of the Company, in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in the ordinary shares of the Company:

<b>Name of shareholder</b>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Landmark Worldwide Holdings Limited	1	Directly beneficially owned	2,000,490,000	50.14

1. The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers.

**SUPPLEMENTARY INFORMATION (Continued)****Substantial shareholders (Continued)**

Save as disclosed above, as at 30 June 2009, 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.

**Purchase, 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 throughout the Period with the Code Provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules, 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 appropriate under the circumstances.

**Remuneration Committee**

The Remuneration Committee (the "RC") consists of the Chairman and CEO of the Company and three independent non-executive directors. Members of the RC include Mr. Ting Leung Huel, Stephen (Chairman), Mr. Wang Ya Nan, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say, J.P. The main responsibility is to discuss, review and determine the remuneration of all directors and senior management.

**Audit Committee**

The Audit Committee (the "AC") consists of three independent non-executive directors. In establishing and adopting the terms of reference of the AC, the board of directors had regarded to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

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 2009 prior to the submission to the Board for approval.

**SUPPLEMENTARY INFORMATION (Continued)****Model Code of Securities Transactions by Directors**

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

**Board of Directors**

As at the date of this report, the Board comprises Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yu, Mr. Wong Ah Yeung, Mr. Choi Wai Sang and Mr. Wang Ming Che as executive directors; and Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung Christopher, J.P. and Dr. Yu Sun Say, J.P. as independent non-executive directors.

On behalf of the Board

**Wang Ya Nan**

*Chairman*

Hong Kong, 23 September 2009