

TONGDA GROUP HOLDINGS LIMITED

Interim Report

2017

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Condensed Consolidated Income Statement	14
Condensed Consolidated Statement of Comprehensive Income	15
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Changes in Equity	18
Condensed Consolidated Statement of Cash Flows	20
Notes to Condensed Consolidated Interim Financial Statements	21
Supplementary Information	49

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

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 2017 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 2017, the Group’s turnover grew from HK\$3,238.8 million in the corresponding period of last year by 11.7% to HK\$3,618.2 million. Profit attributable to owners of the Company decreased from HK\$380.1 million in the corresponding period of last year by 23.6% to HK\$290.5 million.

Revenue

During the Period, the Group mainly benefited from the increase in sales of metal handset casings, resulting in an increase in revenue by 11.7% as compared with the corresponding period of last year.

Financial Review (continued)

Gross Profit

The Group's gross profit for the Period increased by 16.4% to HK\$919.5 million compared with HK\$790.1 million in the corresponding period of last year, which was mainly attributable to the overall increase in gross profit margin from 24.4% last year to 25.4% 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\$50.9 million, an increase of HK\$27.7 million from the corresponding period of last year, which was mainly attributable to the increase in government subsidy.

Selling and Distribution Expenses

During the Period under Review, selling and distribution expenses decreased by 0.7% from HK\$60.8 million to HK\$60.4 million. The decrease was mainly attributable to the decrease in sample fee and travelling expenses.

Administrative Expenses

During the Period under Review, administrative expenses increased to HK\$395.3 million, which was mainly attributable to the increase in research and development ("R&D") expenses, labour costs and equity-settled share option expenses. The increase in R&D expenses was attributable to the continuous investment in R&D projects and further business development.

Financial Review (continued)

Other Operating Expenses, net

During the Period under Review, other operating expenses, net, recorded an expense of HK\$88.8 million, as compared with an expense of HK\$5.9 million for the corresponding period of last year, which was mainly attributable to the increase in impairment of trade and other receivables and net loss from exchange differences.

Finance Costs

During the Period under Review, finance costs increased 24.5% from HK\$34.3 million to HK\$42.7 million, which was mainly attributable to the increase in interest expenses on borrowings and invoice factoring. It was partially offset by the decrease in interest expenses of discounting.

Profit before Tax

For the six months ended 30 June 2017, profit before tax amounted to HK\$385.8 million, representing a period-on-period decrease of 15.6% from HK\$457.0 million in line with the increase in operating expenses, increase in impairment of trade and other receivables and net loss from exchange differences.

Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company decreased 23.6% from HK\$380.1 million in the corresponding period of last year to HK\$290.5 million, and the net profit margin attributable to owners of the Company decreased to 8.0% (30 June 2016: 11.7%), which was mainly attributable to the increase in impairment of trade and other receivables and net loss from exchange differences.

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 under Review, 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.

Liquidity, Financial Resources and Capital Structure (continued)

As at 30 June 2017, the Group has cash and cash equivalents and pledged deposits balance of HK\$967.4 million (31 December 2016: HK\$1,131.2 million) without holding any structural investment contract.

The Group's cash and bank balances remained at about HK\$967.4 million (31 December 2016: HK\$1,131.2 million), of which approximately HK\$365.0 million (31 December 2016: HK\$262.2 million) has been pledged to banks as security for trade financing.

As at 30 June 2017, the Group had total assets of HK\$11,320.3 million (31 December 2016: HK\$10,590.0 million), net current assets of HK\$2,111.4 million (31 December 2016: HK\$2,381.2 million) and equity of HK\$5,000.7 million (31 December 2016: HK\$4,666.3 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\$596.9 million (31 December 2016: HK\$1,214.8 million), which was mainly used in acquisition of production equipments and construction of new manufacturing plants.

Treasury Policy

The Group's sales were principally denominated in Hong Kong dollars, RMB and US dollars while purchases were transacted mainly in Hong Kong dollars, RMB, US dollars and Japanese Yen. As the foreign currency risks generated from the sales and purchases can be off set against each other and the fluctuation of RMB in 2017 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\$365.0 million (31 December 2016: HK\$262.2 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK\$45.6 million (31 December 2016: HK\$44.5 million) mortgaged by the Group as at 30 June 2017, the Group had not pledged its assets to any financial institutions.

Human Resources

As at 30 June 2017, the Group employed a total of approximately 20,000 permanent employees (30 June 2016: 19,000 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2017 amounted to HK\$754.6 million (30 June 2016: HK\$690.5 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 2017, the gearing ratio of the Group (consolidated net borrowings/total equity) was 45.6% (31 December 2016: 39.5%).

As at 30 June 2017, other than the non-current portion of bank loans of HK\$902.7 million (31 December 2016: HK\$609.9 million), the Group had bank and other borrowings of HK\$1,899.9 million (31 December 2016: HK\$1,490.0 million) which will be repayable within one year from the end of the reporting period.

Gearing Ratio and Indebtedness (continued)

Bank loans carry interest rate ranging from 1.56% per annum (“p.a.”) to 6.00% p.a. (31 December 2016: carry interest rate ranging from 1.82% p.a. to 4.99% 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, our business maintained a stable growth. In particular, revenue grew by 11.7% from HK\$3,238.8 million in the corresponding period of last year to approximately HK\$3,618.2 million, and net profit attributable to owners of the Company decreased from HK\$380.1 million in the corresponding period of last year by 23.6% to approximately HK\$290.5 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 by 12.4% from HK\$2,619.3 million in the corresponding period of last year to approximately HK\$2,943.8 million, representing 81.4% of the total turnover of the Group.

Handsets

The global smartphone market is expected to be saturated and the penetration rate of the PRC metal handset casing designs continues to rise. With new casing designs yet to be launched, the Group’s product portfolio has changed, presenting a downward pressure on the average unit price. Turnover increased by 12.7% from HK\$2,090.5 million in the corresponding period of last year to HK\$2,355.5 million, accounting for 65.1% of total turnover.

In its bid to capture a greater proportion of the maturing handset casings market, the Group resorted to cost-effective production programme, which help boost its gross profit. During the Period, the Group has endeavored to expand its coverage in its target market so as to secure more orders from international brands, and maintain a more balanced and stable customer base.

Business Review (continued)

Handsets (continued)

The Group attached great importance on the newly established waterproof, dustproof and shockproof components business. Upon the capacity expansion early this year, the Group actively carried out research and development (“R&D”) as well as staff training for our customers in order to be well-prepared for the upcoming mass production projects. In the meantime, the Group actively explored non-metallic casings projects, such as In-mold Transfer (“IMT”) precision plastic component, 2.5D/3D glass and back covers made of composite materials; coupled with our metal middle frames, different design requirements from customers could be fulfilled.

Electrical Appliances

During the Period under Review, the electrical appliances business recorded a decrease in sales of 2.3% from HK\$351.9 million in the corresponding period of last year to HK\$344.0 million, representing 9.5% of the total turnover. This business primarily engages in manufacturing control panels and casings for high-end household white goods, such as intelligent air-conditioning systems, washing machines and refrigerators, for Chinese and international brands.

Notebook Computers

Revenue from notebook computers for the Period under Review increased from HK\$176.9 million by 38.1% to HK\$244.3 million, representing 6.8% of the total turnover. Major products of the operation include ultrabook and tablet casings made by precision metal and plastic component, as well as computer-related products.

Ironware Parts Division

During the Period under Review, revenue of this division decreased by 32.7% from HK\$196.4 million in the corresponding period of last year to HK\$132.0 million, representing 3.6% of the turnover. The Group mainly produces metal set top boxes casings for clients in Europe and the U.S., but also provides 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 28.2% from HK\$423.1 million in the corresponding period of last year to HK\$542.4 million, representing 15.0% of the turnover. The division primarily engages in producing plastic set top boxes casings, durable household goods, sports equipment and automotive interior decorations. The Group secured six new customers in last year, and gradually carried out design and trial production in the first half of this year; together with the stable production from the existing projects, the overall business has been developed rapidly.

Percentage of total revenue by types of product for the six months ended 30 June 2017 and a comparison with the corresponding period of last year are as follows:

	2017	2016
Electrical Fittings Division	81.4%	80.9%
i. Handsets	65.1%	64.5%
ii. Electrical Appliances	9.5%	10.9%
iii. Notebook Computers	6.8%	5.5%
Ironware Parts Division	3.6%	6.1%
Communication Facilities and Other Business	15.0%	13.0%

Prospects

Metal casing has become a standard component for handsets. It is expected that more handsets will use metal casing as its new design. As the second half year is generally the traditional peak season for handset industry, the Group will seize the opportunity to focus on the development of different businesses.

Business Review (continued)

Prospects (continued)

First, manufacturing of metal casings remain the core business of the Group. Various flagship products are expected to be launched in the market in the second half of the year. The Group will continue to strengthen the R&D on the new craftsmanship and improve the production efficiency and the production yield rate so as to meet the demand in the peak seasons.

Second, waterproof components have now become the standard accessories of international high end handset market, and the waterproof level is progressively improved. The market anticipates more Chinese and international brands will adopt waterproof components for their flagship models. Meanwhile, waterproof components has extensive applications in electronic products such as notebook computers, tablet and smart watches, which require a variety of waterproof components for protection. The Group has achieved recognition from international customers, and will be benefit from the huge development potential of the business in the future.

Third, as the AMOLED screen became the mainstream of handsets' display, the design of metal middle frames with non-metallic back casing from international brands is expected to tap into the mainland market. Mid-range-to-high end handset models gradually change to use metal middle frames with non-metallic back casing made of 2.5D/3D glass, IMT precision plastic component, composite materials or ceramic, enhancing the product value of the Group's accessories. Being one of the few suppliers possessing the capacity for craftsmanship of different material in the market, including the use of metal middle frames for different models of handsets, the Group will have more flexibility and competitiveness in the production process, forming a matrix with various craftsmanship and technologies for all types of products.

Business Review (continued)

Prospects (continued)

The automotive business remained a rapid and steady development. Since the Group secured certain new brands in last year, the production of compatible components of the interior decorations will gradually commence in this year and next year. Along with the steady growth of the domestic automotive market and the enhancement of its strategic positioning, the Group will strive to enhance its market share by cooperating with more automotive brands, providing more models for each brand, as well as producing more components of the interior decorations for each model.

The Group will resolve and mitigate the pressure of cost escalation through control of expenditure. Meanwhile, the Group is committed to improving its production efficiency through actively developing new craftsmanship and technology as well as investing in equipment, so as to lay the foundation for grasping the changing market opportunities, and become well-prepared for the new challenges in the future.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
	Notes	2017 HK\$'000	2016 HK\$'000
REVENUE	4	3,618,238	3,238,765
Cost of sales		(2,698,715)	(2,448,642)
Gross profit		919,523	790,123
Other income and gains, net		50,898	23,204
Selling and distribution expenses		(60,353)	(60,817)
Administrative expenses		(395,263)	(256,406)
Other operating expenses, net		(88,756)	(5,910)
Finance costs		(42,713)	(34,347)
Share of profit and losses of associates		–	151
Share of profit of a jointly-controlled entity		2,483	1,033
PROFIT BEFORE TAX	5	385,819	457,031
Income tax expense	6	(86,303)	(81,851)
PROFIT FOR THE PERIOD		299,516	375,180
Attributable to:			
Owners of the Company		290,499	380,083
Non-controlling interests		9,017	(4,903)
		299,516	375,180
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK4.92 cents	HK6.63 cents
– Diluted		HK4.64 cents	HK6.13 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	299,516	375,180
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on property revaluation	1,614	(150)
Income tax effect	(266)	25
	1,348	(125)
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	(157,532)	(73,115)
– associates	–	(46)
	(157,532)	(73,161)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(156,184)	(73,286)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	143,332	301,894
ATTRIBUTABLE TO:		
Owners of the Company	134,627	306,743
Non-controlling interests	8,705	(4,849)
	143,332	301,894

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,556,042	3,287,981
Investment property	10	57,080	57,791
Prepaid land lease payments		201,317	208,795
Investments in associates		134	134
Investments in a jointly-controlled entity		66,646	64,162
Prepayments		51,382	53,635
Long term deposits		406,398	198,364
Loan to a non-controlling shareholder of a subsidiary		1,500	1,500
Deferred tax assets		3,703	3,703
Total non-current assets		4,344,202	3,876,065
CURRENT ASSETS			
Inventories	11	2,317,389	1,739,740
Trade and bills receivables	12	2,960,137	3,361,909
Prepayments, deposits and other receivables		633,581	410,533
Due from a jointly-controlled entity		2,921	1,694
Loan to a jointly-controlled entity		93,636	67,288
Tax recoverable		1,025	1,532
Pledged deposits		364,953	262,150
Cash and cash equivalents		602,474	869,082
Total current assets		6,976,116	6,713,928
CURRENT LIABILITIES			
Trade and bills payables	13	2,333,759	2,156,286
Accrued liabilities and other payables		422,580	414,646
Interest-bearing bank and other borrowings	14	1,899,940	1,489,958
Due to a jointly-controlled entity		23,695	51,197
Tax payable		184,723	220,673
Total current liabilities		4,864,697	4,332,760

	Notes	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
NET CURRENT ASSETS		2,111,419	2,381,168
TOTAL ASSETS LESS CURRENT LIABILITIES		6,455,621	6,257,233
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	902,695	609,869
Convertible bonds		444,676	876,514
Due to a former non-controlling shareholder of a subsidiary		30,034	30,034
Deferred tax liabilities		77,560	74,511
Total non-current liabilities		1,454,965	1,590,928
Net assets		5,000,656	4,666,305
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	60,517	57,805
Reserves		4,933,027	4,610,093
		4,993,544	4,667,898
NON-CONTROLLING INTERESTS		7,112	(1,593)
Total equity		5,000,656	4,666,305

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2017
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Equity component of	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
			convertible bonds HK\$'000										
At 1 January 2017	57,805	1,228,053	6,972	32,412	(125,657)	32,240	286,087	287	(116,618)	3,266,317	4,667,898	(1,593)	4,666,305
Profit for the period	-	-	-	-	-	-	-	-	-	290,499	290,499	9,017	299,516
Other comprehensive income/(expense) for the period:													
Gain on property revaluation, net of tax	-	-	-	-	-	1,348	-	-	-	-	1,348	-	1,348
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(157,220)	-	(157,220)	(312)	(157,532)
Total comprehensive income for the period	-	-	-	-	-	1,348	-	-	(157,220)	290,499	134,627	8,705	143,332
Repurchase and cancellation of shares	(597)	(130,171)	-	-	-	-	-	597	-	(597)	(130,768)	-	(130,768)
Shares issued upon conversion of convertible bonds	2,405	434,026	(3,431)	-	-	-	-	-	-	-	433,000	-	433,000
Shares issued upon exercise of share options	904	100,414	-	(26,520)	-	-	-	-	-	-	74,798	-	74,798
Equity-settled share option arrangements	-	-	-	9,554	-	-	-	-	-	-	9,554	-	9,554
Final 2016 dividend declared (note 7)	-	(195,565)	-	-	-	-	-	-	-	-	(195,565)	-	(195,565)
At 30 June 2017	60,517	1,436,757	3,541	15,446	(125,657)	33,588	286,087	884	(273,838)	3,556,219	4,993,544	7,112	5,000,656

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	of 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	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	
Shares 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	

* These reserve accounts comprise the consolidated reserves of HK\$4,933,027,000 (30 June 2016: HK\$4,191,514,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	224,824	130,933
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	3,842	1,697
Purchases of items of property, plant and equipment	(397,679)	(126,624)
Increase in prepaid land lease prepayments	(807)	–
Proceeds from disposal of items of property, plant and equipment	44,666	2,622
Loan to a jointly-controlled entity	(26,348)	–
Capital contribution to a jointly-controlled entity	–	(29,762)
Increase in long term deposits	(406,398)	(390,260)
Increase in pledged deposits	(102,803)	(50,421)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(885,527)	(592,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	1,598,418	1,104,227
Repayment of bank loans	(859,886)	(597,948)
Repurchase of shares	(130,768)	–
Proceeds from exercise of share options	74,798	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	(195,565)	(120,449)
NET CASH FLOWS FROM FINANCING ACTIVITIES	486,997	388,980
NET DECREASE IN CASH AND CASH EQUIVALENTS	(173,706)	(72,835)
Cash and cash equivalents at beginning of period	869,082	762,392
Effect of foreign exchange rate changes, net	(92,902)	(27,035)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	602,474	662,522
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	602,474	662,522
	602,474	662,522

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 2016.

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 2016 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 2017 and as disclosed below.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements 2014–2016 Cycle	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities</i>

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.

4. Operating Segment Information (continued)

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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	2,943,787	2,619,308	132,061	196,369	542,390	423,088	-	-	3,618,238	3,238,765
Segment results before depreciation and amortisation	556,090	556,303	(36,360)	1,516	77,931	67,179	-	-	597,661	624,998
Depreciation	(162,834)	(117,989)	(13,401)	(12,119)	(10,622)	(4,223)	-	-	(186,857)	(134,331)
Amortisation	(581)	(677)	(1,706)	(782)	(845)	(39)	-	-	(3,132)	(1,498)
Segment results	392,675	437,637	(51,467)	(11,385)	66,464	62,917	-	-	407,672	489,169
Unallocated income									50,898	23,204
Corporate and other unallocated expenses									(32,521)	(22,179)
Finance cost									(42,713)	(34,347)
Share of profit and losses of:										
Associates									-	151
Jointly-controlled entity									2,483	1,033
Profit before tax									385,819	457,031
Income tax expense									(86,303)	(81,851)
Profit for the period									299,516	375,180

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 2017			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	8,281,961	982,104	919,262	10,183,327
Unallocated assets				1,136,991
Total assets				11,320,318
Segment liabilities	2,161,561	247,636	347,141	2,756,338
Unallocated liabilities				3,563,324
Total liabilities				6,319,662

	Audited 31 December 2016			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	7,806,550	839,607	672,591	9,318,748
Unallocated assets				1,271,245
Total assets				10,589,993
Segment liabilities	2,111,419	204,699	254,814	2,570,932
Unallocated liabilities				3,352,756
Total liabilities				5,923,688

4. Operating Segment Information (continued)

The following table presents unaudited revenue for the Group's geographical information for the six months ended 30 June 2017 and 2016.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	3,258,415	3,000,184	142,354	139,937	-	-	217,469	98,644	3,618,238	3,238,765

Information about major customers

For the six months ended 30 June 2017, revenue of approximately HK\$916,656,000 (30 June 2016: HK\$733,582,000) and HK\$677,728,000 (30 June 2016: HK\$694,146,000), representing 25.3% (30 June 2016: 22.7%) and 18.7% (30 June 2016: 21.4%) 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):

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	2,395	716
Amortisation of prepayments	737	782
Depreciation	186,857	134,331
Research and development costs	167,397	69,942
Salaries and wages	754,637	690,516
Impairment of trade receivables	43,879	114
Impairment of other receivables	9,939	–
Write-back of impairment of trade receivables	–	(7,666)
Write-off of trade receivables	–	253
Provision against obsolete inventories	15,821	6,000
Foreign exchange differences, net	22,690	12,097
Loss/(gain) on disposal of items of property, plant and equipment	6,555	(405)
Change in fair value of an investment property	(938)	(600)
Interest income	(2,497)	(1,697)
Equity-settled share option expense	9,554	2,240

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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), 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited), 通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited) and 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited) are awarded as High New Technology Enterprises and are subject to a preferential tax rate of 15%.

6. Income Tax (continued)

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current – Hong Kong	9,996	1,359
Current – Elsewhere		
Charge for the period	74,596	75,839
Overprovision in prior years	(1,402)	(235)
	73,194	75,604
Deferred	3,113	4,888
Total tax charge for the period	86,303	81,851

During the six months ended 30 June 2016, the share of tax attributable to associates amounting to HK\$25,000 was included in “share of profits and losses of associates” on the face of the condensed consolidated income statement.

7. Dividends

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Dividends paid during the period:		
Final dividend declared of HK3.2 cents per ordinary share in respect of the financial year ended 31 December 2016 (2016: final dividend declared and paid in respect of the financial year ended 31 December 2015 – HK2.1 cents per ordinary share)	195,565	120,449

At the board meeting held on 24 August 2017, the board of directors declared and approved an interim dividend of HK1.6 cents per ordinary share (2016: HK2.0 cents) totalling HK\$96,828,000 (2016: HK\$114,713,000).

8. Earnings per Share

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company used in the basic earnings per share calculation	290,499	380,083
Interest on convertible bonds	3,366	4,364
Profit for the period attributable to owners of the Company before interest on convertible bonds	293,865	384,447
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,908,663	5,729,606
Effect of dilutive potential ordinary shares arising from		
– share options	28,025	67,756
– convertible bonds	391,197	477,409
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,327,885	6,274,771

9. Property, Plant and Equipment

During the period, the Group acquired property, plant and equipment of approximately HK\$596,043,000 (30 June 2016: HK\$368,563,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$51,221,000 (30 June 2016: HK\$2,217,000) for proceeds of approximately HK\$44,666,000 (30 June 2016: HK\$2,622,000).

9. Property, Plant and Equipment (continued)

At 30 June 2017, 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\$45,600,000 (31 December 2016: HK\$44,500,000). 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 surplus of HK\$1,614,000 (30 June 2016: deficit of HK\$150,000), resulting from the above valuation, has been credited (30 June 2016: debited) to asset revaluation reserve. The resulting increase in deferred tax liability of HK\$266,000 (30 June 2016: HK\$25,000) arising from the revaluation has also been debited (30 June 2016: credited) in the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong at valuation of HK\$45,600,000 (31 December 2016: HK\$44,500,000) 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 2017 based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers at HK\$57,080,000 (31 December 2016: HK\$57,791,000). Consequently, gain in fair value change of an investment property of HK\$938,000 (30 June 2016: HK\$600,000) and debit exchange realignment of HK\$1,649,000 (30 June 2016: HK\$905,000) have been recognised in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2017. 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

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Raw materials	679,270	445,259
Work in progress	581,638	426,385
Finished goods	1,056,481	868,096
	2,317,389	1,739,740

As at 30 June 2017, moulds in the amount of HK\$276,656,000 (31 December 2016: HK\$259,333,000) are included in the finished goods.

12. Trade and Bills Receivables

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Trade receivables	2,826,836	3,155,291
Impairment allowances	(79,287)	(35,725)
	2,747,549	3,119,566
Bills receivables	212,588	242,343
	2,960,137	3,361,909

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. At the end of reporting period, 21.3% (31 December 2016: 17.8%) and 57.5% (31 December 2016: 56.1%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

12. Trade and Bills Receivables (continued)

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

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Within 3 months	2,680,411	3,144,711
4 to 6 months, inclusive	272,154	192,446
7 to 9 months, inclusive	35,947	21,696
10 to 12 months, inclusive	7,695	8,312
More than 1 year	43,217	30,469
	3,039,424	3,397,634
Impairment allowances	(79,287)	(35,725)
	2,960,137	3,361,909

13. Trade and Bills Payables

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Trade payables	1,260,469	1,388,933
Bills payable	1,073,290	767,353
	2,333,759	2,156,286

13. Trade and Bills Payables (continued)

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. The following is an analysis of trade and bills payables by age, presented based on the invoice date is as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Within 3 months	1,579,087	1,655,346
4 to 6 months, inclusive	716,623	472,074
7 to 9 months, inclusive	16,470	7,444
10 to 12 months, inclusive	2,400	3,082
More than 1 year	19,179	18,340
	2,333,759	2,156,286

14. Interest-Bearing Bank and Other Borrowings

During the six months ended 30 June 2017, the Group repaid bank and other borrowings of approximately HK\$859,886,000 (30 June 2016: HK\$597,948,000) and raised new bank and other borrowings of approximately HK\$1,598,418,000 during the period (30 June 2016: HK\$1,104,227,000).

15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each, authorised: Balance at 1 January 2016, 31 December 2016, 1 January 2017 and 30 June 2017	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2016	5,725,650,000	57,257
Shares issued upon exercise of share options (note (i))	54,800,000	548
At 31 December 2016 and 1 January 2017	5,780,450,000	57,805
Shares issued upon exercise of share options (note (ii))	90,400,000	904
Shares issued upon conversion of convertible bonds (note (iii))	240,555,553	2,405
Repurchase of shares (note (iv))	(59,680,000)	(597)
At 30 June 2017	6,051,725,553	60,517

15. Share Capital (continued)

Notes:

- (i) During the year ended 31 December 2016, an aggregate of 54,800,000 share options had been exercised at a weighted average subscription price of HK\$0.5925 per share resulting in the issue of 54,800,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$32,470,000. An amount of HK\$5,766,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (ii) During the period ended 30 June 2017, an aggregate of 90,400,000 share options had been exercised at a weighted average subscription price of HK\$0.8274 per share resulting in the issue of 90,400,000 shares of HK\$0.01 each for a total cash consideration, before expenses, of HK\$74,798,000. An amount of HK\$26,520,000 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 2017, the convertible bonds with a principal amount of HK\$433,000,000 was converted into 240,555,553 shares of HK\$0.01 each at the conversion price of HK\$1.80 per share, of which HK\$2,405,000 was credited to share capital.
- (iv) During the period, the Company repurchased its 59,680,000 shares at prices ranging from HK\$1.97 to HK\$2.46 per share at a total consideration of HK\$130,768,000. The 59,680,000 repurchased ordinary shares were canceled during the period. The premium of HK\$130,171,000 paid on the repurchase of such shares was debited to the share premium account and an amount of HK\$597,000 was transferred from retained profits of the Company to the capital redemption reserve.

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 2016.

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 2016	145,200
Exercised during the year	(54,800)
Granted during the year	58,000
Balance at 31 December 2016	148,400
Exercised during the period	(90,400)
Outstanding as at 30 June 2017	58,000

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
September 2016	9/9/2016	14,200,000	9/9/2016-8/9/2017	9/9/2017-8/9/2020	HK\$1.80
		43,800,000	9/9/2016-8/9/2018	9/9/2018-8/9/2020	HK\$1.80

The Group recognised an expense of HK\$9,554,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$2,240,000) in relation to the share options granted by the Company.

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 one to three 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.

During the period ended 30 June 2017, the Group sub-leases two of its factories under operating lease arrangements with leases negotiated for terms of three years. The terms of the leases also require the tenants to pay security deposits and monthly utilities expenses.

At 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Within one year	2,262	2,327
In the second to fifth years, inclusive	2,308	3,539
	4,570	5,866

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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Within one year	34,885	43,272
In the second to fifth years, inclusive	44,466	52,497
After five years	23,697	24,641
	103,048	120,410

18. Commitments

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

	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
Contracted for commitment in respect of		
– Purchases of property, plant and equipment	299,518	182,719
– Purchase of land use right	–	37,093
– Construction of plant and leasehold buildings in Mainland China	38,664	137,206
	338,182	357,018

19. Contingent Liabilities

At 30 June 2017, 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\$2,203,578,000 (31 December 2016: HK\$1,657,967,000). 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.

		Unaudited	
		Six months ended 30 June	
Notes		2017	2016
		HK\$'000	HK\$'000
Related companies controlled by directors of the Company:			
Rental expenses	(i)	2,237	2,374
Subcontracting fee	(ii)	–	1,224
Rental income	(iii)	–	276
A jointly-controlled entity:			
Rental income and utility charges	(iv)	10,067	–
Subcontracting fee	(v)	147,705	–

Notes:

- (i) The rental expenses paid to a related company controlled by a director of the Company was charged at a monthly rate of RMB330,000 for the period ended 30 June 2017 (2016: RMB330,000) by reference to a lease agreement entered into between the related company and the Group on 23 December 2015.
- (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. On 29 January 2016, the Company entered into the termination agreement to terminate the lease agreement with effect from 31 January 2016.
- (iv) The rental income and utility charges from a jointly-controlled entity represented rental charged for two factories premises at a monthly rate of RMB148,000 and RMB18,000, respectively, for the period ended 30 June 2017 (2016: Nil) by reference to lease agreements entered into between the jointly-controlled entity and the Group on 1 August 2016 and 1 January 2016, respectively, and the related utility charges.
- (v) The subcontracting fee to a jointly-controlled entity was made on a basis mutually agreed by both parties.

The related party transaction in respect of item (i) and (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, convertible bonds, pledged deposits, trade and bills receivables, amounts due from a jointly-controlled entity, loan to a non-controlling shareholder of a subsidiary and a jointly-controlled entity, 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 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

22. Transferred Financial Assets

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

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

	Unaudited 30 June 2017		
	Trade receivables	Bills receivable	Total
	Note (a)	Notes (b) and (c)	
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of assets that continued to be recognised	327,298	79,425	406,723
Carrying amount of associated liabilities	294,568	79,425	373,993

	Audited 31 December 2016		
	Trade receivables	Bills receivable	Total
	Note (a)	Notes (b) and (c)	
	HK\$'000	HK\$'000	HK\$'000
Carrying amount of assets that continued to be recognised	130,771	50,433	181,204
Carrying amount of associated liabilities	116,406	50,433	166,839

22. Transferred Financial Assets (continued)

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

Notes:

(a) *Trade receivables factoring*

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “Factoring Arrangement”) and transferred certain trade receivables to a bank. Under the Factoring Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 30 days. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Factoring Arrangement that have not been settled as at 30 June 2017 was HK\$327,298,000 (31 December 2016: HK\$130,771,000). The carrying amount of the assets that the Group continued to recognise as at 30 June 2017 was HK\$327,298,000 (31 December 2016: HK\$130,771,000) and that of the associated liabilities as at 30 June 2017 was HK\$294,568,000 (31 December 2016: HK\$116,406,000).

(b) *Discounting of bills receivable*

At 30 June 2017, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$5,962,000 (31 December 2016: HK\$10,584,000) to certain local banks and certain local financial institutions 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 amount of the Discounted Bills and the respective bank 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 was HK\$5,962,000 (31 December 2016: HK\$10,584,000) as at 30 June 2017.

22. Transferred Financial Assets (continued)

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

Notes: (continued)

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

At 30 June 2017, the Group endorsed certain bills receivable accepted by certain local banks and certain local financial institutions in the PRC (the “Endorsed Bills”) with a carrying amount of HK\$73,463,000 (31 December 2016: HK\$39,849,000) 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 was HK\$73,463,000 (31 December 2016: HK\$39,849,000) as at 30 June 2017.

22. Transferred Financial Assets (continued)

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

(a) *Discounting of bills receivable*

At 30 June 2017, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$192,542,000 (31 December 2016: HK\$155,482,000) 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 2017, 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\$194,323,000 (31 December 2016: HK\$133,277,000). 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. Comparative Amounts

During the Period under Review, certain comparative amounts have been reclassified to conform with the current period's presentation of the financial statements.

24. Approval of the Interim Financial Statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 24 August 2017.

SUPPLEMENTARY INFORMATION

Interim Dividend

The Board declared an interim dividend of HK1.6 cents (2016: HK2.0 cents) per ordinary share for the six months ended 30 June 2017 payable on or about 9 October 2017 to shareholders whose names appear on the register of members of the Company as at the close of business on 8 September 2017.

Closure of Register of Members

The record date for the interim dividend will be 13 September 2017. The register of members of the Company will be closed from 11 September 2017 to 13 September 2017, 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 8 September 2017.

Directors' Interest and Short Positions in Shares and Underlying Shares

At 30 June 2017, 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			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Note		
Mr. Wang Ya Nan	386,120,000 (L)	1,724,490,000 (L) 155,010,000 (S)	1, 2, 4	2,110,610,000 (L) 155,010,000 (S)	34.88 2.56
Mr. Wang Ya Hua	91,220,000 (L)	1,428,490,000 (L) 155,010,000 (S)	1, 4	1,519,710,000 (L) 155,010,000 (S)	25.11 2.56
Mr. Wong Ah Yeung	119,300,000 (L)	1,428,490,000 (L) 155,010,000 (S)	1, 4	1,547,790,000 (L) 155,010,000 (S)	25.58 2.56
Mr. Wong Ah Yu	96,460,000 (L)	1,428,490,000 (L) 155,010,000 (S)	1, 4	1,524,950,000 (L) 155,010,000 (S)	25.20 2.56
Mr. Choi Wai Sang	32,750,000 (L)	78,750,000 (L)	3	111,500,000 (L)	1.84
Mr. Wang Ming Che	3,000,000 (L)	–	–	3,000,000 (L)	0.05
Dr. Yu Sun Say	21,610,000 (L)	–	–	21,610,000 (L)	0.36
Mr. Cheung Wah Fung, Christopher	7,950,000 (L)	–	–	7,950,000 (L)	0.13
Mr. Ting Leung Huel Stephen	8,450,000 (L)	–	–	8,450,000 (L)	0.14

L: Long position

S: Short position

Notes:

- 1,428,490,000 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. 114,990,000 shares were redelivered on 9 May 2017.

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

Save as disclosed above, as at 30 June 2017 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	At 1 January 2017	Number of share options		At 30 June 2017
						Granted during the period	Exercised during the period	
Directors								
Mr. Wang Ya Nan	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)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
Mr. Wang Ya Hua	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)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000

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 2017	
					At 1 January 2017	Granted during the period		Exercised during the period
Mr. Wong Ah Yu	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)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
Mr. Wong Ah Yeung	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)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	1,000,000	-	-	1,000,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	4,000,000	-	-	4,000,000
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)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000

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 2017
					At 1 January 2017	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)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Mr. Ting Leung Huel Stephen	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Mr. Cheung Wah Fung, Christopher, SBS, JP	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Dr. Yu Sun Say, GBM, GBS, SBS, JP	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	500,000	-	-	500,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	1,500,000	-	-	1,500,000
Other employees								
In aggregate	9 March 2007	- *	10 March 2007 to 9 March 2017	0.485	10,000,000	-	(10,000,000)	-
	12 May 2014	- *	12 May 2014 to 11 May 2019	0.87	2,400,000	-	(2,400,000)	-
		12 May 2014 to 11 May 2015	12 May 2015 to 11 May 2019	0.87	2,400,000	-	(2,400,000)	-
		12 May 2014 to 11 May 2016	12 May 2016 to 11 May 2019	0.87	21,600,000	-	(21,600,000)	-
	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	7,700,000	-	-	7,700,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	20,300,000	-	-	20,300,000
					148,400,000	-	(90,400,000)	58,000,000

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 58,000,000 share options outstanding under the Scheme, which represented approximately 0.96% of the Company's share in issue as at that date.

Substantial Shareholders

At 30 June 2017, 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	1,428,490,000 (L)	23.60
			155,010,000 (S)	2.56
E-Growth	2	Directly beneficially owned	296,000,000 (L)	4.89

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. 114,990,000 shares were redelivered on 9 May 2017.
- 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 2017, 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, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2017, the Company repurchased a total of 59,680,000 shares of the Company on the Stock Exchange for enhancing the net asset value and earnings per share of the Company. All the repurchased shares were cancelled. Details of the repurchases of shares are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate purchase price (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
May	31,220,000	2.46	2.23	72,961,900
June	28,460,000	2.10	1.97	57,805,900
	59,680,000			130,767,800

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2017.

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.

Corporate Governance (continued)

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 2017 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.

Events after the Reporting Period

There were no significant events affecting the Company nor any of its subsidiaries after the end of the financial period requiring disclosure in this report.

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, 24 August 2017