

TONGDA GROUP HOLDINGS LIMITED

# Interim Report

2019

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

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

#### Non-executive Directors

Mr. Wong Ah Yu  
Ms. Chan Sze Man

#### 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  
Ms. Chan Sze Man

### 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. Lam Siu Wa  
(appointed on 31 August 2018 and  
resigned on 2 May 2019)  
Ms. Cheuk Tat Yee  
(appointed on 2 May 2019)

### AUDITORS

Ernst & Young  
*Certified Public Accountants*

### AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan  
Mr. Wang Ya Hua

### PRINCIPAL BANKERS

#### *In Hong Kong:*

The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited  
MUFJ Bank Limited  
KBC Bank N.V., Hong Kong Branch  
Bank of Communication Co., Limited  
China Construction Bank (Asia)  
Corporation Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank  
(Hong Kong) Limited

#### *In the PRC:*

The Hongkong and Shanghai  
Banking Corporation Limited  
Hang Seng Bank Limited  
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  
24/F, Admiralty Centre I  
18 Harcourt Road  
Hong Kong

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1201-02, 12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2570 8128  
Fax: (852) 2510 0991  
Website: <http://www.tongda.com>  
Email (Investor Relations):  
[ir@tongda.com.hk](mailto:ir@tongda.com.hk)

## LISTING INFORMATION

Listed on the Hong Kong Stock  
Exchange (Main Board)  
Stock short name: Tongda  
Stock code: 698  
Board lot: 10,000 shares

## HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited  
Suites 3301-04, 33/F  
Two Chinachem Exchange Square  
338 King's Road  
North Point, Hong Kong

## PRINCIPAL SHARE REGISTRAR

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report 2019 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 2019, the Group's turnover decreased from HK\$4,150.3 million in the corresponding period of last year by 5.8% to HK\$3,908.9 million. Profit attributable to owners of the Company decreased from HK\$418.9 million in the corresponding period of last year by 24.6% to HK\$315.8 million.

### Revenue

During the Period under Review, with both the economic market and handset market signaling a trend of slowdown, and the decline of exchange rate of Renminbi, a decrease in revenue by 5.8% was recorded as compared with the corresponding period of last year.

### Gross Profit and Margin

The Group's gross profit for the Period decreased by 13.9% to HK\$825.8 million and the gross profit margin was 21.1%, which was 2.0 percentage points lower than that for the corresponding period of last year. The decrease in gross profit margin was mainly due to the decrease of gross profit margin of handset casings, which is the largest business segment in proportion of sales.

For the first half of 2018, the handset business mainly engaged in the sales of metal casings, with a relatively high gross profit margin then. However, after the gross profit margin of metal casings experienced a rapid drop in the second half of last year, the Group began mass production of Glass-like plastic (Glastic) casings. As a result, the Group recorded an overall gross profit margin of 21.1%.

### Other Income and Gains, net

During the Period under Review, other income and gains, net increased by 82.8% or HK\$33.8 million to HK\$74.6 million as compared with the corresponding period of last year. The increase in other income and gains, net was mainly attributable to the increase in government subsidies.

## **Selling and Distribution Expenses**

During the Period under Review, selling and distribution expenses decreased by 23.1% or HK\$17.6 million to HK\$58.5 million, accounting for 1.5% of the Group's revenue, which was approximately 0.3 percentage point lower than that for the corresponding period of last year. The decrease was mainly attributable to the decrease in freight expenses.

## **Administrative Expenses**

During the Period under Review, administrative expenses increased by 0.9% or HK\$3.9 million to HK\$427.1 million, accounting for 10.9% of the Group's revenue, which was approximately 0.7 percentage point higher than that for the corresponding period of last year. The increase in administrative expenses was mainly attributable to the increase in labour costs and the decrease in research and development expenses.

## **Other Operating Income, net**

During the Period under Review, other operating income, net, recorded an income of HK\$74.5 million, as compared with an income of HK\$82.7 million for the corresponding period of last year, which was mainly attributable to the decrease in write-back of impairment of trade receivables.

## **Finance Costs**

During the Period under Review, finance costs increased by 25.9% or HK\$21.0 million to HK\$102.1 million. The increase was mainly attributable to the increase in bank borrowings and increase in interest rate.

## **Profit before Tax**

For the six months ended 30 June 2019, profit before tax amounted to HK\$388.1 million, representing a period-on-period decrease of 22.8% from HK\$502.8 million, which was attributable to the decrease in gross profit margin.

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

Profit attributable to owners of the Company decreased 24.6% from HK\$418.9 million in the corresponding period of last year to HK\$315.8 million, and the net profit margin attributable to owners of the Company decreased to 8.1% (30 June 2018: 10.1%), which was mainly attributable to the decrease in gross profit.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is in a healthy financial position. The Group derives its working capital mainly from cash on hand and net cash generated from operating activities. The Board expects that the Group will rely on net cash generated from operating activities, bank borrowings and debt financing to meet its working capital and other capital expenditure requirements in the short run. The dividend payout ratio for the Period had been decreased such that the Group could increase its operating cash flow in response to the current relatively uncertain global economic environment in order to support the potential opportunities that might be brought to the Group by 5G applications in the coming years. In the long run, the Group will be funded by net cash from operating activities, and if necessary, by additional bank borrowings and debt financing. There were no material changes in the funding and financial policies of the Group for the six months ended 30 June 2019.

As at 30 June 2019, the Group has cash and cash equivalents and pledged deposits balance of HK\$1,113.4 million (31 December 2018: HK\$1,276.1 million) without holding any structural investment contract.

The Group's cash and bank balances remained at about HK\$1,113.4 million (31 December 2018: HK\$1,276.1 million), of which approximately HK\$346.8 million (31 December 2018: HK\$507.7 million) has been pledged to banks as security for trade financing.

As at 30 June 2019, the Group had total assets of HK\$13,966.2 million (31 December 2018: HK\$13,642.1 million), net current assets of HK\$1,889.1 million (31 December 2018: HK\$1,832.7 million) and equity of HK\$6,374.5 million (31 December 2018: HK\$5,937.2 million).



The management of the Group 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\$570.2 million (31 December 2018: HK\$1,255.9 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, Renminbi and US dollars while purchases were transacted mainly in Hong Kong dollars, Renminbi, 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 Renminbi during the Period did not materially affect the costs and operations of the Group for the Period, the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arises.

## **CHARGES ON GROUP ASSETS**

Apart from bank deposits amounting to HK\$346.8 million (31 December 2018: HK\$507.7 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK\$53.6 million (31 December 2018: HK\$54.5 million) mortgaged by the Group as at 30 June 2019, the Group had not pledged its assets to any financial institutions.

## HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of approximately 19,000 permanent employees (30 June 2018: 19,000 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2019 amounted to HK\$944.4 million (30 June 2018: HK\$969.8 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 2019, the gearing ratio of the Group (consolidated net borrowings/total equity) was 52.6% (31 December 2018: 48.4%).

As at 30 June 2019, other than the non-current portion of bank borrowings of HK\$1,571.8 million (31 December 2018: HK\$1,697.0 million), the Group had bank and other borrowings of HK\$2,894.7 million (31 December 2018: bank loans of HK\$2,454.9 million which will be repayable within one year from the end of the Period).

Bank borrowings carry interest rate ranging from 2.85% per annum ("p.a.") to 6.97% p.a. (31 December 2018: carry interest rate ranging from 2.1% p.a. to 6.7% p.a.).

## BUSINESS REVIEW

The Group is a world-leading solution provider of high-precision components for smart mobile communications and consumer electronic products, and provides customers with one-stop solutions entailing from product design, technological research and development (“R&D”) to manufacturing solutions. Its products cover handsets, smart electrical appliances, automotive, household and sports goods, and network communications facilities.

In the first half of 2019 (“during the Period”), with both the economic market and handset market showing signs of slowing down, together with Renminbi depreciation, revenue of the Group for the Period decreased by 5.8% from HK\$4,150.3 million in the corresponding period last year to approximately HK\$3,908.9 million. The handset business of the Group derived profit mainly from sales of metal casings, as a result the gross profit margin was relatively high in the first half of 2018. Although the gross profit of metal casings dropped rapidly in the second half of last year, the Group has already developed and mass produced Glass-like plastic (“Glastic”) casings, which facilitated in maintaining the Group’s gross profit margin at a high level of 21.1%. The net profit attributable to the owners of the Company decreased by 24.6% from HK\$418.9 million in the corresponding period last year to HK\$315.8 million for the Period.

### Handset Casings and High-precision Components

This business primarily comprises various handset casings, waterproof/dustproof/shockproof (“tri-proof”) high-precision components, high-precision insert molding parts and high-precision rubber molding parts. This business recorded a decrease of 1.3% in turnover from HK\$2,894.9 million in the corresponding period of last year to HK\$2,856.2 million, representing 73.1% of the Group’s total turnover. The Group secured a new handset customer, i.e. VIVO, this year, and started mass production of the latest handset model for Samsung, a customer that the Group secured last year. Orders from both brands are mainly for Glastic casings, which increased the Glastic casings shipment significantly. Despite that the concentration of handset brands has been increasing in recent years, the Group has business relationship with the six largest global handset brands which enabled the Group to achieve its shipment target and enhance its market share during the year.

The Group currently provides one-stop solutions of metal middle frames, two-piece Glastic back covers, uni-body Glastic casings and glass back covers, which comprehensively covers the mainstream of products in the market. The Group is equipped with high-end film processing technology and mature In-Mould Lamination (“IML”) technology, which enables the Group to grasp business opportunities in the mid-range market with Glastic back covers, a product which applies such high-end film processing technology and resembles glass in terms of appearance and function. This boasts a high price-performance ratio and increased the shipment of 2.5D glass back covers for the Period as well.

For tri-proof and high-precision components business, the Group provides its international customers with tri-proof high-precision components, high precision insert molding parts and precision rubber molding parts, high precision electric socket casings including fittings for notebook computers and accessories. Mass production for each category of products continued as scheduled. The Group has looked into its different business divisions and actively conducted product R&D and staff training in relation to new projects in the future for its customers in order to deal with diversified products and orders in the coming year as well as consolidating the foundation for long-term collaboration.

### **Smart Electrical Appliances Casings**

Number of orders of the business dropped during the Period under Review, and revenue decreased by 32.3% from HK\$505.6 million in the corresponding period last year to HK\$342.5 million, representing 8.7% of the total turnover. This business primarily engages in the production of control panels, metal accessories and casings for high-end electrical appliances for Chinese and international brands, and its products include smart home appliances, such as air-conditioners, washing machines and refrigerators, which are the Internet of Things enabled.

## Household and Sports Goods

During the Period under Review, the division relocated its production plant and the orders were thus affected. Sales of this division decreased by 8.1% from HK\$356.6 million in the corresponding period of last year to HK\$327.8 million, representing 8.4% of the total turnover. The Group primarily supplies durable household goods, household utensils and sports goods to European and American brands. With the business boasting a distinctive customer base, superb production technology and capacity, the Group may consider further development of this business.

## Network Communications Facilities and Others

During the Period under Review, the revenue of the division increased by 23.5% from HK\$309.7 million in the corresponding period of last year to HK\$382.4 million, representing 9.8% of the turnover. The Group mainly produces casings of set-top boxes, routers and automotive interior decorations for customers in Europe and the United States. The Group has currently secured over 35 orders from ten automotive brands, part of which the design and trial production have commenced in the first half of this year, and the overall business developed rapidly with stable production for current projects.

The proportion of total revenue by product categories for the six months ended 30 June 2019 and a comparison with the corresponding period of last year are as follows:

	<b>2019</b>	2018
i. Handset Casings and High-precision Components	<b>73.1%</b>	69.7%
ii. Smart Electrical Appliances Casings	<b>8.7%</b>	12.2%
iii. Household and Sports Goods	<b>8.4%</b>	8.6%
iv. Network Communications Facilities and Others	<b>9.8%</b>	7.5%
v. Notebook Computers	—	2.0%

## Prospects

As the overall economy and handset market are expected to remain challenging in the second half of this year, the Group needs to adhere to its business concept of creating value for customers at all times with innovative technologies and superior craftsmanship to expand its business scope. The customer base of the Group currently comprises the six largest global handset brands. With large amount of orders received from Samsung this year, a customer that the Group secured last year and the addition of VIVO to its handset brand clientele, the Group has strong support to enlarge market share and disperse risks from a clientele that was overly concentrated.

As the main domestic supplier of Glastic casings with a full product spectrum comprising plastic, glass, metal casings and high-precision components. Apart from having greater flexibility in coping with the volatile market, the Group expects the total shipment of handset casings to reach record high this year. Going forward, the Group will continue to actively optimise the workflow of its production lines and step up automation so as to enhance production efficiency and product yield.

Given that 5G will be gradually rolled out in the second half of this year, the Group has started R&D and trial production of associated products such as 5G-compatible plastic dipole antenna in the polarised base station antenna, handset casings with radio frequency and heat sink products, as well as automotive GPS navigation antennas. The Group believes, taking advantage of the progressive rollout of 5G in the next two years, it will be able to grasp market development opportunities and snatch a fair share of the 5G market. In the coming years, the Group will strengthen cost controls and use its existing resources and equipment to optimise efficiency and product yield, so as to generate maximum returns for the Group's shareholders.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
	Notes	<b>HK\$'000</b>	HK\$'000
REVENUE	4	<b>3,908,942</b>	4,150,302
Cost of sales		<b>(3,083,099)</b>	(3,191,557)
<hr/>			
Gross profit		<b>825,843</b>	958,745
Other income and gains, net		<b>74,607</b>	40,843
Selling and distribution expenses		<b>(58,534)</b>	(76,119)
Administrative expenses		<b>(427,101)</b>	(423,221)
Other operating income, net		<b>74,495</b>	82,668
Finance costs		<b>(102,123)</b>	(81,122)
Share of profit of a jointly-controlled entity		<b>928</b>	979
<hr/>			
PROFIT BEFORE TAX	5	<b>388,115</b>	502,773
Income tax expense	6	<b>(72,113)</b>	(85,488)
<hr/>			
PROFIT FOR THE PERIOD		<b>316,002</b>	417,285
<hr/>			
Attributable to:			
Owners of the Company		<b>315,777</b>	418,943
Non-controlling interests		<b>225</b>	(1,658)
<hr/>			
		<b>316,002</b>	417,285
<hr/>			
EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		<b>HK4.87 cents</b>	HK6.91 cents
<hr/>			
– Diluted		<b>HK4.87 cents</b>	HK6.66 cents
<hr/>			

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PROFIT FOR THE PERIOD	<b>316,002</b>	417,285
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on property revaluation	<b>(252)</b>	1,706
Income tax effect	<b>42</b>	(281)
	<b>(210)</b>	1,425
Other comprehensive income/(expense) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	<b>174,015</b>	394,547
– jointly-controlled entity	<b>1,701</b>	4,310
Release of exchange fluctuation reserve upon disposal of a subsidiary	<b>–</b>	(116)
	<b>175,716</b>	398,741
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>175,506</b>	400,166
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>491,508</b>	817,451
ATTRIBUTABLE TO:		
Owners of the Company	<b>492,142</b>	818,171
Non-controlling interests	<b>(634)</b>	(720)
	<b>491,508</b>	817,451



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 June 2019 HK\$'000	Audited 31 December 2018 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>5,366,472</b>	4,849,684
Right-of-use assets		<b>356,565</b>	–
Investment property	10	–	68,037
Prepaid land lease payments		–	261,635
Investment in a jointly-controlled entity		<b>65,709</b>	63,080
Prepayments		–	49,677
Long term deposits		<b>413,593</b>	626,029
Deferred tax assets		<b>3,703</b>	3,703
<b>Total non-current assets</b>		<b>6,206,042</b>	5,921,845
<b>CURRENT ASSETS</b>			
Inventories	11	<b>2,703,776</b>	2,528,950
Trade and bills receivables	12	<b>3,029,241</b>	3,114,793
Prepayments, deposits and other receivables		<b>639,905</b>	547,103
Due from a jointly-controlled entity		<b>46,964</b>	33,768
Loans to a jointly-controlled entity		<b>144,042</b>	140,260
Loans receivables		<b>49,936</b>	47,581
Tax recoverable		<b>32,973</b>	31,751
Pledged deposits		<b>346,753</b>	507,684
Cash and cash equivalents		<b>766,599</b>	768,404
<b>Total current assets</b>		<b>7,760,189</b>	7,720,294
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	<b>2,254,571</b>	2,625,725
Accrued liabilities and other payables		<b>416,775</b>	458,980
Interest-bearing bank and other borrowings	14	<b>2,894,726</b>	2,454,895
Lease liabilities		<b>10,980</b>	–
Due to a jointly-controlled entity		<b>111,963</b>	200,584
Tax payable		<b>182,056</b>	147,371
<b>Total current liabilities</b>		<b>5,871,071</b>	5,887,555

		<b>Unaudited 30 June 2019 HK\$'000</b>	Audited 31 December 2018 HK\$'000
NET CURRENT ASSETS		<b>1,889,118</b>	1,832,739
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>8,095,160</b>	7,754,584
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	<b>1,571,815</b>	1,696,963
Lease liabilities		<b>27,373</b>	–
Due to a former non-controlling shareholder of a subsidiary		<b>30,034</b>	30,034
Deferred tax liabilities		<b>91,403</b>	90,430
Total non-current liabilities		<b>1,720,625</b>	1,817,427
Net assets		<b>6,374,535</b>	5,937,157
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	15	<b>64,795</b>	64,795
Reserves		<b>6,336,034</b>	5,898,022
NON-CONTROLLING INTERESTS		<b>6,400,829 (26,294)</b>	5,962,817 (25,660)
Total equity		<b>6,374,535</b>	5,937,157

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2019  
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Capital reserve reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019	64,795	1,179,908	30,781	(189,106)	42,568	364,324	884	(266,958)	4,735,621	5,962,817	(25,660)	5,937,157
Effect on adoption of HKFRS 16	-	-	-	-	-	-	-	-	(2,294)	(2,294)	-	(2,294)
Restated total equity at 1 January 2019	64,795	1,179,908	30,781	(189,106)	42,568	364,324	884	(266,958)	4,733,327	5,960,523	(25,660)	5,934,863
Profit for the period	-	-	-	-	-	-	-	-	315,777	315,777	225	316,002
Other comprehensive income/(expense) for the period:												
Loss on property revaluation, net of tax	-	-	-	-	(210)	-	-	-	-	(210)	-	(210)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	176,575	-	176,575	(859)	175,716
Total comprehensive income for the period	-	-	-	-	(210)	-	-	176,575	315,777	492,142	(634)	491,508
Final 2018 dividend declared (note 7)	-	(51,836)	-	-	-	-	-	-	-	(51,836)	-	(51,836)
At 30 June 2019	64,795	1,128,072*	30,781*	(189,106)*	42,358*	364,324*	884*	(90,383)*	5,049,104*	6,400,829	(26,294)	6,374,535

Unaudited six months ended 30 June 2018  
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018	60,517	1,340,928	3,541	22,708	(125,657)	37,928	297,507	884	(64,364)	4,260,425	5,834,417	50,880	5,885,297
Profit for the period	-	-	-	-	-	-	-	-	-	418,943	418,943	(1,658)	417,285
Other comprehensive income/(expense) for the period:													
Gain on property revaluation, net of tax	-	-	-	-	-	1,425	-	-	-	-	1,425	-	1,425
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	397,919	-	397,919	938	398,857
Release of exchange fluctuation reserve upon disposal of a subsidiary (note 5)	-	-	-	-	-	-	-	-	(116)	-	(116)	-	(116)
Total comprehensive income for the period	-	-	-	-	-	1,425	-	-	397,803	418,943	818,171	(720)	817,451
Transfer to statutory reserve	-	-	-	-	-	-	38,000	-	-	(38,000)	-	-	-
Shares issued upon conversion of convertible bonds	2,455	405,753	(3,208)	-	-	-	-	-	-	-	405,000	-	405,000
Redemption of convertible bonds	-	333	(333)	-	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	5,836	-	-	-	-	-	-	5,836	-	5,836
Final 2017 dividend declared (note 7)	-	(229,965)	-	-	-	-	-	-	-	-	(229,965)	-	(229,965)
Release upon distribution of Tongda Hong Tai Holdings Limited	-	-	-	-	-	-	(15,078)	-	808	14,270	-	-	-
Special interim dividend (note 7)	-	(366,174)	-	-	-	-	-	-	-	-	(366,174)	-	(366,174)
Release of reserves and retained earnings upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	5	5	-	5
Dividend distributed to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	(12,088)	(12,088)
At 30 June 2018	62,972	1,150,875*	-*	28,544*	(125,657)*	39,353*	320,429*	884*	334,247*	4,655,643*	6,467,290	38,072	6,505,362

\* These reserve accounts comprise the consolidated reserves of HK\$6,336,034,000 (30 June 2018: HK\$6,404,318,000) in the consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<b>(109,427)</b>	203,500
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	<b>4,986</b>	5,483
Purchases of items of property, plant and equipment	<b>(223,784)</b>	(362,106)
Increase in prepaid land lease prepayments	-	(4,287)
Proceeds from disposal of items of property, plant and equipment	<b>14,041</b>	13,583
Increase in loans to a jointly-controlled entity	<b>(3,782)</b>	(9,205)
Decrease in loan receivables	-	3,250
Increase in long term deposits	<b>(117,532)</b>	(433,823)
Decrease/(increase) in pledged deposits	<b>160,931</b>	(3,792)
Disposal of a subsidiary (note 5)	-	(512)
Spin-off of subsidiaries	-	(22,699)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(165,140)</b>	(814,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	<b>2,109,543</b>	2,936,430
Repayment of bank loans	<b>(1,830,817)</b>	(1,938,855)
Principal elements of lease payments	<b>(5,538)</b>	-
Redemption of convertible bonds	-	(42,000)
Dividends paid (note 7)	<b>(51,836)</b>	(229,965)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<b>221,352</b>	725,610

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(53,215)</b>	115,002
Cash and cash equivalents at beginning of period	<b>768,404</b>	792,494
Effect of foreign exchange rate changes, net	<b>51,410</b>	103,463
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>766,599</b>	1,010,959
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<b>766,599</b>	1,010,959

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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 is investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handset casings and high-precision components, smart electrical appliances casings, household and sports goods and network communications facilities and others. 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2018.

### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the HKFRS 16 is described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.



The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

#### *New definition of a lease*

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

### *As a lessee – Leases previously classified as operating leases*

#### Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain of its factories, office premises and staff quarters. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

#### Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	<b>Increase/ (decrease) HK\$'000 (Unaudited)</b>
<b>Assets</b>	
Increase in right-of-use assets	<b>357,568</b>
Decrease in prepayment	<b>(49,677)</b>
Decrease in prepaid land lease payments	<b>(261,635)</b>
Decrease in prepayments, deposits and other receivables	<b>(6,603)</b>
	<hr/>
Increase in total assets	<b>39,653</b>
<hr/>	
<b>Liabilities</b>	
Lease liabilities	<b>41,947</b>
	<hr/>
Increase in total liabilities	<b>41,947</b>
	<hr/>
Decrease in retained profits	<b>2,294</b>
	<hr/>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK\$'000 (Unaudited)
<b>Operating lease commitments as at 31 December 2018</b>	52,636
Weighted average incremental borrowing rate as at 1 January 2019	4.84%
<hr/>	
Discounted operating lease commitments and lease liabilities as at 1 January 2019	41,947
<hr/>	

#### *Summary of new accounting policies*

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

### *Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss*

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follows:

	Right-of-use assets				Lease liabilities HK\$'000
	Plant HK\$'000	Buildings HK\$'000	Land lease payments HK\$'000	Total HK\$'000	
<b>As at 1 January 2019</b>	<b>24,515</b>	<b>59,333</b>	<b>273,720</b>	<b>357,568</b>	<b>41,947</b>
Additions	-	1,986	-	1,986	1,986
Remeasurement	(1,235)	161	-	(1,074)	(1,160)
Depreciation charge	(3,950)	(2,715)	(3,417)	(10,082)	-
Interest expense	-	-	-	-	992
Payment	-	-	-	-	(6,530)
Exchange realignment	659	1,586	5,922	8,167	1,118
<b>As at 30 June 2019</b>	<b>19,989</b>	<b>60,351</b>	<b>276,225</b>	<b>356,565</b>	<b>38,353</b>

## 4. OPERATING SEGMENT INFORMATION

The Group has spun off its notebook computers business, which was listed on the Main Board of the Stock Exchange, on 16 March 2018, and has not been involved in the notebook computers business since then.

During the year ended 31 December 2018, management changed its reporting segments to (i) handset casings and high-precision components; (ii) smart electrical appliances casings; (iii) household and sports goods; (iv) network communications facilities and others; and (v) notebook computers as a result of the reorganisation of business units. The corresponding information for the period ended 30 June 2018 has been re-presented accordingly.

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

	Unaudited six months ended 30 June											
	Handset casings and high-precision components		Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Notebook computers		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>												
Sales to external customers	<b>2,856,176</b>	2,894,931	<b>342,517</b>	505,625	<b>327,843</b>	356,629	<b>382,406</b>	309,676	-	83,441	<b>3,908,942</b>	4,150,302
Segment results before depreciation and amortisation	<b>552,507</b>	596,179	<b>26,592</b>	46,902	<b>56,140</b>	69,749	<b>42,714</b>	67,243	-	1,009	<b>677,953</b>	781,082
Depreciation	<b>(180,198)</b>	(139,699)	<b>(22,194)</b>	(20,072)	<b>(7,677)</b>	(6,341)	<b>(40,861)</b>	(37,497)	-	(2,953)	<b>(250,930)</b>	(206,562)
Amortisation	-	(1,052)	-	(1,835)	-	-	-	(1,458)	-	-	-	(4,345)
<b>Segment results</b>	<b>372,309</b>	455,428	<b>4,398</b>	24,995	<b>48,463</b>	63,408	<b>1,853</b>	28,288	-	(1,944)	<b>427,023</b>	570,175
Unallocated income											<b>74,607</b>	40,843
Corporate and other unallocated expenses											<b>(12,320)</b>	(28,102)
Finance costs											<b>(102,123)</b>	(81,122)
Share of profit of a jointly-controlled entity											<b>928</b>	979
Profit before tax											<b>388,115</b>	502,773
Income tax expense											<b>(72,113)</b>	(85,488)
<b>Profit for the period</b>											<b>316,002</b>	417,285

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

	Unaudited 30 June 2019				Consolidated HK\$'000
	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	
Segment assets	8,648,989	1,239,469	341,250	2,279,844	12,509,552
Unallocated assets					1,456,679
Total assets					13,966,231
Segment liabilities	1,942,335	264,109	160,486	342,769	2,709,699
Unallocated liabilities					4,881,997
Total liabilities					7,591,696
	31 December 2018				Consolidated HK\$'000
	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	
Segment assets	8,442,317	1,850,197	330,766	1,422,628	12,045,908
Unallocated assets					1,596,231
Total assets					13,642,139
Segment liabilities	2,196,913	372,537	159,617	355,638	3,084,705
Unallocated liabilities					4,620,277
Total liabilities					7,704,982



The following table presents unaudited revenue for the Group's geographical information for the six months ended 30 June 2019 and 2018.

	Unaudited six months ended 30 June							
	Mainland China		Southeast Asia		Others		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<b>3,566,202</b>	3,799,260	<b>86,821</b>	83,295	<b>255,919</b>	267,747	<b>3,908,942</b>	4,150,302

### Information about major customers

For the six months ended 30 June 2019, revenue of approximately HK\$1,262,520,000 (30 June 2018: HK\$1,822,547,000), HK\$560,949,000 (30 June 2018: nil) and HK\$407,687,000 (30 June 2018: HK\$266,708,000), representing 32.3% (30 June 2018: 43.9%), 14.4% (30 June 2018: nil) and 10.4% (30 June 2018: 6.4%) of the Group's revenue, was derived from sales by the handset casings and high-precision components segment to three customers, including sales to a group of entities which are known to be under common control of these customers.

## 5. PROFIT BEFORE TAX

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Amortisation of prepaid land lease payments	–	3,530
Amortisation of prepayments	–	815
Depreciation of property, plant and equipment	<b>240,848</b>	206,562
Depreciation of right-of-use assets	<b>10,082</b>	–
Research and development costs	<b>171,236</b>	212,099
Salaries and wages	<b>944,419</b>	969,772
Impairment of trade receivables	<b>8,435</b>	7,364
Write-back of impairment of trade receivables	<b>(1,197)</b>	(13,496)
Provision against obsolete inventories	<b>13,081</b>	9,094
Foreign exchange differences, net	<b>(85,562)</b>	(84,073)
Loss on disposal of items of property, plant and equipment	<b>72</b>	2,922
Gain on disposal of a subsidiary (Note)	–	(3,568)
Change in fair value of an investment property	–	(4,250)
Interest income	<b>(3,546)</b>	(5,092)
Equity-settled share option expense	–	5,836

Note: During the period ended 30 June 2018, the Group entered into an agreement with an independent third party, to dispose of 100% interest in 重慶新通達科技有限公司, resulting in a gain on disposal of HK\$3,568,000. The disposal was completed on 29 June 2018.

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") being effective on 1 January 2008, the corporate income tax rate for all enterprises in Mainland China is 25%.

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), 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited), 廈門市創智實業有限公司 (Tongda (Xiamen) Smart Tech Industry Company Limited) and 通達(廈門)精密橡塑有限公司 (Tongda (Xiamen) Elastomers Company Limited) are subject to a preferential tax rate of 15% under High New Technology Enterprises.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong		
Charge for the period	<b>13,003</b>	10,736
Underprovision in prior years	<b>5</b>	–
	<b>13,008</b>	10,736
Current – Elsewhere		
Charge for the period	<b>56,549</b>	69,950
Overprovision in prior years	<b>–</b>	(1,229)
	<b>56,549</b>	68,721
Deferred	<b>2,556</b>	6,031
Total tax charge for the period	<b>72,113</b>	85,488

## 7. DIVIDENDS

**Unaudited**  
**Six months ended 30 June**

<b>2019</b>	2018
<b>HK\$'000</b>	HK\$'000

Dividends paid during the period:

Final dividend declared of HK0.8 cent per ordinary share in respect of the financial year ended 31 December 2018 (2018: final dividend declared and paid in respect of the financial year ended 31 December 2017 – HK3.8 cents per ordinary share)

<b>51,836</b>	229,965
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Special interim dividend (Note)

–	366,174
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Note: On 14 February 2018, the Board declared a special interim dividend in relation to the spin-off of Tongda Hong Tai Holdings Limited (“THT”). The qualifying shareholders were entitled to one THT Share for every 40 Shares of the Company. On the basis of 6,051,725,553 Shares in issue as of 14 February 2018, a total of 151,293,138 THT Shares, representing all the THT Shares in issue on the same date, was distributed to the qualifying shareholders on a pro rata basis.

At the board meeting held on 20 August 2019, the Board declared and approved an interim dividend of HK1.0 cent per ordinary share (2018: HK2.0 cents) totalling HK\$64,795,000 (2018: HK\$125,944,000).

## 8. EARNINGS PER SHARE

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit for the period attributable to owners of the Company used in the basic earnings per share calculation	<b>315,777</b>	418,943
Interest on convertible bonds	–	1,369
	<hr/>	<hr/>
Profit for the period attributable to owners of the Company before interest on convertible bonds	<b>315,777</b>	420,312
	<hr/>	<hr/>
	<b>'000</b>	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>6,479,505</b>	6,064,925
Effect of dilutive potential ordinary shares arising from		
– share options	–	–
– convertible bonds	–	250,045
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>6,479,505</b>	6,314,970
	<hr/>	<hr/>

## 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$570,182,000 (30 June 2018: HK\$702,923,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$14,113,000 (30 June 2018: HK\$16,505,000) for proceeds of approximately HK\$14,041,000 (30 June 2018: HK\$13,583,000).

On 1 January 2019, the Group's property in Shanghai was reclassified from investment property to owner-occupied property. The carrying amount of the property was approximately HK\$68,037,000, which was the fair value at the date of change in use.

At 30 June 2019, 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\$53,600,000 (31 December 2018: HK\$54,500,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong is its highest and best use.

A revaluation loss of HK\$252,000 (30 June 2018: surplus of HK\$1,706,000), resulting from the above valuation, has been debited to asset revaluation reserve. The resulting decrease in deferred tax liability of HK\$42,000 (30 June 2018: increase in deferred tax liability of HK\$281,000) arising from the revaluation has also been credited in the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong with a net carrying amount of HK\$53,600,000 (31 December 2018: HK\$54,500,000) was pledged to secure bank loans granted to the Group.

## 10. INVESTMENT PROPERTY

On 1 January 2019, the Group's property in Shanghai was reclassified from investment property to owner-occupied property. The carrying amount of the property was approximately HK\$68,037,000, which was the fair value at the date of change in use.

## 11. INVENTORIES

	<b>Unaudited 30 June 2019 HK\$'000</b>	Audited 31 December 2018 HK\$'000
Raw materials	<b>701,147</b>	614,982
Work in progress	<b>577,461</b>	503,845
Finished goods	<b>1,425,168</b>	1,410,123
	<b>2,703,776</b>	2,528,950

As at 30 June 2019, moulds of HK\$573,589,000 (31 December 2018: HK\$486,978,000) are included in the finished goods.

## 12. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>2,869,373</b>	3,020,622
Impairment allowances	<b>(47,236)</b>	(41,818)
	<b>2,822,137</b>	2,978,804
Bills receivables	<b>207,104</b>	135,989
	<b>3,029,241</b>	3,114,793

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing. At the end of reporting period, 37.5% (31 December 2018: 22.6%) and 63.8% (31 December 2018: 56.2%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.



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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>2,881,067</b>	2,916,025
4 to 6 months, inclusive	<b>140,873</b>	192,167
7 to 9 months, inclusive	<b>15,769</b>	9,435
10 to 12 months, inclusive	<b>3,936</b>	6,170
More than 1 year	<b>34,832</b>	32,814
	<b>3,076,477</b>	3,156,611
Impairment allowances	<b>(47,236)</b>	(41,818)
	<b>3,029,241</b>	3,114,793

### 13. TRADE AND BILLS PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>994,250</b>	1,144,985
Bills payable	<b>1,260,321</b>	1,480,740
	<b>2,254,571</b>	2,625,725

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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within 3 months	<b>1,450,784</b>	1,817,144
4 to 6 months, inclusive	<b>746,498</b>	777,987
7 to 9 months, inclusive	<b>27,183</b>	3,680
10 to 12 months, inclusive	<b>6,781</b>	6,591
More than 1 year	<b>23,325</b>	20,323
	<b>2,254,571</b>	2,625,725

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2019, the Group repaid bank and other borrowings of approximately HK\$1,830,817,000 (30 June 2018: HK\$1,938,855,000) and raised new bank and other borrowings of approximately HK\$2,109,543,000 (30 June 2018: HK\$2,936,430,000).

## 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each, authorised:		
Balance at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	20,000,000,000	200,000
Ordinary shares of HK\$0.01 each, issued and fully paid:		
At 1 January 2018	6,051,725,553	60,517
Conversion of convertible bonds (note (i))	245,454,544	2,455
Issue of shares (note (ii))	182,325,000	1,823
At 31 December 2018, 1 January 2019 and 30 June 2019	6,479,505,097	64,795

Notes:

- (i) During the year ended 31 December 2018, the convertible bonds with a principal amount of HK\$405,000,000 was converted into 245,454,544 shares of HK\$0.01 each at the conversion price of HK\$1.65 per share, of which HK\$2,455,000 was credited to share capital and HK\$405,753,000 was credited to share premium.
- (ii) On 5 December 2018, the Group issued 182,325,000 ordinary shares to acquire the remaining 30% interest of Tongda Precision Technology Company Limited.

## 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 2018.

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

	<b>Number of share options</b>
	'000
Outstanding as at 1 January 2018	58,000
Exercised during the year	–
<hr/>	
Balance at 31 December 2018	58,000
Exercised during the period	–
<hr/>	
Outstanding as at 30 June 2019	58,000

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 did not recognise any expense for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$5,836,000) in relation to the share options granted by the Company.

## 17. COMMITMENTS

The Group had the following capital commitments contracted but not provided for, at the end of the reporting period:

	<b>Unaudited 30 June 2019 HK\$'000</b>	Audited 31 December 2018 HK\$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	<b>117,689</b>	327,787
– Construction of leasehold buildings in Mainland China	<b>12,732</b>	284,898
	<b>130,421</b>	612,685

## 18. 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.

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2019</b>	2018
Notes		<b>HK\$'000</b>	HK\$'000
A related company controlled by directors of the Company:			
	Rental expense	(i) <b>2,321</b>	2,475
A jointly-controlled entity:			
	Rental income and utility charges	(ii) <b>3,472</b>	16,001
	Subcontracting fee	(iii) <b>147,321</b>	137,793
	Interest income	(iv) <b>1,440</b>	390
	Purchase of property, plant and equipment	(v) <b>-</b>	48,077

Notes:

- (i) The rental expense 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 2019 (2018: RMB330,000) by reference to a lease agreement entered into between the related company and the Group on 23 December 2015.
- (ii) The rental income and utility charges from a jointly-controlled entity represented rental charged for a factory premises at a monthly rate of RMB390,120 for the period ended 30 June 2019 (2018: RMB332,640) by reference to lease agreements entered into between the jointly-controlled entity and the Group on 31 January 2018 (2018: 1 May 2017) and the related utility charges.
- (iii) The subcontracting fee to a jointly-controlled entity was made on a basis mutually agreed by both parties.
- (iv) The interest income was charged at 2% per annum on the loan balances to the jointly-controlled entity.
- (v) The purchase of property, plant and equipment from the jointly-controlled entity was made on a basis mutually agreed by both parties.

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

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, amounts due from a jointly-controlled entity, loan receivables, loans to 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 a former non-controlling shareholder 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 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.



## 20. TRANSFERRED FINANCIAL ASSETS

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

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

	<b>Unaudited 30 June 2019</b>		
	<b>Trade receivables</b>	<b>Bills receivable</b>	<b>Total</b>
	<b>Note (a)</b>	<b>Notes (b) and (c)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Carrying amount of assets that continued to be recognised	<b>194,816</b>	<b>188,168</b>	<b>382,984</b>
Carrying amount of associated liabilities	<b>178,663</b>	<b>188,168</b>	<b>366,831</b>

	Audited 31 December 2018		
	Trade receivables	Bills receivable Notes (b) and (c)	Total
	Note (a) HK\$'000	and (c) HK\$'000	HK\$'000
Carrying amount of assets that continued to be recognised	46,318	97,635	143,953
Carrying amount of associated liabilities	44,929	97,635	142,564

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 2019 was HK\$194,816,000 (31 December 2018: HK\$46,318,000). The carrying amount of the assets that the Group continued to recognise as at 30 June 2019 was HK\$194,816,000 (31 December 2018: HK\$46,318,000) and that of the associated liabilities as at 30 June 2019 was HK\$178,663,000 (31 December 2018: HK\$44,929,000).

**(b) Discounting of bills receivable**

At 30 June 2019, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$148,830,000 (31 December 2018: HK\$25,156,000) 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\$148,830,000 as at 30 June 2019 (31 December 2018: HK\$25,156,000).

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

At 30 June 2019, 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\$39,338,000 (31 December 2018: HK\$72,479,000) 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\$39,338,000 (31 December 2018: HK\$72,479,000) as at 30 June 2019.

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

**(a) Discounting of bills receivable**

At 30 June 2019, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$196,377,000 (31 December 2018: HK\$220,777,000) 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 of HK\$196,377,000 (31 December 2018: HK\$220,777,000). 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.

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

At 30 June 2019, 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\$114,333,000 (31 December 2018: HK\$265,103,000). The Derecognised Endorsed Bills have a maturity from one to seven months at the end of the reporting period. 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 is 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.

## **21. 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.

## **22. 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 20 August 2019.

## **SUPPLEMENTARY INFORMATION**

### **INTERIM DIVIDEND**

The Board declared an interim dividend of HK1.0 cent (2018: HK2.0 cents) per ordinary share for the six months ended 30 June 2019 payable on or about 11 October 2019 to shareholders whose names appear on the register of members of the Company on 18 September 2019.

### **CLOSURE OF REGISTER OF MEMBERS**

The record date for the interim dividend will be 18 September 2019. The register of members of the Company will be closed from 16 September 2019 to 18 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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 for registration by no later than 4:00 p.m. on 13 September 2019.

## DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2019, 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	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Notes		
Mr. Wang Ya Nan	435,930,000 (L)	1,879,500,000 (L)	1, 2	2,315,430,000 (L)	35.73
Mr. Wang Ya Hua	91,220,000 (L)	1,583,500,000 (L)	1	1,674,720,000 (L)	25.85
Mr. Wong Ah Yeung	119,300,000 (L)	1,583,500,000 (L)	1	1,702,800,000 (L)	26.28
Mr. Wong Ah Yu	96,460,000 (L)	1,583,500,000 (L)	1	1,679,960,000 (L)	25.93
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)	0.33
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	-		5,950,000 (L)	0.09
Mr. Ting Leung Huel Stephen	6,450,000 (L)	-		6,450,000 (L)	0.10

L: Long position

S: Short position

Notes:

1. 1,583,500,000 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”).
2. 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.

Save as disclosed above, as at 30 June 2019 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.



The following table discloses movements in the Company's share options outstanding during the period:

Name or category of participants	Date of grant	Vesting period	Exercisable period	Exercise price of share options HK\$ per share	Number of share options			At 30 June 2019
					At 1 January 2019	Granted during the period	Exercised during the period	
<b>Directors</b>								
Mr. Wang Ya Nan	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	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 Yu	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	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 Ming Che	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

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 1 January 2019	Granted during the period	Exercised during the period	At 30 June 2019
Ms. Chan Sze Man	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	3,000,000	-	-	3,000,000
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
<b>Other employees</b>								
In aggregate	9 September 2016	9 September 2016 to 8 September 2017	9 September 2017 to 8 September 2020	1.80	5,200,000	-	-	5,200,000
		9 September 2016 to 8 September 2018	9 September 2018 to 8 September 2020	1.80	21,800,000	-	-	21,800,000
					58,000,000	-	-	58,000,000

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

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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 0.90% of the Company's share in issue as at that date.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2019, 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:

<b>Name of shareholder</b>	<b>Note</b>	<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	1,583,500,000 (L)	24.44

L: Long position

S: Short position

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

Save as disclosed above, as at 30 June 2019, 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period under Review.

## CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, throughout the Period, except for the deviations as mentioned below.

The independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

The roles of Chairman and Chief Executive should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Wang Ya Nan currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The present structure is considered to be most appropriate under the circumstances.

## AUDIT COMMITTEE

The Audit Committee (the "AC") comprises three independent non-executive Directors and one non-executive Director, Mr. Ting Leung Huel Stephen ("Mr. Ting"), Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Ms. Chan Sze Man. 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 Corporate Governance Code as set out in Appendix 14 to the Listing Rules. 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 for reviewing and supervising 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 2019 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 Board comprises Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yeung and Mr. Wang Ming Che as executive Directors; Mr. Wong Ah Yu and Ms. Chan Sze Man as non-executive Directors; and Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, SBS, JP and Mr. Ting Leung Huel Stephen as independent non-executive Directors.

On behalf of the Board

**Tongda Group Holdings Limited**

**Wang Ya Nan**

*Chairman*

Hong Kong, 20 August 2019