通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 698)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of Tongda Group Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 (the "Year"), together with the comparative figures in 2007, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	**2008** ***HK$'000***	2007 *HK$'000*
REVENUE	3	**1,393,843**	1,139,540
Cost of sales		**(1,175,925)**	(896,142)
Gross profit		**217,918**	243,398
Other income and gains, net		**52,378**	66,211
Selling and distribution costs		**(39,045)**	(33,443)
Administrative expenses		**(97,644)**	(69,254)
Other expenses, net		**(22,490)**	(15,421)
Finance costs	4	**(27,312)**	(14,854)
Share of profits and losses of:			
Associates		**2,674**	3,818
A jointly-controlled entity		**3,572**	18,468
PROFIT BEFORE TAX	5	**90,051**	198,923
Tax	6	**(18,709)**	(28,915)
PROFIT FOR THE YEAR		**71,342**	170,008

* *For identification purpose only*

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Attributable to:			
Ordinary equity holders of the Company		**65,301**	174,818
Minority interests		**6,041**	(4,810)
		71,342	170,008
DIVIDENDS	7		
Interim		**15,959**	32,132
Proposed final		**7,980**	31,918
		23,939	64,050
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
– Basic		**HK1.64 cents**	HK4.42 cents
– Diluted		**HK1.64 cents**	HK4.41 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	**2008**	2007
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**752,758**	523,682
Investment property		**3,850**	4,000
Prepaid land lease payments		**27,887**	19,725
Interests in associates		**31,226**	22,895
Interest in a jointly-controlled entity		**–**	43,692
Prepayments		**55,449**	42,980
Long term deposits		**7,352**	13,442
Deferred tax assets		**3,833**	130
Total non-current assets		**882,355**	670,546
CURRENT ASSETS			
Inventories		**305,872**	167,710
Trade and bills receivables	9	**600,152**	627,727
Prepayments, deposits and other receivables		**90,019**	58,245
Pledged deposits		**43,738**	584
Derivative financial assets		**2,894**	5,945
Tax Recoverable		**110**	–
Cash and cash equivalents		**147,875**	146,627
Total current assets		**1,190,660**	1,006,838
CURRENT LIABILITIES			
Trade and bills payables	10	**262,300**	243,371
Accrued liabilities and other payables		**98,041**	58,003
Derivative financial liabilities		**2,273**	1,984
Interest-bearing bank borrowings		**170,907**	112,844
Due to a jointly-controlled entity		**–**	13,787
Due to a minority shareholder of a subsidiary		**609**	609
Tax payable		**108,591**	105,883
Total current liabilities		**642,721**	536,481
NET CURRENT ASSETS		**547,939**	470,357

	2008	2007
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,430,294**	1,140,903
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**211,205**	–
Deferred tax liabilities	**3,757**	2,502
Total non-current liabilities	**214,962**	2,502
Net assets	**1,215,332**	1,138,401
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Issued capital	**39,898**	39,975
Reserves	**1,133,789**	1,061,079
Proposed final dividend	**7,980**	31,918
	1,181,667	1,132,972
Minority interests	**33,665**	5,429
Total equity	**1,215,332**	1,138,401

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, certain buildings and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[3]
HKFRS 7 Amendments	Amedments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition* and *Measurement – Eligible Hedged Items*[3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[3]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[3]

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

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:												
Sales to external customers	**845,843**	591,950	**410,851**	389,511	**100,119**	85,377	**37,030**	72,702	**–**	–	**1,393,843**	1,139,540
Intersegment sales	**11,202**	6,135	**941**	555	**2,783**	2,864	**–**	–	**(14,926)**	(9,554)	**–**	–
Total	**857,045**	598,085	**411,792**	390,066	**102,902**	88,241	**37,030**	72,702	**(14,926)**	(9,554)	**1,393,843**	1,139,540
Segment results	**72,083**	146,396	**23,724**	47,941	**(25,609)**	(18,656)	**(9,753)**	(15,578)	**(1,706)**	(2,318)	**58,739**	157,785
Unallocated income											**52,378**	33,706
Finance costs											**(27,312)**	(14,854)
Share of profits and losses of:												
Associates											**2,674**	3,818
A jointly-controlled entity											**3,572**	18,468
Profit before tax											**90,051**	198,923
Tax											**(18,709)**	(28,915)
Profit for the year											**71,342**	170,008
Segment assets	**1,816,388**	1,267,842	**486,763**	524,410	**626,355**	508,086	**400,911**	369,916	**(1,487,078)**	(1,212,743)	**1,843,339**	1,457,511
Unallocated assets											**229,676**	219,873
Total assets											**2,073,015**	1,677,384
Segment liabilities	**1,402,299**	906,282	**326,436**	314,730	**504,702**	378,994	**38,811**	43,435	**(1,911,298)**	(1,327,671)	**360,950**	315,770
Unallocated liabilities											**496,733**	223,213
Total liabilities											**857,683**	538,983

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Other segment information:												
Depreciation	**45,504**	20,847	**9,923**	11,875	**2,830**	3,337	**873**	779	**–**	–	**59,130**	36,838
Amortisation of prepaid land lease payments	**580**	400	**–**	–	**74**	70	**–**	–	**–**	–	**654**	470
Impairment of trade receivables	**290**	1,051	**689**	–	**447**	–	**9,834**	–	**–**	–	**11,260**	1,051
Write off of trade receivables	**2,439**	720	**6**	–	**–**	(87)	**–**	–	**–**	–	**2,445**	633
Write back of provision for obsolete inventories	**–**	–	**(519)**	–	**(196)**	–	**–**	–	**–**	–	**(715)**	–
Loss on disposal of items of property, plant and equipment	**2,001**	127	**–**	–	**79**	12,287	**(6)**	–	**–**	–	**2,074**	12,414
Loss on disposal of a subsidiary	**774**	–	**–**	–	**–**	–	**–**	–	**–**	–	**774**	–
Amortisation of prepayments	**–**	–	**1,118**	964	**–**	–	**–**	–	**–**	–	**1,118**	964
Deficit/(surplus) on revaluation of property, plant and equipment recognised directly in equity	**–**	–	**–**	–	**–**	–	**1,682**	(3,723)	**–**	–	**1,682**	(3,723)
Changes in fair value of an investment property	**–**	–	**–**	–	**–**	–	**150**	(700)	**–**	–	**150**	(700)
Excess over the cost of business combinations	**(7,962)**	–	**–**	–	**(1,535)**	–	**–**	–	**–**	–	**(9,497)**	–
Capital expenditure	**211,436**	179,108	**16,026**	16,431	**1,826**	1,076	**617**	34	**–**	–	**229,905**	196,649

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group

	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***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	**96,859**	178,445	**1,103,616**	750,213	**61,558**	45,979	**38,186**	73,467	**93,624**	91,436	**1,393,843**	1,139,540
Total assets	**124,395**	189,260	**1,894,253**	1,404,149	**12,595**	11,772	**26,419**	40,463	**15,353**	31,740	**2,073,015**	1,677,384
Other segment information:												
Capital expenditure	**608**	34	**229,297**	196,615	**–**	–	**–**	–	**–**	–	**229,905**	196,649

4. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest expenses on bank loans and overdrafts wholly repayable within five years	**27,312**	14,854

5. PROFIT BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**1,175,925**	896,142
Employee benefits expense (excluding directors' remuneration)		
Salaries and wages	**189,927**	120,217
Equity-settled share option expense	**1,277**	948
Pension scheme contributions	**416**	593
Less: Amounts included in research and development costs	**(3,487)**	(1,291)
	188,133	120,467
Minimum lease payments under operating leases of leasehold land and buildings	**8,461**	4,150
Auditors' remuneration	**1,590**	1,500
Depreciation	**59,130**	36,838
Amortisation of prepaid land lease payments	**654**	470
Changes in fair value of an investment property*	**150**	(700)
Amortisation of prepayments	**1,118**	964
Impairment of trade receivables*	**11,260**	1,051
Write-off of trade receivables*	**2,445**	633
Write-back of provision for obsolete inventories*	**(715)**	–
Loss on disposal of items of property, plant and equipment*	**2,074**	12,414
Research and development costs**	**32,797**	32,374
Net fair value losses/(gains) on foreign exchange derivative financial instruments***	**3,340**	(3,961)
Gross rental income with nil outgoings***	**(1,704)**	(5,237)
Loss on partial disposal of a subsidiary*	**774**	–
Excess over the cost of business combinations***	**(9,497)**	–
Bank interest income***	**(1,946)**	(4,646)
Foreign exchange differences, net***	**(29,170)**	(34,471)

* Changes in fair value of an investment property, impairment of trade receivables, write-off of trade receivables, loss on disposal of items of property, plant and equipment and loss on partial disposal of a subsidiary for the year are included in "Other expenses, net" on the face of the consolidated income statement.

** Included in the research and development costs are items of plant and equipment amounted to HK$16,678,000 (2007: HK$14,227,000) which are capitalised under property, plant and equipment in the consolidated balance sheet and are depreciated over their estimated useful lives.

*** Gross rental income with nil outgoings, excess over the cost of business combinations, bank interest income, foreign exchange differences, net fair value losses/(gains) on foreign exchange derivative financial instruments for the year are included in "Other income and gains, net" on the face of the consolidated income statement.

Cost of inventories sold includes HK$224,398,000 (2007: HK$137,628,000) relating to staff costs, operating lease rentals on land and buildings, amortisation of prepayments, depreciation of the manufacturing activities and write-back of provision for obsolete inventories, which are also included in the respective total amounts disclosed above for each of these types of expenses.

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. 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.

	2008	2007
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**6,296**	6,663
Current – Elsewhere		
Charge for the year	**16,565**	25,162
Overprovision in prior years	**(5,684)**	(2,910)
	10,881	22,252
Deferred	**1,532**	–
Total tax charge for the year	**18,709**	28,915

7. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim – HK0.4 cent (2007: HK0.8 cent) per ordinary share	**15,959**	32,132
Proposed final – HK0.2 cent (2007: HK0.8 cent) per ordinary share	**7,980**	31,918
	23,939	64,050

The proposed final dividend for the year is calculated based on 3,989,800,000 issued and fully paid up shares of the Company up to the date of these financial statements.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$65,301,000 (2007: HK$174,818,000), and the weighted average of 3,989,811,000 (2007: 3,954,223,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2008 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$65,301,000 (2007: HK$174,818,000). The weighted average number of ordinary shares of 3,990,880,000 (2007: 3,963,170,000) used in the calculation is the weighted average of 3,989,811,000 (2007: 3,954,223,000) ordinary shares in issued during the year, as used in the basic earnings per share calculation and the weighted average of 1,069,000 (2007: 8,947,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of 20,000,000 (2007: 50,360,000) dilutive share options during the year.

9. TRADE AND BILLS RECEIVABLES (BY INVOICE DATE)

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**495,404**	503,169
4 to 6 months, inclusive	**86,596**	74,806
7 to 9 months, inclusive	**4,343**	29,830
10 to 12 months, inclusive	**1,378**	7,782
More than 1 year	**32,073**	20,108
	619,794	635,695
Impairment allowances	**(19,642)**	(7,968)
	600,152	627,727

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

10. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 31 December 2008, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**223,012**	222,808
4 to 6 months, inclusive	**28,866**	11,760
7 to 9 months, inclusive	**4,949**	1,360
10 to 12 months, inclusive	**1,607**	3,661
More than 1 year	**3,866**	3,782
	262,300	243,371

BUSINESS REVIEW

1. Financial

For the year ended 31 December 2008, the Group recorded a turnover of HK$1,393,843,000, representing a 22.3% rise when compared with last year. (2007: HK$1,139,540,000).

During the year, the Group increased its stake in Tongda (Xiamen) Technology Limited ("Xiamen Technology") to 75% and the incomes and expenses of the company were consolidated into the Group account. Xiamen Technology, which was a jointly-controlled entity last year, is a casing manufacturer for handset, notebook computer and other electrical appliances. In the consolidated account, Xiamen Technology contributed about 11.4% of the Group's turnover for the year (2007: Nil). Excluding the contribution, the Group had a 8.4% increase in turnover year-on-year.

During the year, the Group recorded gross profit of HK$217,918,000 (2007: HK$243,398,000) with gross margin at 15.6% (2007: 21.4%). The drop in gross profit was mainly the result of the year-on-year decrease in average selling price of the Group's products. Profit attributable to shareholders amounted to approximately HK$65,301,000 (2007: HK$174,818,000). The decline in net profit reflected mainly an increase in operation costs such as raw material costs, direct labor expenses and depreciation.

The global financial turmoil hit in 2008 had affected businesses worldwide including the Group. However, braced by a solid foundation, the Group was able to achieve steady growth. To stabilise its gross margin, on top of adopting stringent cost control measures, the Group also strategically phased out traditional and low margin products and focused on high added-value products such as In-mould Lamination ("IML") products for notebook computers. The latter move won orders from a number of famous international clients for the Group including Lenovo and Asus. Furthermore, the Group also landed orders from the global mobile phone manufacturers Nokia and Sony Ericsson during the year, which has helped accelerate expansion of its business in the international market.

2. Operational information by division

a. The Electrical Fittings Division

During the year, this Division was joined by Xiamen Technology, which has given the Group the capabilities to manufacture the entire exterior cover of handsets including lens, casings, hinges, sliding lids and keypads. The Group is currently among only a few manufacturers who can offer one-stop solution to customers, allowing them to lower production costs. Also, by offering customers more attentive services, the Group also managed to strengthen customer relations.

The turnover from the electrical fittings division increased by 43.3% to HK$857,045,000 for the year (2007: HK$598,085,000), accounting for 61.5% of the Group total. Majority of the increase comes from Xiamen Technology. Excluding such contribution, sales revenue of the Group grew by 14.3% year-on-year.

IML products remained as the core business of the Group. After years of efforts in strategic planning and technological enhancement, the Group boasts mastery of the IML technology – its core competitive strength – and leadership among suppliers of IML products in the market. The success of the IML products was attributable to the relentless efforts of the Group in improving its technological advantages and offering customers the most innovative and advanced products. For example, for the high margin handset market, the Group developed a wide array of trend-setting stylish and sleek handset casings. Starting in 2007, the Group has been supplying handset casings to well-known international enterprises including Huawei, ZTE Corporation and Lenovo and orders from these customers grew steadily during the year under review. The Group was also much encouraged by having landed handset lens orders from the global mobile phone manufacturers Nokia and Sony Ericsson during the year, affirming the prominent position of the Group in the international handset supply chain.

Continuous R&D efforts have allowed the Group to extend application of the IML technology to some higher margin products and developed more advanced and trendy products constituting mainly notebook computer casings. Related efforts reported notable progress during the year. Heeding product trends, the Group, applying an integration of the self-developed IML techniques including color coating, plasma surface treatment, leather incrustation, multi-colour automatic printing and alloys with various textures, has been producing high quality and unique surface-finishing effects with strong user appeal. This explained its landing of orders from famous international customers, including the four largest computer manufacturers from Taiwan – Asus, Hon Hai, Quanta and Compal – which supply 90% of the global market. Looking ahead, the notebook computer casings segment is expected to continue to provide the Group with strong growth momentum.

Other than handset and notebook computer business, the Group's electrical appliance business also remained stable. With long-standing cooperative relationship with well-known customers including Haier, Midea, Gree, Philips, CISCO, Sony and Samsung, the segment received steady orders.

Armed with advanced technology and high quality and efficient one-stop solutions, the Group has captured the attention of eminent international customers for all its three business streams, marking its success in entering the international market.

b. *The Communication Facilities Division*

The Group terminated the optic fiber and electrical resistance businesses in 2007, leaving the satellite television modem business in operation. Turnover from the product segment was HK$102,902,000 for the year (2007: HK$88,241,000).

c. *Other Business*

In order to expand to other electrical appliance manufacturing business, the Group has invested in the business of manufacturing trendy lifestyle consumer products including satellite navigation systems and bar speaker amplifiers and has acquired a R&D team with Korean engineers.

The new set-up has recorded an operating loss of over HK$6.2 million in 2008. The new business is expected to bring new customers and orders to the Group thus conducive to the Group expanding into new markets. The business is expected to stabilise and breakeven in 2009 and bring in meaningful contributions in the next few years thereafter.

d. *Product turnover breakdown for the 12 months ended 31 December 2008 and 2007*

	2008	2007
Electrical Fittings Division	**61%**	52%
Ironware Parts Division	**30%**	34%
Communication Facilities Division	**7%**	8%
Other (Trading Division)	**2%**	6%

The Group made strategic adjustment of its product mix during the year. To pool resources for focusing on developing high margin products, the Group's Electrical Fittings Division became the biggest contributor both in terms of turnover and profits. Looking ahead, the Group will inject more resources into the Electrical Fittings Division and aim for higher operational efficiency.

3. Prospect

2009 will be a challenging year for the Group. Worldwide economy and consumer spending will continue to be affected by the global financial turmoil. However, enjoying strong advantages including a rock solid foundation, leadership as a one-stop provider of casings of consumer electronics, and with a strategically-refined product mix, ability to develop innovative new and high quality products and on-time delivery, all conducive to the long term development of its businesses, the Group is cautiously optimistic about its prospects.

Looking ahead, both handset and notebook computer casings are expected to continue to provide the Group with strong growth momentum, and the latter in particular will become a long-term growth driver of the Group. Market data has the average annual growth rate of the notebook computer market between 2009 and 2012 estimated at approximately 10%, meaning the market has huge growth potential. Seeing the constantly rising demand for notebook computers in stylish casings, the Group has injected more resources into developing the business segment.

Handsets are seen by the market as a fast moving consumer product with consumers focusing not only on the practical functions of the product but also its exterior appeal. To ride this trend, the Group has been actively developing more trendy casings using IML technology to align with the production cycles of its customers thus land more orders from world-renowned brands. Moreover, the 3G market in China is going to boom in the middle of 2009, translating into huge demand for handsets. As a partner of world-class mobile phone companies, the mobile phone business of the Group will benefit directly from the abundant opportunities in the 3G market, thus the Group has full confidence in the continuous growth of the business.

Some customers of the Group are in China, which is also affected by the global economic downturn. Fortunately, relative to other markets, the China market has not been affected as seriously. That plus the active efforts of the Chinese government to stimulate domestic demand will indirectly support development of the Group in the market. The government programme that encourages purchase of electrical household appliances by residents in rural areas of the country will indirectly provide long-term support to the Group.

The market environment is full of uncertainty. It is expected to speed up consolidation of the industry to the ultimate benefit of sizeable and competent enterprises like Tongda. In such times, only strong suppliers will be able to meet the demand of customers for efficient and high quality one-stop solution. Furthermore, as the industry has relatively high entry barriers, the Group is going to gain stronger yet industry standing. Armed with years of experience and a strong foundation, we are confident of weathering the tough times ahead and seize first opportunities for growth when the economic environment improves.

4. Cash Flow and Financial Resources

The Group has adequate cash-on-hand. As at 31 December 2008, it has cash and bank and pledged deposits balance of HK$191,613,000 and without holding any structural investment contract. During the year, the Group secured a three-year bank loan of HK$350,000,000. Heeding the current economic situation, the Group will allocate its resources carefully and with prudence focusing on developing more high profit and high value-adding products, and applying IML technology in more productions so as to gain maximum benefit from the technology.

Furthermore, the Group will closely monitor market trends and look for merger and acquisition opportunities at suitable time to help speed up business development and also strengthen and raise its industry position.

As at 31 December 2008, the Group had total assets of HK$2,073 million (2007: HK$1,677 million); net current assets of HK$548 million (2007: HK$470 million) and capital and reserves of HK$1,215 million (2007: HK$1,138 million).

Of the Group's cash and bank balance of about HK$191.6 million, HK$43.7 million has been pledged to bank to secure banking facilities (2007: HK$0.6 million).

The gearing ratio of the Group (total debt/equity plus total debt) was 0.39 (2007: 0.27).

The effective interest rate of the Group's long term bank loans and short term bank loans is HIBOR plus 1.1% and best lending rate respectively and are denominated in Hong Kong dollars. Other than the aforementioned bank loans, the remaining bank loans of the Group are denominated in RMB, USD and EUR with effective interest rates ranging from 5.6% to 8.2%, 6.3% to 9.2% or board rate, and 7.8% to 7.9% per annum, respectively.

FOREIGN CURRENCY RISK

The Group carries on its trading transactions mainly in Hong Kong dollars and RMB. Approximately 70% of the Group's sales and purchases are denominated in RMB, whereas wages and raw material purchases are settled in RMB. With exchange risks cancelled out by earnings and expenses from sale and purchase, the Group has very low exposure to risk from exchange rate fluctuation. It is the policy of the Group to maintain balance of sales and purchases in the same currency.

EMPLOYEE

As at 31 December 2008, the Group had about 6,800 (2007: 7,000) employees. The Group provides competitive remuneration packages to employee commensurable to the level and market trend of pay in the business in which the Group operates, with mandatory provident fund schemes and a share option scheme.

CAPITAL STRUCTURE

All of the Company's shares are ordinary shares. Other than the non-current portion of bank loan of HK$211.20 million (2007: Nil), the Group's borrowings are repayable within one year as at the balance sheet date.

CONTINGENT LIABILITIES

As at the balance sheet date, the Group had contingent liabilities in respect of outstanding irrevocable letters of credit of HK$22 million (2007: HK$44 million).

In addition, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate, which were utilised to the extent of HK$44 million (2007: HK$120.6 million) at the balance sheet date.

Save as disclosed above, neither the Group nor the Company, had any significant contingent liabilities at the balance sheet date.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company purchases its own Ordinary Shares in the Stock Exchange from 2 January 2008 to 1 February 2008, with a price range from HK$0.305 to HK$0.375, totalling 9,670,000 Shares.

Neither the Company, its holding company, nor any of its subsidiaries redeemed or sold any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all code provisions of the Code on Corporate Governance Practices in as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the year covered by the Annual Report, except for the deviations as mentioned below:

The independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's memorandum and 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 appropriate under the circumstances.

The Company has an audit committee "the Committee", which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises the three independent non-executive directors of the Company. The Group's financial statements for the year ended 31 December 2008 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, and legal requirements, and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiries of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company's branch share registers will be closed from 8 June 2009 to 11 June 2009 (inclusive of the first and last day) to process share transfer. A member entitled to the proposed final dividend, must submit the share transfer form together with the relevant shares on or before 4:00 pm on 5 June 2009 to our Company's branch share registrars, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

By Order of the Board
Tongda Group Holdings Limited
Wang Ya Nan
Chairman

Hong Kong, 21 April 2009

As at the date of this announcement, the executive directors of the Company includes Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu, Wong Ah Yeung, Choi Wai Sang, Wang Ming Che, and independent non-executive directors Dr. Yu Sun Say JP, Mr. Ting Leung Huel Stephen and Mr. Cheung Wah Fung, Chirstopher, JP