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 2013

HIGHLIGHTS

- Our turnover for the financial year ended 31 December 2013 reached approximately HK$3,627,101,000, representing an increase of approximately 6.4% as compared with that for the financial year ended 31 December 2012.

- Our net profit attributable to owners of the Company for the financial year ended 31 December 2013 reached approximately HK$360,102,000, representing an increase of approximately 20.0% as compared with that for the financial year ended 31 December 2012.

- Basic earnings per Share for the financial year ended 31 December 2013 was HK7.47 cents representing an increase of approximately 17.3% as compared with that for the financial year ended 31 December 2012.

- The Directors propose to declare a final dividend of HK1.6 cents per Share for the financial year ended 31 December 2013.

The Board of Directors (the "Board") of Tongda Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
REVENUE	*6*	**3,627,101**	3,408,091
Cost of sales		**(2,829,088)**	(2,677,444)
Gross profit		**798,013**	730,647
Other income and gains, net	*6*	**46,583**	17,217
Selling and distribution expenses		**(78,517)**	(81,868)
Administrative expenses		**(277,770)**	(210,575)
Other operating expenses, net		**(21,227)**	(9,043)
Finance costs	*7*	**(51,869)**	(48,991)
Share of profits and losses of associates		**(94)**	3,516
PROFIT BEFORE TAX	*8*	**415,119**	400,903
Income tax expense	*9*	**(46,141)**	(67,389)
PROFIT FOR THE YEAR		**368,978**	333,514
Attributable to:			
Owners of the Company		**360,102**	300,005
Non-controlling interests		**8,876**	33,509
		368,978	333,514
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*11*		
– Basic		**HK7.47 cents**	HK6.37 cents
– Diluted		**HK7.36 cents**	HK6.36 cents

Details of the dividends are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**368,978**	333,514
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation		
– subsidiaries	**850**	3,603
Income tax effect	**(140)**	(594)
	710	3,009
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**67,051**	6,847
– associates	**1,162**	151
	68,213	6,998
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**68,923**	10,007
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**437,901**	343,521
Attributable to:		
Owners of the Company	**425,420**	309,571
Non-controlling interests	**12,481**	33,950
	437,901	343,521

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,327,626**	1,229,728
Prepaid land lease payments		**34,051**	33,723
Investment property		**53,992**	51,961
Goodwill		**6,135**	22,751
Prepayments		**63,421**	62,921
Investments in associates		**40,647**	40,881
Long term deposits		**78,945**	32,452
Deferred tax assets		**3,703**	3,703
Total non-current assets		**1,608,520**	1,478,120
CURRENT ASSETS			
Inventories	*12*	**1,088,267**	801,981
Trade and bills receivables	*13*	**1,585,497**	1,455,801
Prepayments, deposits and other receivables		**132,288**	151,557
Due from a related company		**1,749**	2,528
Tax recoverable		**110**	82
Pledged deposits		**62,793**	92,439
Cash and cash equivalents		**177,643**	221,460
Total current assets		**3,048,347**	2,725,848
CURRENT LIABILITIES			
Trade and bills payables	*14*	**894,417**	1,014,378
Accrued liabilities and other payables		**140,458**	115,185
Due to a non-controlling shareholder of a subsidiary		**54**	54
Tax payable		**187,547**	172,047
Interest-bearing bank and other borrowings		**591,761**	564,311
Total current liabilities		**1,814,237**	1,865,975
NET CURRENT ASSETS		**1,234,110**	859,873
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,842,630**	2,337,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**257,906**	88,769
Loan from a non-controlling shareholder of a subsidiary		**–**	7,331
Deferred tax liabilities		**35,554**	49,016
Total non-current liabilities		**293,460**	145,116
Net assets		**2,549,170**	2,192,877
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*15*	**48,589**	47,633
Reserves		**2,406,288**	2,054,473
		2,454,877	2,102,106
Non-controlling interests		**94,293**	90,771
Total equity		**2,549,170**	2,192,877

NOTES

1. CORPORATE INFORMATION

Tongda Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handsets, notebook computers and electrical appliances, ironware products and other electronic products. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

2.1 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 a leasehold building in Hong Kong classified as property, plant and equipment and the investment property 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.

Basis of consolidation

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 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKFRS 10, HKFRS 12, and HKAS 1, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

    As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

    The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 Consolidated and Separate Financial Statements, HKAS 31 Interests in Joint Ventures and HKAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

(c) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC) – Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(d) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of the investment property and a leasehold building in Hong Kong classified as property, plant and equipment.

(e) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen not to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) – Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

5. OPERATING SEGMENT INFORMATION

The following tables present revenue, profit and certain assets and liabilities information for the Group's operating segments for the years ended 31 December 2013 and 2012.

Group

	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**2,960,106**	2,813,423	**492,385**	419,616	**174,610**	175,052	**-**	–	**3,627,101**	3,408,091
Intersegment sales	**20,514**	21,759	**20,924**	36,555	**-**	–	**(41,438)**	(58,314)	**-**	–
Total	**2,980,620**	2,835,182	**513,309**	456,171	**174,610**	175,052	**(41,438)**	(58,314)	**3,627,101**	3,408,091
Segment results before depreciation and amortisation	**540,178**	538,986	**60,045**	42,102	**17,417**	17,289	**-**	–	**617,640**	598,377
Depreciation	**(135,515)**	(119,035)	**(12,968)**	(12,697)	**(4,442)**	(4,273)	**-**	–	**(152,925)**	(136,005)
Amortisation	**(733)**	(708)	**(1,653)**	(1,577)	**(82)**	(80)	**-**	–	**(2,468)**	(2,365)
Segment results	**403,930**	419,243	**45,424**	27,828	**12,893**	12,936	**-**	–	**462,247**	460,007
Unallocated income									**46,583**	17,217
Impairment of goodwill									**(16,616)**	–
Impairment of investment in associates									**-**	(5,951)
Corporate and other unallocated expenses									**(25,132)**	(24,895)
Finance costs									**(51,869)**	(48,991)
Share of profits and losses of associates									**(94)**	3,516
Profit before tax									**415,119**	400,903
Income tax expense									**(46,141)**	(67,389)
Profit for the year									**368,978**	333,514
Other segment information:										
Impairment losses/write-down recognised in the income statement*	**(3,105)**	(177)	**(2,000)**	(1,932)	**(642)**	(7,710)	**-**	–	**(5,747)**	(9,819)
Impairment losses reversed in the income statement**	**50**	702	**-**	–	**1,881**	928	**-**	–	**1,931**	1,630
Capital expenditure***	**165,908**	271,644	**42,667**	13,045	**1,566**	1,297	**-**	–	**210,141**	285,986
Segment assets	**3,678,361**	3,290,755	**574,357**	437,242	**113,118**	94,655	**-**	–	**4,365,836**	3,822,652
Unallocated assets									**291,031**	381,316
Total assets									**4,656,867**	4,203,968
Segment liabilities	**759,074**	932,435	**242,122**	157,865	**33,733**	46,648	**-**	–	**1,034,929**	1,136,948
Unallocated liabilities									**1,072,768**	874,143
Total liabilities									**2,107,697**	2,011,091

* Included impairment of trade receivables, write-off of trade receivables and provision against/(write-back of) obsolete inventories.

** Included write-back of impairment of trade receivables.

*** Capital expenditure consists of additions to property, plant and equipment.

During the year, the Group performed a review on its business and rationalised the allocation for certain revenue, expenses, assets and liabilities to the respective reporting segments. Accordingly, certain comparative accounts have been reclassified to conform to the current year's presentation.

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from customers

Group

	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**3,275,095**	3,069,857	**176,067**	106,312	**48,717**	67,322	**127,222**	164,600	**3,627,101**	3,408,091
(b) Non-current assets	**1,516,897**	1,370,314	**-**	-	**-**	-	**41,138**	40,471	**1,558,035**	1,410,785

The revenue information above is based on the location of the customers.

The non-current assets information above is based on the locations of the assets and excludes investments in associates, goodwill and deferred tax assets.

Information about major customers

Revenue of approximately HK$698,836,000 (2012: HK$679,364,000), representing 19.27% (2012: 19.93%) of the Group's revenue, was derived from sales by the electrical fittings segment to a single customer, including sales to a group of entities which are known to be under common control of that customer.

6. REVENUE, OTHER INCOME AND GAINS, NET

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.

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of:		
Electrical fittings	**2,960,106**	2,813,423
Ironware parts	**492,385**	419,616
Communication facilities and others	**174,610**	175,052
	3,627,101	3,408,091
Other income and gains, net		
Bank interest income	**3,005**	2,360
Gross rental income with nil outgoings	**5,433**	4,581
Sale of scrap materials	**5,312**	4,568
Government grants*	**18,581**	3,463
Foreign exchange differences, net	**8,136**	(2,645)
Others	**6,116**	4,890
	46,583	17,217

* There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest expenses on bank and other loans wholly repayable within five years	**31,022**	18,287
Interest expenses on discounted bills	**20,847**	30,704
	51,869	48,991

8. PROFIT BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**2,829,088**	2,677,444
Depreciation	**152,925**	136,005
Amortisation of prepaid land lease payments	**815**	788
Amortisation of prepayments	**1,653**	1,577
Research and development costs**	**91,840**	85,049
Impairment of goodwill*	**16,616**	–
Minimum lease payments under operating leases of leasehold land and buildings	**33,010**	21,510
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**684,976**	555,210
Pension scheme contributions	**27,420**	15,160
Less: amounts included in research and development costs	**(19,505)**	(8,630)
	692,891	561,740
Auditors' remuneration	**2,730**	2,570
Impairment of investments in associates*	**–**	5,951
Impairment of trade receivables*	**3,527**	3,077
Write-back of impairment of trade receivables*	**(1,931)**	(1,630)
Write-off of trade receivables*	**2,582**	640
Provision against/(write-back of) obsolete inventories	**(362)**	6,102
Changes in fair value of an investment property	**(253)**	(1,054)
Loss on disposal of items of property, plant and equipment*	**899**	1,126

* Impairment of goodwill, impairment of investments in associates, impairment and write-back of impairment of trade receivables, write-off of trade receivables and loss on disposal of items of property, plant and equipment are included in "Other operating 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$13,893,000 (2012: HK$17,267,000) which are capitalised under property, plant and equipment in the consolidated statement of financial position and are depreciated over their estimated useful lives.

Cost of inventories sold includes HK$757,061,000 (2012: HK$624,541,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against/(write-back of) obsolete inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**2,564**	25
Underprovision/(overprovision) in prior years	**(204)**	29
	2,360	54
Current – Elsewhere		
Charge for the year	**72,039**	66,396
Overprovision in prior years	**(14,310)**	(13,260)
	57,729	53,136
Deferred	**(13,948)**	14,199
Total tax charge for the year	**46,141**	67,389

10. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2012 – HK1.2 cents per ordinary share (2012: final dividends of HK1.2 cents per ordinary share, in respect of the financial year ended 31 December 2011)	**58,306**	46,833
Interim – HK0.9 cent (2012: HK0.8 cent) per ordinary share	**43,730**	38,106
	102,036	84,939
Proposed final dividend:		
Final – HK1.6 cents (2012: HK1.2 cents) per ordinary share	**77,742**	57,160

The proposed final dividend of HK1.6 cents per ordinary share (2012: HK1.2 cents per ordinary share) for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,822,368,000 (2012: 4,711,510,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company	**360,102**	300,005
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,822,368**	4,711,510
Effect of dilutive potential ordinary shares:		
Share options	**70,507**	5,533
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,892,875**	4,717,043

12. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**402,075**	313,022
Work in progress	**258,555**	176,691
Finished goods	**427,637**	312,268
	1,088,267	801,981

As at 31 December 2013, moulds of HK$145,375,000 (2012: HK$81,407,000) are included in the finished goods.

13. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**1,397,826**	1,342,021
Impairment allowances	**(32,884)**	(31,776)
	1,364,942	1,310,245
Bills receivable	**220,555**	145,556
	1,585,497	1,455,801

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

13. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the Group's trade and bills receivables as at 31 December 2013, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**1,358,407**	1,205,857
4 to 6 months, inclusive	**210,488**	213,144
7 to 9 months, inclusive	**10,085**	33,035
10 to 12 months, inclusive	**4,854**	2,611
More than 1 year	**34,547**	32,930
	1,618,381	1,487,577
Impairment allowances	**(32,884)**	(31,776)
	1,585,497	1,455,801

14. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables	**715,337**	720,318
Bills payable	**179,080**	294,060
	894,417	1,014,378

14. TRADE AND BILLS PAYABLES (continued)

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 2013, based on the invoice date, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**642,229**	650,400
4 to 6 months, inclusive	**224,202**	298,472
7 to 9 months, inclusive	**12,540**	47,603
10 to 12 months, inclusive	**1,586**	1,922
More than 1 year	**13,860**	15,981
	894,417	1,014,378

15. SHARE CAPITAL

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
4,858,850,000 (2012: 4,763,300,000) ordinary shares of HK$0.01 each	**48,589**	47,633

CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Group" or "Tongda Group") for the year ended 31 December 2013 (the "Year") on behalf of the Board of Directors.

With the rapid development of the mobile communication, the growth in the smartphone market was encouraging last year. Given that the competition among brands was becoming more and more ferocious, the image and market share of the domestic handset brands were enhanced, garnering exceptional responses from the market. As the world's leading high-precision components supplier of consumer electronics, the Group remains focused on manufacturing middle to high-end handset casings. Last year, we grasped the opportunity and worked intensively with global leading brands.

During the year under review, the Group's utmost priority was to sustain high profit margin. Total turnover went up by 6.4% to HK$3,627.1 million (2012: HK$3,408.1 million). Gross profit jumped by 9.2% to HK$798.0 million (2012: HK$730.6 million), whereas gross profit margin reached 22.0% (2012: 21.4%). During the Year, the Group reinforced its leading niche in the application of science and technology, and provided one-stop solutions for casings and components. The added value of our products thus stood at a high level. Profit attributable to shareholders for the Year was HK$360.1 million (2012: HK$300.0 million), up 20.0% year on year. Net profit margin rose to 9.9% (2012: 8.8%).

With a stable dividend payout history, the Group brings satisfactory returns for our shareholders. During the Year, the Board recommended the payment of a final dividend of HK1.6 cents per share (2012: HK1.2 cents). Together with the interim dividend of HK0.9 cent per share paid, the total dividend for the Year will amount to HK2.5 cents (2012: HK2.0 cents), representing a dividend payout ratio of 33.5%.

With the roll out of the 4th generation wireless communication system ("4G") licenses in China at the end of the Year, researches expected a boom cycle for smartphones in the coming years, presenting exciting opportunities to the related component industry. To remain on top during this market upgrade, the Group continues to strengthen the technological standards of our products. In particular, with the mature development of the Laser Direct Structuring ("LDS") antenna technology developed over the past two years, the Group became the only one-step service provider of antenna casing vertical integration with such system in the PRC market. The quality of the Group's LDS antenna products have been well recognized by a number of clients, and has been widely used in 4G dongles and handset components. With the rapidly growing popularity of 4G mobile devices, the Group's competitive edge in technology is set to pave a solid path for its growth in the coming three to five years.

In addition, the Group endeavours to become a one-stop service provider of casings and parts with enticing features and appearance. We extended R&D efforts on our core In-mould Lamination ("IML") technology, LDS antenna technology as well as related touch-sensitive screen and insert molding technology. Also, we offered parts with touch conductive films features (Indium tin oxide (ITO) Film), in order to bolster our technology value in one-stop solutions. We strived to become the major components supplier for our customers, thereby retaining and extending our leading position.

Going forward, priority will be given to the development of handset business and to further invest in high-precision metal components. We have set aside funds to finance the construction of a new plant in Xiamen in order to ride the tide of the vigorous development of smartphones. At the same time, we will reinforce our competitiveness in the horizon of home appliances and computer business. We will explore possibilities in our products, reinforce and upgrade the overall integrating capacity of the smartphone operation, in order to diversify our business and to further broaden our customer base. Meanwhile, the Group will tie up stronger partnerships with top material suppliers in both domestic and international markets. Greater focus will be directed on research and development, and we will strengthen the application and research of new technologies, new materials and new craftsmanship and drive the added values of our products with innovative sets, thus generating more significant profit.

To achieve the long-term sustainable development of the Group, we will continue to strengthen our capability of making timely decisions, and adhere to a development direction of innovation and upgrade. Also, we will put more emphasis on product quality, and provide technical training for our employees. Through streamlined management and stringent cost control, we will maximize the synergy of various business segments, thereby further enhancing the overall efficiency of our production line. We will continue to adopt a prudent financial management to consolidate our business foundation. We will do our best to reward our shareholders with long-term returns and create significant value.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all the staff and the management team for their hard work in the past year. I would also like to express heartfelt thanks to all our customers and suppliers on behalf of the Company. We will continue to work closely with our shareholders and employees, and share the fruitful results of our development with them.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS AND FINANCIAL REVIEW

Tongda Group Holdings Limited (the "Group") experienced a year of abundant opportunities in 2013 as development of the Chinese and the world's smartphone market picked up pace. In particular, China entered a new era of mobile network with the grant of the fourth generation wireless communication system ("4G") licenses at the end of the year, resulting in soaring demand for smartphones with higher cost-performance. The Group, as a leading supplier of high-precision components and accessories for handsets, offers one-stop solutions of casings and parts to customers and benefited from the rapid development of domestic leading handset brands during the year.

During the year, the Group insisted on its operation strategy to provide products of high quality and gross profit, achieving a stable increase in turnover of 6.4% to HK$3,627.1 million (2012: HK$3,408.1 million). As the Group committed itself to the enhancement of the added value of products and integration of resources, gross profit of the Group increased by 9.2% to HK$798.0 million (2012: HK$730.6 million) compared to that of last year and gross profit margin increased from 21.4% in last year to 22.0%. Profit attributable to owners of the Company increased from HK$300.0 million in 2012 to HK$360.1 million, representing an increase of 20.0% and overall net profit margin of the Group rose substantially to 9.9% (2012: 8.8%).

As at 31 December 2013, the Group had pledged deposits, cash and cash equivalent balances of approximately HK$240.4 million (2012: HK$313.9 million).

2. OPERATIONAL INFORMATION BY DIVISION

a. Electrical Fittings Division

Over the years, the Group had spent a tremendous amount of effort on developing diversified business, focusing on the design and production of consumer electronic products, including casings and parts for handsets, notebook computers and electrical appliances. Despite a further consolidation in the industry during the year, the Group enhanced its competitive strengths with its comprehensive product portfolio; combining our products with in-mould lamination ("IML") decoration technology and functional parts to forge a win-win situation – customers enjoyed reduced costs and one-stop product purchase while the Group was able to improve profit margin from its products and further expand its market share in the mid-to-high-end market.

For the year, the Electrical Fittings Division was driven by the handset business, resulting in a 5.2% growth in revenue to approximately HK$2,960.1 million (2012: HK$2,813.4 million), representing 82% of the total turnover of the Group.

i. Handsets

Turnover of the Group's handsets business, the major contributor of turnover for the Group, increased by 19.5% to HK$1,859.8 million from HK$1,556.1 million last year, representing 51% of the total turnover. The increase was mainly attributable to the rise in the selling price of medium and high-end products.

China handset brands were actively expanding into the PRC, Hong Kong and international market. During the year, their brand images and market shares were enhanced at a significant pace, with Huawei and Lenovo developing into top five smartphone brands in the world. In addition to amiable long-term cooperation with renowned handset customers, such as Huawei, Lenovo, ZTE and TCL, the Group's creative and flexible product portfolio was a perfect match with the innovative philosophies of Coolpad and Xiaomi Technology. As a result, the Group had become the certified supplier of the two brands and further expanded its customer base.

ii. *Electrical Appliances*

Sales of the electrical appliances business decreased by 22.8% from HK$702.3 million to HK$542.2 million, when compared to last year, representing 15% of the turnover. The decrease was mainly attributable to the fact that certain orders had not been delivered on time before the year end due to capacity constraint. Delivery of these products had been rescheduled to early 2014. Throughout the year, selling prices had remained stable. In the middle of the year, the State Council issued the "Guideline on accelerating the development of energy-saving and environmental protection industry" (《關於加快發展節能環保產業的意見》) to promote the use of energy-saving and environmental friendly products, enhance technical innovations and boost consumption demands in the market. Leading electrical appliance brands, such as Gree, Haier and Midea, as long-term partners of the Group, began to engage in the R&D of efficient, energy-saving and environmental friendly smart home appliances, including large exquisite floor-standing air-conditioner. As the preferred supplier of casings for domestic high-end white home appliances, the Group captured the opportunity of upgrade and transformation for market products and launched a large one-piece IML casings for home appliances with delicate craftsmanship and stylish design during the year. The Group is the exclusive supplier of such domestic products.

iii. *Notebook Computers*

During the year, the revenue from notebook computers slightly increased by 0.5% to HK$558.1 million, representing 16% of the turnover, while the selling price and sales volume of notebook computers remained stable during the year. Besieged by soaring number of smartphones and tablets, the global notebook market was full of obstacles. According to an industrial survey, the global notebook market shrank by approximately 10% in 2013. Nevertheless, the Group established a major strategic partnership with the leading computer manufacturer, Lenovo, and proactively strengthened the cooperation with Japanese brands such as Toshiba, NEC and Fujitsu. Due to comparatively solid demands in both markets, business performance of the Group also remained stable.

During the year, the Group was devoted to broadening income sources and minimizing expenditure. On top of active promotions for tablets and accessories, technologies including IML, In-mould Decoration ("IMD"), Laminated Metal Filming and insert molding were flexibly utilized to produce tough, ultra-thin metal and plastic components of different textures, application of which gained popularity among various brands in the year. Meanwhile, the Group consolidated and optimized resources and deployed its operation capacity as appropriate to boost utilization of assets.

b. Ironware Parts Division

For the year under review, sales revenue for the division recorded an year-on-year increase of 17.3% from HK$419.6 million to HK$492.4 million, representing 14% of the turnover. With an aim to providing end-to-end component solutions and optimising utilization of resources, the Group offered one-stop production services to electrical appliance customers, products of which included aluminum components, high-precision metal components and metal set top boxes with various surface effects. During the year, with an improved performance in electrical products business, the sales of relevant metal parts also increased.

c. Communication Facilities Division and Other Business

The Communication Facilities Division of the Group posted a minimal decrease of 0.3% in sales, from HK$175.1 million for last year to HK$174.6 million, representing 4% of the turnover. The division pivoted on the production of digital satellite TV receivers and plastic set top boxes for certain customers in the Middle East, Europe and America. Its sales had been maintained at similar levels.

d. Percentage of total sales revenue by product for the year ended 31 December 2013 and a comparison to that of the corresponding period in 2012 is as follows:

	2013	2012
Electrical Fittings Division	**82%**	83%
i. Handsets	**51%**	46%
ii. Electrical Appliances	**15%**	21%
iii. Notebook Computers	**16%**	16%
Ironware Parts Division	**14%**	14%
Communication Facilities and Other Business	**4%**	3%

3. PROSPECTS

Rapid growth in the demand for smartphones among the world resulted in heated competitions among domestic and foreign brands. Mid-range handsets received much attention and domestic brands were the focal points in the market during the year. A portion of domestic leading brands targeted the mid-to-high-end market and spent utmost effort in the R&D of the more sophisticated kind of smartphones in an attempt to augment brand positioning and break into the top ten handset suppliers. The official grant of 4G licenses in China in the year and the launch of 4G smartphones from various leading brands in China also encouraged the development of the new era of mobile communication. Market intelligence expects the output of 4G smartphones in China in 2014, when compared to last year, to surge more than tenfold to dozen of million, followed by two years of swift development. Accordingly, Laser Direct Structuring ("LDS") antenna, as a prevailing core technology for 4G smartphones, will be sought-after in this business. Leveraging on a range of favorable factors, the Group may harvest fruitful results in its perseverance on strategic planning.

The handset division will remain a primary focus of the Group's development. The Group has been in development of the LDS antenna technology for two years. With the maturing of such technology, the Group has become the only supplier in the PRC for all-in-one solutions for vertical consolidated supply chain from design of antenna and structural components, to mould injection, laser engraving, chemical electroplating, radio frequency testing, casing and installation. Moreover, this technology is also widely used in smartphones, notebook computers and tablet computers. The R&D team and engineering team of the Group communicate and interact with customers in the beginning stage of product design so that the time of production and design will fulfill the requirements of customers to a greater extent. The quality of our products has been well recognized by a number of clients. During the year, we have several orders of LDS products. These products have been widely used in 4G dongles and handset components. In addition, the Group also strives to develop ultra slim and functional components by which the Group may persuade customers to opt for a one-stop solution with the whole line of its products. Such high-end technological application boost the added values of existing IML products.

Other than the LDS antenna technology, customers are more demanding on the design, materials, craftsmanship and quality of appearance and furnishing, with particular focus on the functionality, precision and innovation of products. The Group engages in the R&D of new craftsmanship on combining additional exterior furnishing and structural functions, such as Nano-molding technology ("NMT"), as well as different texture effects like High Texture Vacuum Metallization ("HTVM") and craftsmanship of diamond coating, soft texture, and insert molding technology to utilize plastic, high-precision metal, glass and various composite materials. Meanwhile, with touch screen and additional functional components as ancillary items, mould development and production was shortened so as to persuade customers to opt for a "one-stop" solution with the whole line of the Group's products. With standards unrivaled by peer competitors, we will continue to sharpen our competitive edges to further expand the customer bases in both domestic and foreign markets.

The Group adheres to a prudent and optimistic approach of wealth management. Based on the existing demand for handsets, a new production plant will be constructed in Xiamen so as to satisfy the enormous demand for mid-to-high-end handset casings in the future. The plant is expected to commence production in a staged manner from the second half of 2014. With diverse leading craftsmanship and sufficient production capacity, the Group will command unmatched competitive strengths.

In respect of electrical appliances, given the initiatives taken to promote energy-saving and environmental protection in China, efficient, energy-saving, exquisite smart appliances in the market will definitely rise in popularity. The Group will strengthen the innovation of casings for one-piece large home appliances and actively seek cooperation proposals for new products. We will combine embedded functional components and casings in order to enhance the value-added functions of products and offer more cost-effective products to customers. For instance, the Group offered parts with touch conductive films features (Indium tin oxide ("ITO film")). Such technology could replace the original mechanic button and be assembled in all-in-one with the Group's IML product, sitting well with the current trend of touch-screen operation. Following the trends of promoting energy-saving and environmental protection in China, the Group's high-end functional casing decoration for home appliances will serve to maintain high gross profit margins. Furthermore, the Group will deploy large-scale injection molding machines and study the possibility of expansion into other industry products to diversify its business and broaden its customer base.

On notebook computers, despite weak demand in the global market, customers in China are enthusiastic about expansion into foreign markets, which, alongside stable demand from customers in Japan, is expected to pave the way for stable development of the Group's business. We will continue to focus on China and adventure into Japan and the international market. While a wide variety of casings made with plastics, precision metals and mixed material will be offered to our customers, another objective lies in extending the application of the core IML technology to other computer-related products, including tablets and supplementary products such as mouse casings, to create new income streams. Moreover, the Group will streamline and consolidate production area, optimize and share resources and impose strict control on operating costs for flexible utilisation of production capacity and enhanced machine utilisation.

The management is confident about business development in the coming year. The Group will implement a clear strategy in a resolute and determined manner so as to leverage and build on its technological advantages and respond swiftly to changes as usual. The Group will strengthen its core businesses and take full advantage of the synergy of each business division and actively seek potential customers to maximize profits and competitiveness for the Group. The Group consistently maintains a healthy financial situation and stable dividend policy in order to bring greater returns to shareholders and employees with utmost effort.

4. CASH FLOWS AND FINANCIAL RESOURCES

During the year, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China.

As at 31 December 2013, it has cash and cash equivalents and pledged deposits balance of HK$240.4 million and without holding any structural investment contract.

In February 2013, the Group entered into a three-year bank loan of HK$350.0 million which is used in ordinary course of business and fixed assets addition. In view of the current economic situation, the Group will allocate its resources carefully and with prudence focusing on developing more high profit and high value-added products, and applying casing decoration to more products so as to gain maximum benefit from IML decoration 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 of the Group.

As at 31 December 2013, the Group had total assets of HK$4,656.9 million (2012: HK$4,204.0 million); net current assets of HK$1,234.1 million (2012: HK$860.0 million) and equity of HK$2,549.2 million (2012: HK$2,192.9 million).

The Group's cash and bank balances remained of about HK$240.4 million, of which approximately HK$62.8 million has been pledged to bank to secure trade facilities (2012: HK$92.4 million).

The gearing ratio of the Group (consolidated net borrowings/total equity) was 23.9% (2012: 15.8%).

The Company's bank loans are with annual effective interest rates of Hong Kong Interbank Offered rate ("HIBOR") plus 1.50% and 1.85%. Other than the Company's bank loans, the effective interest rates of the bank and other borrowings range from 4.47% to 8.00% per annum, respectively.

On 20 February 2014, the Group has further drawn down an unsecured bank loan of HK$99,459,000 which bears interest at a mixed rate of a floating rate 1-week British Bankers' Association London Interbank Offered Rate + 1.75% and a fixed rate of 2.65% from the period of March 2014 to August 2017 and will be repayable by four installments commencing from February 2016.

5. CAPITAL EXPENDITURE

The total capital expenditure incurred for 2013 was HK$210.1 million (2012: HK$286.0 million), mainly used to acquire production equipments and plants.

6. TREASURY POLICY

The Group's sales were principally denominated in Hong Kong dollars, RMB and United States dollars while purchases were transacted mainly in Hong Kong dollars, RMB and United States dollars. As the foreign currency risks generated from the sales and purchases can be set off with each other and the fluctuation of Renminbi in 2013 did not materially affect the costs and operations of the Group for the year, the directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

Other than the information disclosed above, the Group had no material acquisitions nor disposals of subsidiaries and associated companies in the financial year ended 31 December 2013, no contingent liabilities as at 31 December 2013 and at the reporting date, and no future plans for material investments nor acquisitions of material capital assets.

7. HUMAN RESOURCES

As at 31 December 2013, the Group employed a total of 13,100 employees (31 December 2012: 13,000 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 31 December 2013 amounted to HK$684.9 million (2012: HK$555.2 million).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

CAPITAL STRUCTURE

All of the Company's shares are ordinary shares. Other than the non-current portion of bank loan of HK$257,906,000 (2012: HK$88,769,000), the Group's borrowings are repayable within one year as at the end of the reporting period.

CONTINGENT LIABILITIES

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$124,670,000 (2012: HK$83,331,000) at the end of the reporting period.

Save as disclosed above, neither the Group nor the Company, had any significant contingent liabilities at the end of the reporting period.

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 of the Best Practice (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout 2013 with certain deviation as mentioned below:

The Company has three independent non-executive Directors, namely Dr. Yu Sun Say, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, JP, and Mr. Ting Leung Huel Stephen respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the retirement by rotation and re-election of Directors in the Articles of Association of the Company, which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting. According to A.4.1 of the CG Code, it requires that all non-executive directors should be appointed for a specific term, subject to re-election. Since their appointment will be reviewed when they are due for re-election, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

According to A.2.1. of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wang Ya Nan currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Also, vesting the roles of both Chairman and Chief Executive Officer 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 balance of power is further ensured by the following reasons:

– Audit Committee (the "AC") is comprised exclusively of all independent non-executive Directors; and

– The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advices when considered necessary.

The Board believes that the present structure is considered to be appropriate under the current size of operation, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang Ya Nan, and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

AUDIT COMMITTEE

The Audit Committee (the "AC") comprises all independent non-executive Directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible to review and supervise the internal control system of the Group and transactions with connected persons (if any).

The Group's unaudited interim results for the six months ended 30 June 2013 and annual results for the year ended 31 December 2013 have been reviewed by the AC which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 announcement.

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.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of the Stock Exchange and the Company.

The annual report of the Company for the financial year ended 31 December 2013 containing all the information required by appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK1.6 cents per share for the year ended 31 December 2013. The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company as at the close of business on 12 June 2014, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about 20 June 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 6 June 2014. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or before 30 April 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 June 2014 to 17 June 2014 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2013, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 12 June 2014.

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

Hong Kong, 17 March 2014

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.