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 2018

HIGHLIGHTS

	2018	2017	Change
	HK$'000	*HK$'000*	*%*
Revenue	**8,899,306**	8,562,830	3.9
Gross profit	**1,793,894**	2,231,094	(19.6)
Gross profit margin	***20.2%***	*26.1%*	*(5.9) p.p.*
Net profit attributable to owners of the Company	**542,821**	1,006,125	(46.0)
Net profit margin	***6.1%***	*11.7%*	*(5.6) p.p.*
Earnings per share			
– Basic	**HK8.76 cents**	HK16.82 cents	(47.9)
– Diluted	**HK8.61 cents**	HK16.03 cents	(46.3)
Dividends per share	**HK0.8 cent**	HK3.8 cents	

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 2018 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
REVENUE	*5*	**8,899,306**	8,562,830
Cost of sales		**(7,105,412)**	(6,331,736)
Gross profit		**1,793,894**	2,231,094
Other income and gains, net	*5*	**117,660**	124,342
Selling and distribution expenses		**(128,694)**	(126,502)
General and administrative expenses		**(874,742)**	(843,589)
Other operating expenses, net		**(55,394)**	(21,863)
Finance costs	*6*	**(174,348)**	(110,621)
Share of profit/(loss) of a jointly-controlled entity		**(2,602)**	2,770
PROFIT BEFORE TAX	*7*	**675,774**	1,255,631
Income tax expense	*8*	**(113,016)**	(196,976)
PROFIT FOR THE YEAR		**562,758**	1,058,655
Attributable to:			
Owners of the Company		**542,821**	1,006,125
Non-controlling interests		**19,937**	52,530
		562,758	1,058,655
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*		
– Basic		**HK8.76 cents**	HK16.82 cents
– Diluted		**HK8.61 cents**	HK16.03 cents

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**562,758**	1,058,655
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**5,557**	6,812
Income tax effect	**(917)**	(1,124)
	4,640	5,688
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(201,395)**	51,518
– jointly-controlled entity	**(1,929)**	679
Release of exchange reserve upon disposal of a subsidiary	**(116)**	–
	(203,440)	52,197
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**(198,800)**	57,885
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**363,958**	1,116,540
Attributable to:		
Owners of the Company	**344,059**	1,064,067
Non-controlling interests	**19,899**	52,473
	363,958	1,116,540

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,849,684**	4,238,665
Investment property		**68,037**	63,807
Prepaid land lease payments		**261,635**	272,120
Investments in associates		**–**	134
Investment in a jointly-controlled entity		**63,080**	67,611
Prepayments		**49,677**	52,669
Long term deposits		**626,029**	344,751
Loan receivables		**–**	59,439
Deferred tax assets		**3,703**	3,703
Total non-current assets		**5,921,845**	5,102,899
CURRENT ASSETS			
Inventories	*11*	**2,528,950**	2,676,519
Trade and bills receivables	*12*	**3,114,793**	3,890,809
Prepayments, deposits and other receivables		**547,103**	514,132
Due from a jointly-controlled entity		**33,768**	18,944
Loans to a jointly-controlled entity		**140,260**	144,380
Loan receivables		**47,581**	–
Tax recoverable		**31,751**	1,825
Pledged deposits		**507,684**	481,700
Cash and cash equivalents		**768,404**	792,494
Total current assets		**7,720,294**	8,520,803
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,625,725**	2,755,932
Accrued liabilities and other payables		**458,980**	501,454
Interest-bearing bank and other borrowings		**2,454,895**	2,234,998
Convertible bonds		**–**	445,838
Due to a jointly-controlled entity		**200,584**	211,086
Tax payable		**147,371**	231,120
Total current liabilities		**5,887,555**	6,380,428
NET CURRENT ASSETS		**1,832,739**	2,140,375
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,754,584**	7,243,274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,696,963**	1,240,301
Due to a former non-controlling shareholder of a subsidiary		**30,034**	30,034
Deferred tax liabilities		**90,430**	87,642
Total non-current liabilities		**1,817,427**	1,357,977
Net assets		**5,937,157**	5,885,297
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**64,795**	60,517
Reserves		**5,898,022**	5,773,900
		5,962,817	5,834,417
Non-controlling interests		**(25,660)**	50,880
Total equity		**5,937,157**	5,885,297

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 is investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handset casings and high-precision components, smart electrical appliances casings, household and sports goods and network communications facilities and others. There were no significant changes in the nature of principal activities of the Company's subsidiaries during the year, except notebook computers as a result of spin-off of Tongda Hong Tai Holdings Limited ("THT").

2. 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 an investment property and financial assets at fair value through other comprehensive income 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 Company 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 above. 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.

3. 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial liabilities. The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position.

The new classification and measurement of the Group's financial assets are as follows:

(a) Debt instruments at amortised cost – that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows. This category includes financial assets included in prepayments, deposits and other receivables, an amount due from a jointly-controlled entity, loans to a jointly-controlled entity, pledged deposits and loan receivables.

(b) Debt instruments at fair value through other comprehensive income – with gains or losses recycled to profit or loss on derecognition. The Group has reclassified the trade receivables of HK$1,633,335,000 of certain customers and bills receivable of HK$54,617,000 previously classified as loans and receivables at 1 January 2018 as financial assets at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

HKFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other financial assets within the next twelve months. The adoption of the ECL model has had no significant impact on the impairment allowances as at 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group's contracts with customers for the sale of goods include only single performance obligation. Revenue from the sale of goods is recognised at a point in time when control of goods is transferred to customer, generally on delivery of the goods. The Group has concluded that the adoption of HKFRS 15 has had no significant impact on these financial statements.

4. OPERATING SEGMENT INFORMATION

During the year, management changed its reporting segments to (i) handset casings and high-precision components; (ii) smart electrical appliances casings; (iii) household and sports goods; (iv) network communications facilities and others; and (v) notebook computers as a result of the reorganisation of business units.

	Handset casings and high-precision components		Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Notebook computers*		Eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue *(note 5)*														
Sales to external customers	**6,621,420**	5,911,264	**848,498**	862,559	**606,811**	501,564	**739,136**	706,966	**83,441**	580,477	**–**	–	**8,899,306**	8,562,830
Intersegment sales	**17,789**	47,784	**32,894**	81,126	**202**	235	**36,381**	181,642	**–**	4	**(87,266)**	(310,791)	**–**	–
Total	**6,639,209**	5,959,048	**881,392**	943,685	**607,013**	501,799	**775,517**	888,608	**83,441**	580,481	**(87,266)**	(310,791)	**8,899,306**	8,562,830
Segment results before depreciation and amortisation	**894,957**	1,283,205	**57,278**	127,838	**129,400**	90,872	**105,574**	98,597	**1,009**	48,259	**–**	–	**1,188,218**	1,648,771
Depreciation	**(280,950)**	(241,707)	**(38,025)**	(40,164)	**(12,482)**	(7,205)	**(56,038)**	(51,731)	**(2,953)**	(16,647)	**–**	–	**(390,448)**	(357,454)
Amortisation	**(1,899)**	(1,640)	**(3,358)**	(2,646)	**–**	–	**(2,738)**	(2,938)	**–**	–	**–**	–	**(7,995)**	(7,224)
Segment results	**612,108**	1,039,858	**15,895**	85,028	**116,918**	83,667	**46,798**	43,928	**(1,944)**	31,612	**–**	–	**789,775**	1,284,093
Unallocated income													**117,660**	124,342
Corporate and other unallocated expenses													**(54,711)**	(44,953)
Finance costs													**(174,348)**	(110,621)
Share of profit/(loss) of a jointly-controlled entity													**(2,602)**	2,770
Profit before tax													**675,774**	1,255,631
Income tax expense													**(113,016)**	(196,976)
Profit for the year													**562,758**	1,058,655

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

4. OPERATING SEGMENT INFORMATION (continued)

	Handset casings and high-precision components		Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Notebook computers*		Eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:														
Impairment losses/write-down recognised in the income statement *	**(211,553)**	(21,077)	**(7,472)**	2,034	**(144)**	4,058	**(7,695)**	(26,724)	**–**	(2,215)	**–**	–	**(226,864)**	(43,924)
Impairment losses reversed in the income statement **	**11,440**	233	**–**	–	**–**	–	**–**	–	**–**	214	**–**	–	**11,440**	447
Capital expenditure ***	**869,858**	651,606	**214,588**	362,416	**25,364**	56,462	**146,116**	264,153	**–**	18,509	**–**	–	**1,255,926**	1,353,146
Segment assets	**8,442,317**	7,540,646	**1,850,197**	2,008,363	**330,766**	296,871	**1,422,628**	1,511,444	**–**	696,148	**–**	–	**12,045,908**	12,053,472
Unallocated assets													**1,596,231**	1,570,230
Total assets													**13,642,139**	13,623,702
Segment liabilities	**2,196,913**	2,127,230	**372,537**	453,767	**159,617**	159,940	**355,638**	404,178	**–**	112,271	**–**	–	**3,084,705**	3,257,386
Unallocated liabilities													**4,620,277**	4,481,019
Total liabilities													**7,704,982**	7,738,405

* Included impairment of trade receivables, provision against inventories, write-off of inventories and impairment of an other receivable.

** Included reversal of impairment of trade receivables.

*** Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

Geographical information

		Mainland China		Southeast Asia		United States		Others		Consolidated	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(a)	Revenue from customers										
	Segment revenue:										
	Sales to external customers	**7,708,989**	7,780,810	**197,875**	239,460	**410,500**	–	**581,942**	542,560	**8,899,306**	8,562,830
(b)	Non-current assets	**5,792,272**	4,921,614	**–**	–	**–**	–	**62,790**	50,398	**5,855,062**	4,972,012

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

The non-current assets information above is based on the locations of the assets and excludes investments in associates, an investment in a jointly-controlled entity, loan receivables and deferred tax assets.

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

Revenues from the following customers contributed over 10% of the total sales to the Group:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**3,392,063**	2,662,449
Customer B	**N/A***	1,440,605
Customer C	**1,394,987**	N/A*
	4,787,050	4,103,054

Revenues from Customer A, Customer B and Customer C were derived from sales by the handset casings and high-precision components segment, including sales to a group of entities which are known to be under common control of the respective customers.

* Sales to Customer B for 2018 and Customer C for 2017 amounted to less than 10% of the total revenue for the respective years.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**8,899,306**	8,562,830

The performance obligation is satisfied upon delivery of the goods and the payment is generally due within three to six months from delivery, except for new customers, where payment in advance is normally required.

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

An analysis of other income and gains, net is as follows:

	2018	2017
	HK$'000	*HK$'000*
Other income and gains, net		
Bank interest income	**5,610**	5,620
Interest income from a jointly-controlled entity	**4,239**	1,438
Interest income from a loan receivable	**2,187**	2,415
Gross rental income	**10,553**	13,592
Sale of scrap materials	**19,056**	13,997
Government grants*	**54,005**	62,761
Fair value gain on an investment property	**6,050**	5,405
Gain on disposal of a subsidiary	**3,568**	–
Utilities income	**4,007**	10,906
Others	**8,385**	8,208
	117,660	124,342

* Various government grants have been received for setting up research activities. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings (including convertible bonds)	**169,683**	107,737
Less: Interest capitalised	**(3,461)**	(3,040)
	166,222	104,697
Interest expenses on discounted bills	**8,126**	5,924
	174,348	110,621

7. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**7,105,412**	6,331,736
Depreciation	**390,448**	357,454
Amortisation of prepaid land lease payments	**6,505**	5,691
Amortisation of prepayments	**1,490**	1,533
Research and development costs	**409,442**	370,241
Minimum lease payments under operating leases	**55,613**	56,637
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**1,934,387**	1,820,675
Equity-settled share option expense	**3,702**	8,079
Pension scheme contributions	**78,135**	76,428
Less: Amounts included in research and development costs	**(145,187)**	(136,429)
	1,871,037	1,768,753
Loss on disposal of items of property, plant and equipment	**12,429**	1,654
Foreign exchange differences, net	**33,371**	(11,620)
Changes in fair value of an investment property	**(6,050)**	(5,405)
Impairment of trade receivables	**10,406**	17,899
Impairment of an other receivable	**–**	10,337
Reversal of impairment of trade receivables	**(11,440)**	(447)
Provision against inventories	**198,905**	15,688
Write-off of inventories	**17,553**	–
Gain on disposal of a subsidiary	**(3,568)**	–
Loss on deregistration of associates	**134**	–

7. PROFIT BEFORE TAX (continued)

Cost of inventories sold includes HK$2,208,390,000 (2017: HK$1,873,506,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against inventories, write-off of inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**61,470**	36,721
Overprovision in prior years	**(97)**	(384)
	61,373	36,337
Current – Elsewhere		
Charge for the year	**54,349**	154,891
Overprovision in prior years	**(4,955)**	(6,135)
	49,394	148,756
Deferred	**2,249**	11,883
Total tax charge for the year	**113,016**	196,976

9. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2017 – HK3.8 cents per ordinary share (2017: final dividend of HK3.2 cents per ordinary share, in respect of the financial year ended 31 December 2016)	**229,965**	194,565
Interim – HK2.0 cents (2017: HK1.6 cents) per ordinary share	**125,944**	96,828
	355,909	291,393
Proposed final dividend:		
Final – HK0.8 cent (2017: HK3.8 cents) per ordinary share	**51,836**	229,965
Special interim dividend *(Note)*	**366,174**	–

The proposed final dividend of HK0.8 cent per ordinary share (2017: HK3.8 cents per ordinary share) for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

Note: Upon the completion of the spin-off of THT, the Company distributed its entire interests in THT as a special interim dividend by way of distribution in specie to the Company's qualifying shareholders. The qualifying shareholders were entitled to one THT Share for every 40 Shares of the Company and THT ceased to be a subsidiary of the Company thereafter.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the 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 6,195,494,000 (2017: 5,980,782,000) in issue during the year, as adjusted to reflect the new shares issued and the shares repurchased during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company, adjusted to reflect the interest on convertible bonds, where applicable. 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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

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

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	**542,821**	1,006,125
Interest on convertible bonds	**1,369**	6,782
Profit for the year attributable to owners of the Company before interest on convertible bonds	**544,190**	1,012,907
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,195,494**	5,980,782
Effect of dilutive potential ordinary shares arising from		
– share options	**–**	21,239
– convertible bonds*	**123,995**	318,521
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,319,489**	6,320,542

* The convertible bonds matured on 25 June 2018.

11. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**614,982**	602,622
Work in progress	**503,845**	726,350
Finished goods	**1,410,123**	1,347,547
	2,528,950	2,676,519

As at 31 December 2018, moulds of HK$486,978,000 (2017: HK$430,710,000) are included in the finished goods.

12. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**3,020,622**	3,654,865
Impairment allowances	**(41,818)**	(53,266)
	2,978,804	3,601,599
Bills receivable	**135,989**	289,210
	3,114,793	3,890,809

As at 31 December 2018, gross trade receivables of certain customers of HK$714,027,000 and bills receivable of HK$62,178,000 were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade and bills receivables as at 31 December 2018, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**2,916,025**	3,632,123
4 to 6 months, inclusive	**192,167**	212,220
7 to 9 months, inclusive	**9,435**	23,240
10 to 12 months, inclusive	**6,170**	11,821
More than 1 year	**32,814**	64,671
	3,156,611	3,944,075
Impairment allowances	**(41,818)**	(53,266)
	3,114,793	3,890,809

13. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**1,144,985**	1,446,832
Bills payable	**1,480,740**	1,309,100
	2,625,725	2,755,932

The trade payables are non-interest-bearing and are normally settled on 60 to 90-days terms. An ageing analysis of the Group's trade and bills payables as at 31 December 2018, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**1,817,144**	1,965,095
4 to 6 months, inclusive	**777,987**	753,955
7 to 9 months, inclusive	**3,680**	6,221
10 to 12 months, inclusive	**6,591**	11,117
More than 1 year	**20,323**	19,544
	2,625,725	2,755,932

14. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2017: 20,000,000,000) ordinary shares	**200,000**	200,000
Issued and fully paid:		
6,479,505,097 (2017: 6,051,725,553) ordinary shares *(Note)*	**64,795**	60,517

Notes:

(a) During the year ended 31 December 2018, the convertible bonds with a principal amount of HK$405,000,000 were converted into 245,454,544 shares of HK$0.01 each at the conversion price of HK$1.65 per share, of which HK$2,455,000 was credited to share capital and HK$405,753,000 was credited to share premium.

(b) On 5 December 2018, the Group issued 182,325,000 ordinary shares to acquire the remaining 30% interest of Tongda Precision Technology Company Limited.

CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "Tongda Group") for the year ended 31 December 2018 (the "Year") on behalf of the board of directors of the Company (the "Board").

During the Year, the total turnover increased by 3.9% to HK$8,899.3 million (2017: HK$8,562.8 million), gross profit decreased by 19.6% to HK$1,793.9 million (2017: HK$2,231.1 million) and profit attributable to shareholders decreased by 46.0% to HK$542.8 million (2017: HK$1,006.1 million). Gross profit margin was approximately 20.2% (2017: 26.1%) while net profit margin was approximately 6.1% (2017: 11.7%). The Group has always maintained a stable dividend payout record. The Board will recommend payment of a final dividend of HK0.8 cent per share (2017: HK3.8 cents), together with the paid interim dividend of HK2.0 cents per share (2017: HK1.6 cents), the total dividend for the Year amounted to HK2.8 cents (2017: HK5.4 cents). During the Year, the Group spun off its notebook and tablet casings business, which was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018, in order to concentrate resources on its development of handset-related core businesses. When excluding notebook computers business for the years of 2017 and 2018, the revenue during the Year increased from HK$7,982.5 million to HK$8,815.8 million, representing a growth of 10.4%.

In 2018, the overall economic development and the handset market in China were full of uncertainties. In light of the intensified conflicts in international trade, volatility in interest rate and exchange rate of RMB, tendency of saturation in the smartphone market, and the unscheduled launch of 5G, emerging markets with consumer demand for low-to-mid range products became the driving force for growth of handset brands in China, where relevant brands competed for the market share by handsets with high price-performance ratio.

With the transition from 4G to 5G underway, metal handset casings witnessed a downturn in the second half Year. Fortunately, through high-end thin film processing technology and mature In-Mould Lamination ("IML")/In-Mould Transfer ("IMT") technology, the Group can take advantage of the business opportunities in the mid-range market with its Glastic casing, which has a high price-performance ratio and resembles glass in terms of appearance and function. During the Year, the Group became the casing supplier of Samsung, and is now have business ties with the top five handset brands in the world. In recent years, both the rising concentration of handset brands and the active development of low-to-mid range overseas markets by various brands have contributed to the Group in achieving its shipment target and enhancing its market share.

For the Group's tri-proof (waterproof/dustproof/shockproof) and high-precision components business, apart from delivering Liquid-Silicone Rubber ("LSR"), precision insert molding and precision rubber molding parts to a customer in North America, we also closely cooperate with its various business departments to develop for fittings for notebook computer and product accessories, in order to achieve multi-product horizontal development, as well as lay a solid foundation for a long-term partnership.

In the past few years, the Group has built a strong "moat" of technologies through prudent investments, and developed several new businesses. Given that 5G will gradually be available in the second half of this year, the Group also seizes the opportunities by investing in research and development ("R&D") of associated products such as 5G-compatible plastic dipole antenna in the polarised base station antenna, handset casings with radio frequency and heat sink products as well as automotive GPS navigation antennas. We believe the Group will occupy a fair share of the 5G market after 5G gradually rolls out in the next two years. The Group will strengthen its cost controls in the coming year, while capitalising on existing resources and equipment to optimise efficiency and product yield, and strive to maximise returns for the Group's shareholders!

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express gratitude towards the dedicated effort and valuable contribution of the management and all the staff of the Group during the past year. Let's further develop our technology and advocate changes by innovations in every sector and the application of advanced materials, and use the leading technology and craftsmanship to face the changes in the market calmly and seek opportunities amidst crises.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a world-leading solutions provider of high-precision structures for smart mobile communications and consumer electronic products, which provides customers with one-stop product design, technological research and development ("R&D"), and manufacturing solutions. Its major products cover the areas including handsets, smart home appliances, automotive, household and sports goods and network communications facilities, etc.

Looking back at 2018, on the eve of the launch of 5G, the smartphone market became more mature, the international trade conflicts escalated, and the overall economic development was overshadowed with uncertainties. During the Year, the Group actively sought new product breakthroughs to achieve the overall target shipment. The Group has been able to maintain revenue growth trend and total turnover increased by 3.9% to HK$8,899.3 million during the Year (2017: HK$8,562.8 million), while the net profit attributable to the owners of the Company decreased by 46.0% from HK$1,006.1 million last year to approximately HK$542.8 million due to the decreased shipment and profit of metal casings. During the year, the Group spun off its notebook and tablet casings business, which was listed on the Main Board of the Stock Exchange on 16 March 2018, in order to concentrate resources on its development of handset-related core business. When excluding notebook computers business for the years of 2017 and 2018, the revenue during the year increased from HK$7,982.5 million to HK$8,815.8 million, representing a growth of 10.4%.

Handset Casings and High-precision Components

This business is primarily engaged in the production of various handset casings, tri-proof (waterproof/dustproof/shockproof) high-precision components, high-precision insert molding parts and high-precision rubber molding parts. This business recorded an increase of 12.0% in turnover from HK$5,911.3 million last year to HK$6,621.4 million, representing 74.4% of the total turnover.

Metal casings, as the Group's main products in the past, were replaced by non-metal casings during the Year due to changing of industrial design trend and the difficulty of metal to be applied to the physical characteristics of wireless charging and 5G antenna. As a result, the shipment volume, and profit of metal casings dropped sharply in the second half of 2018. During the Year, the Group promptly adjusted its product structure to focus on the Glass-like plastic ("Glastic") casings, which was developed by the Group's R&D team. Production of Glastic casings increased from only several models at the beginning of the Year to being widely used in the medium-priced market at the end of the Year. As a result, the total shipment of handset casings was still able to meet the expected target for the year. During the Year, in response to the market demand, the Group expanded its production capacity for Glastic casings and improved product yield rate, therefore captured a larger handset market share by leveraging the Glastic casings.

As for tri-proof and high-precision components business, one of our major customers launched its new handset series in the second half of the Year, from which the Group also received more orders. The Group had worked closely with each business unit of the customer. In addition to the components used in handsets, the Group also supplied fittings for notebook computers and product accessories. In the future, the Group will invest more resources in R&D projects to achieve horizontal expansion of multiple products and lay a firm foundation for sustaining the long-term partnership.

Smart Electrical Appliances Casings

During the Year, the sales of the smart electrical appliances casings business decreased by 1.6% from HK$862.6 million in the corresponding period of last year to HK$848.5 million, representing 9.5% of the total turnover. This business primarily engages in manufacturing of control panels, casings and metal accessories for high-end electrical appliances for Chinese and international brands, and its products include smart home appliances, such as air-conditioners, washing machines and refrigerators, which are applicable to the Internet of Things.

Household and Sports Goods

During the Year, sales of this division increased by 21.0% from HK$501.6 million in the corresponding period of last year to HK$606.8 million, representing 6.8% of the total turnover. The Group primarily supplies durable household goods, household utensils and sports goods to European and American brands.

Network Communications Facilities and Others

This division mainly produces set-top boxes for customers in Europe and the United States and automotive interior decorations. As a result of the growth of automotive business during the Year, revenue of this division for the Year increased by 4.5% from HK$707.0 million in the corresponding period of last year to HK$739.1 million, representing 8.3% of the total turnover. The Group has currently secured over 30 orders from over ten automotive brands, part of which the design and trial production have commenced and the business developed steadily.

A percentage breakdown of total revenue by product categories for the year ended 31 December 2018 and a comparison with 2017 are as follows:

		2018	2017
i.	Handset Casings and High-precision Components	**74.4%**	69.0%
ii.	Smart Electrical Appliances Casings	**9.5%**	10.1%
iii.	Household and Sports Goods	**6.8%**	5.8%
iv.	Network Communications Facilities and Others	**8.3%**	8.3%
v.	Notebook Computers	**1.0%**	6.8%

Looking forward to the coming year, the Group understands that both the overall economy and the handset market will still face a slowdown in growth amid various uncertainties. Therefore, the Group needs to adhere to its principles and implement customer-first philosophy to accelerate the growth of new products and expand the business field by applying innovative technologies and processes, with an aim to become bigger and stronger.

(I) Consolidating a solid and diversified customer base

The Group has successfully become a casing supplier of Samsung during the Year and the customer base of the Group currently includes the top five handset brands in the world. In recent years, the concentration of handset brands has further increased, and the brands are actively developing medium to low-priced overseas markets, which will help the Group to expand its market share and diversify customer concentration risks.

(II) Strengthening the advantages in quality, technology, craftsmanship and scale

In addition to the leading-edge craftsmanship for Glastic casings as well as tri-proof and high-precision components, the Group also possesses film processing and hot bending technology applied to 3D glass casings, and technologies applied to handsets middle frames including compound die casting, Nano molding technology, CNC processing and anodization as well as metal injection molding ("MIM"), together with the high-precision molding craftsmanship, fully covering the plastics, glass and metal casings and other high-precision components, which enables the Group to cater for the upgrade and change of the materials, decorative effect and product category more comfortably. During the Year, the Group expanded its production capacity for Glastic casings as well as tri-proof and high-precision components and actively optimised the production line process and automation to improve its production efficiency and product yield rate.

(III) Broadening its business scope to 5G market

During the Year, the Group completed the R&D for various mainstream customers on the polarised base station antenna, which is equipped with Laser Direct Structuring ("LDS") and Plating on Plastic ("POP") technology, to be applied to mainstream Massive Multiple-Input and Multiple-Output ("Massive MIMO") antennas used in 5G. The Group has focused its R&D on plastic dipole antenna to be used in the polarised base station antenna, which can direct and enhance the power of electromagnetic waves so that antennas can receive stronger electromagnetic signals, and reduces the single weight with higher level of integration when the number of 5G dipole antenna increases. The Group is also performing R&D on 5G-compatible handset casings with integrated radio frequency and automotive GPS navigation antennas to seize the market development opportunities brought about by 5G and cultivate new growth points of businesses for the Group.

In the past few years, the Group has prudently invested in technology R&D and capacity expansion, which enabled the Group to develop a number of new businesses and lay a foundation. This will also allow the Group to further take the lead in industry trends in the future and act more flexibly in the volatile market, thereby reducing the single customer or business risks. The Group will strengthen cost control in the coming year, capitalize on existing resources to optimise equipment efficiency and product yield, and strive to create higher returns for shareholders of the Company!

FINANCIAL REVIEW

For the Year, the Group's total revenue reached HK$8,899.3 million, representing an increase of HK$336.5 million, or 3.9%, compared with the year ended 31 December 2017. The handset casings and high-precision components segment continued to dominate over other segments. Among the top 5 customers, handset casings and high-precision components customers contributed 60.2% in the Year, which is higher than 54.0% in 2017. Gross profit of HK$1,793.9 million was HK$437.2 million, or 19.6% lower than 2017. The decrease was mainly due to the rapid decline in the shipment volume and unit price of its metal handset casings in the second half of 2018, resulting in the decrease in gross profit of the Group and the need of impairment of inventory. Gross profit margin was 20.2%, representing 5.9 percentage points lower than the corresponding period of last year. Profit attributable to owners of the Company amounted to HK$542.8 million, representing a fall of 46.0% from HK$1,006.1 million reported in the corresponding period of 2017. The selling and distribution expenses increased by HK$2.2 million mainly attributable to the increase in freight and travelling expenses. The administrative expenses increased by HK$31.2 million mainly due to the increase in R&D expenses and salaries. The increase in R&D expenses was attributable to the continuous investment in R&D projects and further business development. Compared with 2017, other operating expenses, net increased by HK$33.5 million, mainly attributable to the net loss from exchange difference and partially offset by increase in write-back of trade receivables. Basic earnings per share amounted to HK8.76 cents, down 47.9% from HK16.82 cents for 2017. As for tax, the Group's major operating subsidiaries fall under different tax regimes in Hong Kong and the PRC where different laws and regulations, and specific concessionary incentives apply for some specific locations. During the Year, one of the major subsidiaries is awarded as a High New Technology Enterprise and is subjected to a preferential tax rate of 15%, other than this, there have been no major changes in these taxation laws and regulations which have impacted tax expenses for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities. The table below summarises the Group's cash flows for year ended 31 December 2018 and 31 December 2017:

	2018	2017
	HK$'000	*HK$'000*
Net cash flows from operating activities	**1,037,664**	653,859
Net cash flows used in investing activities	**(1,541,868)**	(1,772,282)
Net cash flows from financing activities	**556,019**	1,028,109

The Group derives its working capital mainly from cash on hand and net cash generated from operating activities. The Board expects that the Group will rely on net cash generated from operating activities, bank borrowings and debt financing to meet its working capital and other capital expenditure requirements in the short run. In the long run, the Group will be funded by net cash from operating activities, and if necessary, by additional bank borrowings and debt financing. There were no material changes in the funding and financial policies of the Group for the Year.

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from operating activities. 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. As at 31 December 2018, the Group had cash and cash equivalents and pledged deposits of HK$1,276.1 million (31 December 2017: HK$1,274.2 million), and without holding any structural investment contract, of which approximately HK$507.7 million (31 December 2017: HK$481.7 million) has been pledged to banks as security for trade financing. As at 31 December 2018, the Group had total assets of HK$13,642.1 million (31 December 2017: HK$13,623.7 million), net current assets of HK$1,832.7 million (31 December 2017: HK$2,140.4 million) and equity of HK$5,937.2 million (31 December 2017: HK$5,885.3 million). Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy its current operational requirements.

GEARING RATIO AND INDEBTEDNESS

As at 31 December 2018, the gearing ratio of the Group (consolidated net debt/total equity) was 48.4% (31 December 2017: 45.0%). As at 31 December 2018, other than the non-current portion of bank loans of HK$1,697.0 million (31 December 2017: bank loans of HK$1,240.3 million), the Group had bank and other borrowings of HK$2,454.9 million (31 December 2017: bank loans of HK$2,235.0 million and convertible bonds of HK$445.8 million) which will be repayable within one year from the end of the reporting period.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of HK$1,255.9 million during the year ended 31 December 2018 (31 December 2017: HK$1,353.1 million), mainly for the additions of property, plant and equipment for expansion of its capacity in handset casings and high-precision components segment. Management believes that the Group's ability to invest in capital expenditure in timely anticipation of demand is a competitive advantage of the Group. In the foreseeable future, a higher proportion of capital expenditure will likely be focused on the handset casings and high-precision components segments. Capital expenditures are generally funded by internal resources and credit facilities.

FOREIGN EXCHANGE

Given our operations and presence become more international, the Group faces foreign exchange exposure including transaction and translation exposure. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. The Group has not entered nor will it enter into any derivative transactions for speculative trading purposes at 31 December 2018.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK$507.7 million (31 December 2017: HK$481.7 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying value amount of HK$54.5 million (31 December 2017: HK$50.2 million) mortgaged by the Group as at 31 December 2018, no other assets of the Group were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group employed a total of approximately 16,000 permanent employees (31 December 2017: approximately 18,000 employees). Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund, labour pension and mandatory provident fund schemes for our employees in Hong Kong, Taiwan and Singapore respectively.

Past Performance and Forward Looking Statements

The performance and the results of operation of the Group as set out in this final results announcement are historical in nature and past performance is not a guarantee of future performance. This final results announcement may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the directors of the Company (the "Director(s)"), employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this final results announcement of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

DIVIDENDS

The Company will consider the declaration of dividends based on its earnings, financial position, debt repayment requirements, capital expenditure plans, medium to long-term business strategies and other factors as the Board may deem appropriate. The Board may also from time to time pay to shareholders of the Company (the "Shareholder(s)") such interim dividends to be justified by the profit of the Company and may recommend final dividends for approval by the Shareholders in its annual general meetings. For the year ended 31 December 2018, an interim dividend of HK2.0 cents per ordinary share for the six months ended 30 June 2018 (2017: HK1.6 cents per ordinary share) was paid to the Shareholders. The Board has declared a final dividend of HK0.8 cent (2017: HK3.8 cents) per ordinary share in respect of the year ended 31 December 2018. This proposed final dividend together with the interim dividend already paid amount to total dividends of HK2.8 cents (2017: HK5.4 cents), an unchanged payout ratio of about 32% of the profit attributable to owners of the Company for the year ended 31 December 2018. Subject to the Shareholders' approval at the forthcoming annual general meeting to be held on Friday, 24 May 2019, the said final dividend will be payable to the Shareholders, whose names appear on the register of members of the Company on 5 June 2019. Payment will be made on or about 14 June 2019.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2018, (i) the Group's largest customer and five largest customers accounted for approximately 38.1% and 66.9% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 14.8% and 28.3% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all code provisions of the Corporate Governance Code (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 2018 with certain deviations as mentioned below:

The Company has three independent non-executive Directors, namely Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *SBS, 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 accordance with 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 respective 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 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. In addition, 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 advisers 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 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. In addition, the AC is responsible to review and supervise the risk management and internal control systems of the Group and transactions with connected persons (if any).

The Group's unaudited interim results for the six months ended 30 June 2018 and annual results for the year ended 31 December 2018 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. The AC has also reviewed the effectiveness of the risk management and the internal control systems of the Company and considers the risk management and internal control systems to be effective and adequate.

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 Directors, the Directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report for the year ended 31 December 2018 of the Company.

AUDITORS

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

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 2018 containing all the information required by appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched 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 HK0.8 cent per share for the year ended 31 December 2018. The proposed final dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Wednesday, 5 June 2019, if the proposal is approved by the Shareholders at the forthcoming annual general meeting of the Company. It is expected that the final dividend will be paid on or about Friday, 14 June 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 24 May 2019. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders on or before Thursday, 18 April 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Monday, 20 May 2019.

The register of members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019 (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 2018, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Friday, 31 May 2019.

APPRECIATION

Lastly, 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 gratitude to all of our customers and suppliers on behalf of the Group, and wish for their continuous supports in the future. We will keep working closely with our shareholders and employees to steer the Group to a more modernised and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

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

Hong Kong, 19 March 2019

As at the date of this announcement, the Board comprises Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yeung and Mr. Wang Ming Che as executive Directors; Mr. Wong Ah Yu and Ms. Chan Sze Man as non-executive Directors; and Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, SBS, JP and Mr. Ting Leung Huel Stephen as independent non-executive Directors.