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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2019 reached approximately HK$3,908,942,000, representing a decrease of approximately 5.8% as compared with that for the financial period ended 30 June 2018.

- Our net profit attributable to owners of the Company for the financial period ended 30 June 2019 reached approximately HK$315,777,000, representing a decrease of approximately 24.6% as compared with that for the financial period ended 30 June 2018.

- Basic earnings per share for the financial period ended 30 June 2019 was HK4.87 cents, representing a decrease of approximately 29.5% as compared with that for the financial period ended 30 June 2018.

- The Directors propose to declare an interim dividend of HK1.0 cent per Share for the financial period ended 30 June 2019.

The board (the "Board") of directors (the "Directors") of Tongda Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Period" or the "Period under Review") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2019** *HK$'000*	Audited 31 December 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**5,366,472**	4,849,684
Right-of-use assets		**356,565**	–
Investment property		**–**	68,037
Prepaid land lease payments		**–**	261,635
Investment in a jointly-controlled entity		**65,709**	63,080
Prepayments		**–**	49,677
Long term deposits		**413,593**	626,029
Deferred tax assets		**3,703**	3,703
Total non-current assets		**6,206,042**	5,921,845
CURRENT ASSETS			
Inventories	*10*	**2,703,776**	2,528,950
Trade and bills receivables	*11*	**3,029,241**	3,114,793
Prepayments, deposits and other receivables		**639,905**	547,103
Due from a jointly-controlled entity		**46,964**	33,768
Loans to a jointly-controlled entity		**144,042**	140,260
Loans receivables		**49,936**	47,581
Tax recoverable		**32,973**	31,751
Pledged deposits		**346,753**	507,684
Cash and cash equivalents		**766,599**	768,404
Total current assets		**7,760,189**	7,720,294
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,254,571**	2,625,725
Accrued liabilities and other payables		**416,775**	458,980
Interest-bearing bank and other borrowings		**2,894,726**	2,454,895
Lease liabilities		**10,980**	–
Due to a jointly-controlled entity		**111,963**	200,584
Tax payable		**182,056**	147,371
Total current liabilities		**5,871,071**	5,887,555
NET CURRENT ASSETS		**1,889,118**	1,832,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,095,160**	7,754,584

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,571,815**	1,696,963
Lease liabilities		**27,373**	–
Due to a former non-controlling shareholder of a subsidiary		**30,034**	30,034
Deferred tax liabilities		**91,403**	90,430
Total non-current liabilities		**1,720,625**	1,817,427
Net assets		**6,374,535**	5,937,157
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**64,795**	64,795
Reserves		**6,336,034**	5,898,022
		6,400,829	5,962,817
NON-CONTROLLING INTERESTS		**(26,294)**	(25,660)
Total equity		**6,374,535**	5,937,157

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands.

The registered office address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handset casings and high-precision components, smart electrical appliances casings, household and sports goods and network communications facilities and others. There were no significant changes in the nature of the subsidiaries' principal activities during the Period.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standards ("HKASs") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

3. ACCOUNTING POLICIES

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

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

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

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

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

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

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

	Increase/ (decrease) *HK$'000* **(Unaudited)**
Assets	
Increase in right-of-use assets	**357,567**
Decrease in prepayment	**(49,677)**
Decrease in prepaid land lease payments	**(261,635)**
Decrease in prepayments, deposits and other receivables	**(6,603)**
Increase in total assets	**39,652**
Liabilities	
Lease liabilities	**41,947**
Increase in total liabilities	**41,947**
Decrease in retained profits	**2,295**

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

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

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

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

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

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

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

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

	Right-of-use assets				
	Plant	**Buildings**	**Land lease payments**	**Total**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	**24,514**	**59,333**	**273,720**	**357,567**	**41,947**
Additions	**–**	**1,986**	**–**	**1,986**	**1,986**
Remeasurement	**(1,235)**	**161**	**–**	**(1,074)**	**(1,160)**
Depreciation charge	**(3,950)**	**(2,715)**	**(3,417)**	**(10,082)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**992**
Payment	**–**	**–**	**–**	**–**	**(6,530)**
Exchange realignment	**660**	**1,586**	**5,922**	**8,168**	**1,118**
As at 30 June 2019	**19,989**	**60,351**	**276,225**	**356,565**	**38,353**

4. OPERATING SEGMENT INFORMATION

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

The corresponding information for the period ended 30 June 2018 and at 31 December 2018 has been re-presented accordingly.

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

	Unaudited 30 June 2019				
	Handset casings and high-precision components	**Smart electrical appliances casings**	**Household and sports goods**	**Network communications facilities and others**	**Consolidated**
	HK\$'000	***HK\$'000***	***HK\$'000***	***HK\$'000***	***HK\$'000***
Segment assets	**8,648,989**	**1,239,469**	**341,250**	**2,279,844**	**12,509,552**
Unallocated assets					**1,456,679**
Total assets					**13,966,231**
Segment liabilities	**1,942,335**	**264,109**	**160,486**	**342,769**	**2,709,699**
Unallocated liabilities					**4,881,997**
Total liabilities					**7,591,696**

	31 December 2018				
	Handset casings and high-precision components	Smart electrical appliances casings	Household and sports goods	Network communications facilities and others	Consolidated
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Segment assets	8,442,317	1,850,197	330,766	1,422,628	12,045,908
Unallocated assets					1,596,231
Total assets					13,642,139
Segment liabilities	2,196,913	372,537	159,617	355,638	3,084,705
Unallocated liabilities					4,620,277
Total liabilities					7,704,982

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

Information about major customers

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

5. PROFIT BEFORE TAX

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

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

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian), 深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited), 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited), 通達五金(深圳)有限公司 (Tongda Ironware (Shenzhen) Company Limited), 廈門市創智實業有限公司 (Tongda (Xiamen) Smart Tech Industry Company Limited) and 通達(廈門)精密橡塑有限公司 (Tongda (Xiamen) Elastomers Company Limited) are subject to a preferential tax rate of 15% under High New Technology Enterprises.

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

7. DIVIDENDS

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final dividend declared of HK0.8 cent per ordinary share in respect of the financial year ended 31 December 2018 (2018: final dividend declared and paid in respect of the financial year ended 31 December 2017 – HK3.8 cents per ordinary share)	**51,836**	229,965
Special interim dividend *(Note)*	**–**	366,174

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

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

8. EARNINGS PER SHARE

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

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

At 30 June 2019, the Group's leasehold building situated in Hong Kong was revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK$53,600,000 (31 December 2018: HK$54,500,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong is its highest and best use.

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

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

10. INVENTORIES

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

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

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

12. TRADE AND BILLS PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group's turnover decreased from HK$4,150.3 million in the corresponding period of last year by 5.8% to HK$3,908.9 million. Profit attributable to owners of the Company decreased from HK$418.9 million in the corresponding period of last year by 24.6% to HK$315.8 million.

Revenue

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

Gross Profit and Margin

The Group's gross profit for the Period decreased by 13.9% to HK$825.8 million and the gross profit margin was 21.1%, which was 2.0 percentage points lower than that for the corresponding period of last year. The decrease in gross profit margin was mainly due to the decrease of gross profit margin of handset casings, which is the largest business segment in proportion of sales. For the first half of 2018, the handset business mainly engaged in the sales of metal casings, with a relatively high gross profit margin then. However, after the gross profit margin of metal casings experienced a rapid drop in the second half of last year, the Group began mass production of Glass-like plastic (Glastic) casings. As a result, the Group recorded an overall gross profit margin of 21.1%.

Other Income and Gains, net

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Operating Income, net

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

Finance Costs

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

Profit before Tax

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

Profit Attributable to Owners of the Company for the Period

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

The management of the Group believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

CAPITAL EXPENDITURE

The total capital expenditure incurred for the Period was HK$570.2 million (31 December 2018: HK$1,255.9 million), which was mainly used in acquisition of production equipments and construction of new manufacturing plants.

TREASURY POLICY

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

CHARGES ON GROUP ASSETS

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

HUMAN RESOURCES

As at 30 June 2019, the Group employed a total of approximately 19,000 permanent employees (30 June 2018: 19,000 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2019 amounted to HK$944.4 million (30 June 2018: HK$969.8 million).

The Group offers remuneration packages for employees mainly based on their performance and experiences, and with reference to prevailing industry practices. In addition to enrolling our new employees into the mandatory provident fund scheme in Hong Kong and state-managed pension scheme in mainland China and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options and discretionary bonuses to employees based on employees' individual performance and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

GEARING RATIO AND INDEBTEDNESS

As at 30 June 2019, the gearing ratio of the Group (consolidated net borrowings/total equity) was 52.6% (31 December 2018: 48.4%).

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

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

BUSINESS REVIEW

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

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

Handset Casings and High-precision Components

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

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

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

Smart Electrical Appliances Casings

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

Household and Sports Goods

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

Network Communications Facilities and Others

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

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

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

Prospects

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

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

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

SUPPLEMENTARY INFORMATION

Interim Dividend

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

Closure of Register of Members

The record date for the interim dividend will be 18 September 2019. The register of members of the Company will be closed from 16 September 2019 to 18 September 2019, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on 13 September 2019.

Purchase, Sale or Redemption of the Company's Securities

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

Corporate Governance

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

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

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

Audit Committee

The Audit Committee (the "AC") comprises three independent non-executive Directors and one non-executive Director, Mr. Ting Leung Huel Stephen ("Mr. Ting"), Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Ms. Chan Sze Man. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. Also, the AC is responsible for reviewing and supervising the risk management and internal control system of the Group.

The AC had reviewed the unaudited interim results of the Group for the six months ended 30 June 2019 prior to the submission to the Board for approval.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard set out in the Model Code throughout the Period under Review.

Events after the Reporting Period

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

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work during the Period. 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.

On behalf of the Board
Tongda Group Holdings Limited
Wang Ya Nan
Chairman

Hong Kong, 20 August 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.