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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 2019

HIGHLIGHTS

	2019	2018	Change
	HK$'000	*HK$'000*	*%*
Revenue	**9,185,866**	8,899,306	3.2
Gross profit	**1,676,884**	1,793,894	(6.5)
Gross profit margin	***18.3%***	*20.2%*	*(1.9) p.p.*
Net profit attributable to owners of the Company	**401,521**	542,821	(26.0)
Net profit margin	***4.4%***	*6.1%*	*(1.7) p.p.*
Earnings per share			
– Basic	**HK6.20 cents**	HK8.76 cents	(29.2)
– Diluted	**HK6.20 cents**	HK8.61 cents	(28.0)
Dividends per share	**HK0.05 cent**	HK0.8 cent	

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 2019 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
REVENUE	*5*	**9,185,866**	8,899,306
Cost of sales		**(7,508,982)**	(7,105,412)
Gross profit		**1,676,884**	1,793,894
Other income and gains, net	*5*	**103,879**	117,660
Selling and distribution expenses		**(133,326)**	(128,694)
General and administrative expenses		**(945,683)**	(874,742)
Other operating expenses, net		**(11,478)**	(55,394)
Finance costs	*6*	**(206,765)**	(174,348)
Share of profit/(loss) of a jointly-controlled entity		**1,324**	(2,602)
PROFIT BEFORE TAX	*7*	**484,835**	675,774
Income tax expense	*8*	**(83,954)**	(113,016)
PROFIT FOR THE YEAR		**400,881**	562,758
Attributable to:			
Owners of the Company		**401,521**	542,821
Non-controlling interests		**(640)**	19,937
		400,881	562,758
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*		
– Basic		**HK6.20 cents**	HK8.76 cents
– Diluted		**HK6.20 cents**	HK8.61 cents

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
PROFIT FOR THE YEAR	**400,881**	562,758
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**199**	5,557
Income tax effect	**(32)**	(917)
	167	4,640
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(288,974)**	(201,395)
– jointly-controlled entity	**(2,423)**	(1,929)
	(291,397)	(203,324)
Release of exchange reserve upon disposal of a subsidiary	**2,378**	(116)
Release of exchange reserve upon deregistration of a subsidiary	**(1,612)**	–
	(290,631)	(203,440)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(290,464)**	(198,800)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,417**	363,958
Attributable to:		
Owners of the Company	**112,054**	344,059
Non-controlling interests	**(1,637)**	19,899
	110,417	363,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,088,849**	4,849,684
Right-of-use assets		**410,606**	–
Investment property		**–**	68,037
Prepaid land lease payments		**–**	261,635
Investment in a jointly-controlled entity		**61,981**	63,080
Prepayments		**–**	49,677
Long term deposits		**531,145**	626,029
Lease receivable		**13,067**	–
Deferred tax assets		**3,703**	3,703
Total non-current assets		**6,109,351**	5,921,845
CURRENT ASSETS			
Inventories	*11*	**2,244,890**	2,528,950
Trade and bills receivables	*12*	**2,946,188**	3,114,793
Prepayments, deposits and other receivables		**545,077**	547,103
Due from a jointly-controlled entity		**65,973**	33,768
Loans to a jointly-controlled entity		**134,871**	140,260
Loan receivable		**3,154**	47,581
Lease receivable		**7,721**	–
Tax recoverable		**28,607**	31,751
Pledged deposits		**409,872**	507,684
Cash and cash equivalents		**1,077,676**	768,404
Total current assets		**7,464,029**	7,720,294
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,948,445**	2,625,725
Accrued liabilities and other payables		**514,299**	458,980
Interest-bearing bank and other borrowings		**2,632,800**	2,454,895
Lease liabilities		**18,345**	–
Due to a jointly-controlled entity		**65,997**	200,584
Due to a former non-controlling shareholder of a subsidiary		**30,034**	–
Tax payable		**134,416**	147,371
Total current liabilities		**6,344,336**	5,887,555
NET CURRENT ASSETS		**1,119,693**	1,832,739
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,229,044**	7,754,584

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,117,339**	1,696,963
Lease liabilities		**37,827**	–
Due to a former non-controlling shareholder of a subsidiary		**–**	30,034
Deferred tax liabilities		**91,500**	90,430
Total non-current liabilities		**1,246,666**	1,817,427
Net assets		**5,982,378**	5,937,157
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**64,795**	64,795
Reserves		**5,881,425**	5,898,022
		5,946,220	5,962,817
Non-controlling interests		**36,158**	(25,660)
Total equity		**5,982,378**	5,937,157

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.

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 the related right-of-use assets, 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 2019. 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 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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, plant and buildings. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 elected to present the right-of-use assets separately in the statement of financial position.

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	**431,278**
Decrease in prepayments	**(49,677)**
Decrease in prepaid land lease payments	**(261,635)**
Decrease in prepayments, deposits and other receivables	**(6,603)**
Decrease in property, plant and equipment	**(73,710)**
Increase in total assets	**39,653**
Liabilities	
Increase in lease liabilities	**41,947**
Increase in total liabilities	**41,947**
Decrease in retained profits	**(2,294)**

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

	HK$'000
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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC) – Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

	Handset casings and high-precision components		Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Notebook computers[#]		Eliminations		Consolidated	
	2019	2018	**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*	***HK$'000***	*HK$'000*
Segment revenue														
Sales to external customers[##] *(note 5)*	**7,119,904**	6,621,420	**627,254**	848,498	**648,175**	606,811	**790,533**	739,136	**–**	83,441	**–**	–	**9,185,866**	8,899,306
Intersegment sales	**1,364**	17,789	**18,804**	32,894	**3,715**	202	**472**	36,381	**–**	–	**(24,355)**	(87,266)	**–**	–
Total	**7,121,268**	6,639,209	**646,058**	881,392	**651,890**	607,013	**791,005**	775,517	**–**	83,441	**(24,355)**	(87,266)	**9,185,866**	8,899,306
Segment results before depreciation and amortisation	**933,900**	894,957	**(21,897)**	57,278	**93,976**	129,400	**93,016**	105,574	**–**	1,009	**–**	–	**1,098,995**	1,188,218
Depreciation of property, plant and equipment	**(352,522)**	(280,950)	**(33,521)**	(38,025)	**(14,788)**	(12,482)	**(66,787)**	(56,038)	**–**	(2,953)	**–**	–	**(467,618)**	(390,448)
Depreciation of right-of-use assets	**(13,622)**	–	**(1,990)**	–	**–**	–	**(8,206)**	–	**–**	–	**–**	–	**(23,818)**	–
Amortisation	**–**	(1,899)	**–**	(3,358)	**–**	–	**–**	(2,738)	**–**	–	**–**	–	**–**	(7,995)
Segment results	**567,756**	612,108	**(57,408)**	15,895	**79,188**	116,918	**18,023**	46,798	**–**	(1,944)	**–**	–	**607,559**	789,775
Unallocated income													**103,879**	117,660
Corporate and other unallocated expenses													**(24,414)**	(54,711)
Finance costs (other than interest expenses on lease liabilities)													**(203,513)**	(174,348)
Share of profit/(loss) of a jointly-controlled entity													**1,324**	(2,602)
Profit before tax													**484,835**	675,774
Income tax expense													**(83,954)**	(113,016)
Profit for the year													**400,881**	562,758
Other segment information:														
Impairment losses/write-down recognised in the income statement, net*	**(4,159)**	(211,553)	**(13,241)**	(7,472)	**–**	(144)	**(3,102)**	(7,695)	**–**	–	**–**	–	**(20,502)**	(226,864)
Impairment losses reversed in the income statement**	**4,496**	11,440	**–**	–	**–**	–	**1,380**	–	**–**	–	**–**	–	**5,876**	11,440
Capital expenditure***	**800,819**	869,858	**805**	214,588	**52,386**	25,364	**71,571**	146,116	**–**	–	**–**	–	**925,581**	1,255,926

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.

Sales to external customers are also revenue from contracts with customers.

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

** Included reversal of impairment of trade receivables and write-back of provision against inventories.

*** Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

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	
	2019	2018	**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*	***HK$'000***	*HK$'000*
Segment assets	**8,134,648**	8,442,317	**924,907**	1,850,197	**577,909**	330,766	**2,150,079**	1,422,628	**-**	-	**-**	-	**11,787,543**	12,045,908
Unallocated assets													**1,785,837**	1,596,231
Total assets													**13,573,380**	13,642,139
Segment liabilities	**2,773,735**	2,196,913	**223,312**	372,537	**210,744**	159,617	**311,125**	355,638	**-**	-	**-**	-	**3,518,916**	3,084,705
Unallocated liabilities													**4,072,086**	4,620,277
Total liabilities													**7,591,002**	7,704,982

Geographical information

During the year, management changed the geographical classification to (i) PRC, (ii) Asia Pacific (excluding PRC), (iii) United States and (iv) Others to better present the Group's geographical information. Accordingly, the related comparative amounts have been reclassified to conform with the current year's presentation.

	PRC*		Asia Pacific (excluding PRC)		United States		Others		Consolidated	
	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*
(a) Revenue from customers										
Segment revenue:										
Sales to external customers#	**7,788,497**	7,905,861	**1,068,785**	299,651	**112,112**	410,500	**216,472**	283,294	**9,185,866**	8,899,306
(b) Non-current assets	**6,043,667**	5,855,062	**-**	-	**-**	-	**-**	-	**6,043,667**	5,855,062

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

* People's Republic of China ("PRC") including Hong Kong and Macau.

\# Sales to external customers are also revenue from contracts with customers.

The non-current assets information above is based on the locations of the assets and excludes an investment in a jointly-controlled entity 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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**3,119,226**	3,392,063
Customer B	**1,456,193**	1,394,987
	4,575,419	4,787,050

Revenues from Customer A and Customer B were mainly 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.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**9,185,866**	8,899,306

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.

Revenue from sale of goods is recognised at a point in time when control of goods is transferred to customers, generally on delivery of goods.

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

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

	2019	2018
	HK$'000	*HK$'000*
Other income and gains, net		
Bank interest income	**6,419**	5,610
Interest income from a jointly-controlled entity	**2,697**	4,239
Interest income from a loan receivable	**1,309**	2,187
Utilities income	**4,424**	9,671
Sale of scrap materials	**2,283**	19,056
Government grants*	**71,488**	54,005
Fair value gain on an investment property	**–**	6,050
Gain on disposal of a subsidiary	**–**	3,568
Gain on inception of sublease agreements	**6,972**	–
Finance income	**1,060**	–
Others	**7,227**	13,274
	103,879	117,660

* 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

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings (including convertible bonds)	**195,798**	169,683
Less: Interest capitalised	**–**	(3,461)
	195,798	166,222
Interest expenses on discounted bills	**7,715**	8,126
Interest expenses on lease liabilities	**3,252**	–
	206,765	174,348

7. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**7,508,982**	7,105,412
Depreciation of property, plant and equipment	**467,618**	390,448
Depreciation of right-of-use assets	**23,818**	–
Amortisation of prepaid land lease payments	**–**	6,505
Amortisation of prepayments	**–**	1,490
Research and development costs	**412,144**	409,442
Minimum lease payments under operating leases	**–**	55,613
Lease payments not included in the measurement of lease liabilities	**21,703**	–
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**1,920,144**	1,934,387
Share-based expenses	**6,409**	–
Equity-settled share option expense	**–**	3,702
Pension scheme contributions	**83,914**	78,135
Less: Amounts included in R&D costs	**(94,778)**	(145,187)
	1,915,689	1,871,037
Loss on disposal of items of property, plant and equipment	**5,366**	12,429
Foreign exchange differences, net	**272**	33,371
Changes in fair value of an investment property	**–**	(6,050)
Impairment of trade receivables	**4,410**	10,406
Reversal of impairment of trade receivables	**(4,259)**	(11,440)
Provision against inventories	**15,701**	198,905
Write-back of provision against inventories	**(1,617)**	–
Write-off of inventories	**391**	17,553
Loss/(gain) on disposal of a subsidiary	**2,323**	(3,568)
Loss on deregistration of associates	**–**	134

Cost of inventories sold includes HK$2,038,688,000 (2018: HK$2,208,390,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against inventories, write-off of inventories, amortisation of prepayments and depreciation of property, plant and equipment and right-of-use assets, 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% (2018: 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.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**18,906**	61,470
Under/(overprovision) in prior years	**5**	(97)
	18,911	61,373
Current – Elsewhere		
Charge for the year	**64,005**	54,349
Overprovision in prior years	**–**	(4,955)
	64,005	49,394
Deferred	**1,038**	2,249
Total tax charge for the year	**83,954**	113,016

9. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2018 – HK0.8 cent per ordinary share (2018: final dividend of HK3.8 cents per ordinary share, in respect of the financial year ended 31 December 2017)	**51,836**	229,965
Interim – HK1.0 cent (2018: HK2.0 cents) per ordinary share	**64,795**	125,944
	116,631	355,909
Proposed final dividend:		
Final – HK0.05 cent (2018: HK0.8 cent) per ordinary share	**3,240**	51,836
Special interim dividend *(Note)*	**–**	366,174

The proposed final dividend of HK0.05 cent per ordinary share (2018: HK0.8 cent 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 Tongda Hong Tai Holdings Limited ("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 "Distribution"). 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 number of ordinary shares of 6,479,505,000 (2018: weighted average number of ordinary shares of 6,195,494,000) in issue 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.

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

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	**401,521**	542,821
Interest on convertible bonds	**–**	1,369
Profit for the year attributable to owners of the Company before interest on convertible bonds	**401,521**	544,190
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,479,505**	6,195,494
Effect of dilutive potential ordinary shares arising from – convertible bonds*	**–**	123,995
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,479,505**	6,319,489

* The convertible bonds matured on 25 June 2018.

11. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**557,946**	614,982
Work in progress	**524,918**	503,845
Finished goods	**1,162,026**	1,410,123
	2,244,890	2,528,950

As at 31 December 2019, moulds of HK$448,733,000 (2018: HK$486,978,000) are included in the finished goods.

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**2,898,369**	3,020,622
Impairment allowances	**(38,371)**	(41,818)
	2,859,998	2,978,804
Bills receivable	**86,190**	135,989
	2,946,188	3,114,793

As at 31 December 2019, gross trade receivables of certain customers of HK$1,202,704,000 (2018: HK$714,027,000) and bills receivable of HK$23,025,000 (2018: 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.

12. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the Group's trade and bills receivables as at 31 December 2019, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**2,733,957**	2,916,025
4 to 6 months, inclusive	**183,509**	192,167
7 to 9 months, inclusive	**12,816**	9,435
10 to 12 months, inclusive	**9,422**	6,170
More than 1 year	**44,855**	32,814
	2,984,559	3,156,611
Impairment allowances	**(38,371)**	(41,818)
	2,946,188	3,114,793

13. TRADE AND BILLS PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**1,611,979**	1,144,985
Bills payable	**1,336,466**	1,480,740
	2,948,445	2,625,725

13. TRADE AND BILLS PAYABLES (continued)

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 2019, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**2,240,609**	1,817,144
4 to 6 months, inclusive	**665,114**	777,987
7 to 9 months, inclusive	**17,345**	3,680
10 to 12 months, inclusive	**6,466**	6,591
More than 1 year	**18,911**	20,323
	2,948,445	2,625,725

14. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2018: 20,000,000,000) ordinary shares	**200,000**	200,000
Issued and fully paid:		
6,479,505,097 (2018: 6,479,505,097) ordinary shares	**64,795**	64,795

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 2019 (the "Year") on behalf of the board of directors of the Company (the "Board").

During the Year, the total turnover increased by 3.2% to HK$9,185.9 million (2018: HK$8,899.3 million), gross profit decreased by 6.5% to HK$1,676.9 million (2018: HK$1,793.9 million) and profit attributable to shareholders decreased by 26.0% to HK$401.5 million (2018: HK$542.8 million). Gross profit margin was approximately 18.3% (2018: 20.2%) while net profit margin was approximately 4.4% (2018: 6.1%). The Board will recommend payment of a final dividend of HK0.05 cent per share (2018: HK0.8 cent). Together with the paid interim dividend of HK1.0 cent per share (2018: HK2.0 cents), the total dividend for the Year amounted to HK1.05 cents (2018: HK2.8 cents).

The increase in shipment volume in the smartphone market has reached the ceiling and the competition in the market became more intense, and therefore, the operation of the Group is inevitably being impacted. However, the Group firmly believes its enduring core competitiveness comes from its concrete technology foundation and forward-looking strategic layout. For example, new products developed by the Group, such as Glass-like plastic ("Glastic") casings, have been widely adopted by various brands and successfully increased our market share in the handset market. Meanwhile, the current handset business of the Group has covered six top global brands. Several major customers are widely distributed in Mainland China, as well as Asia Pacific, European and American markets. Thus the handset business is relatively less affected by a single geographic market.

The Group has long been focusing on the research and development ("R&D") of mainstream products with high technology entry barriers and large shipment volume that target the mass market. This can increase added value for its products. Meanwhile, mature products can be partly replaced by innovative products, which can help maintain the average unit price of the Group's overall products and the stability of gross profit margin of the Group. For instance, the Group's leading technology in 3D and uni-body Glastic casings has generated a relatively high profit margin as the entry barrier of these casings is significantly higher than that of 2.5D Glastic casings. As for the Group's tri-proof and high-precision components business, the Group's gross profit margin was under short-term pressure due to the lack of obvious upgrade in customers' handset design during the Year, however, it is expected that the Internet-of-Things ("IoT") will become trendy in the coming years. Being one of the major handset component suppliers of that customer, the Group has allocated resources to the R&D of innovative products in IoT during the Year, in order to realise the expanded horizon of multiple product lines and consolidate the long-term collaborating relationship with the customer.

It is necessary for the Group to maintain an in-depth understanding and comprehensive planning on business and market development at all times. Looking forward, the expansion of 5G market in China will stimulate a new wave of replacements in handset. The price of 5G smartphones is expected to drop rapidly, which is expected to lead overall smartphone shipments back to an increasing trend. The Group has a complete solution covering Glastic, glass, metal casings and high-precision components and would provide our customers with possible component upgrades to cope with the demand of 5G handsets in the future and enhance the added value of products.

We will continue to focus on handsets and high-precision components while taking the automotive sector as a highlight in long-term development and explore the diversification of peripheral industry central around that sector. As the widespread rollout of 5G may boost the development of the AI industry, the Group has conducted business deployment in this sector in advance mainly concentrated on smart home fittings and accessories. The Group will continue to devote resources to the R&D on new products, new sectors and application of new materials, aiming to maintain profit margin of our products while developing our business.

The Group understands that the precise implementation of forward-looking strategic deployment is inextricably linked to the R&D, control and application of core technology. We have built a strong "moat" of technologies through timely investments in the past few years. In the future, we will continue to allocate resources to our principal businesses while strengthening internal management, enhancing automation and controlling cost and capital expenditure, so as to optimise each financial indicators. In the coming year, I believe, by leveraging the understanding of the market development trend in the future and the forward planning by management of the Group, we will systematically tackle the changes in the market and seek opportunities amidst the crises.

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 staffs of the Group during the past year. We will further develop our technology and advocate changes through innovations in every business sectors and the application of advanced materials, and utilise the diverse and leading technology and craftsmanship to face the changes in the market calmly.

BUSINESS REVIEW

In 2019, the global market for consumer electronics products and smartphones is under pressure from fierce competition within the industry and the trade conflict between China and the U.S.. The production chain of handsets has been adversely affected to some extent and the Group has not been excepted. However, the latest handset products developed by the Group prior to the year have been well received by the market and the shipment volume continued to grow. Therefore, despite the unfavorable market conditions, the Group has been able to maintain a growth in turnover of 3.2% to HK$9,185.9 million (2018: HK$8,899.3 million). As a result of fierce market competition and some of our products not having a significant upgrade during the Year, the net profit attributable to the owners of the Company decreased by 26.0% from HK$542.8 million last year to approximately HK$401.5 million.

Handset Casings and High-precision Components

This business is primarily engaged in the production of different kinds of handset casings for handsets, 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 7.5% in turnover from HK$6,621.4 million last year to HK$7,119.9 million, representing 77.5% of the total turnover.

Despite the fact that global shipment volume for handsets have decreased in the Year, the Group tackled the challenge positively by actively expanding the market and introducing new products and focusing on the Glass-like plastic ("Glastic") casing, thus the shipment volume during the Year increased significantly as a result. The 2.5D, 3D and uni-body Glastic casings has been quickly adopted by various models of major smartphone brands ranging from low to middle to high price brands and the annual shipment volume had reached the expected target. Although competition for the 2.5D Glastic casings intensified in the second half of the year and profit was under pressure, as the technological barriers for the Group's new products such as the 3D and uni-body Glastic casings was substantially raised, the profit margin remained relatively high. At the same time, the Group provides 2.5D/3D glass back covers and metal middle frames for mid-to-high-end smartphone in order to meet the demand for various brands for smartphones of different price ranges.

As for the tri-proof and high-precision components business, since the new smartphone model of a major customer was under great demand, turnover during the Year has reached its target. However, as the smartphone components for the new models supplied by the Group were not a significant upgrade, the unit price and gross profit margin of the product are under pressure. As it is expected that the Internet-of-Things ("IoT") will become a popular trend in the coming years, other than becoming one of the major smartphone components supplier of the customer during the Year, the Group proactively allocated resources to IoT product development in order to realise lateral development of multiple products and to consolidate a long-term collaborative relationship with the customer.

Smart Electrical Appliances Casings

The sales of the smart electrical appliances casings business during the Year has decreased from HK$848.5 million in the corresponding period last year by 26.1% to HK$627.3 million, representing 6.8% of the total turnover. The business is primarily engage in the design and production of control panels, casings and metal accessories of high-end electrical appliances, such as air-conditioners, washing machines and refrigerators for Chinese and international brands. During the Year, the Group restructured its resources and concentrated on production capacity of products with relatively high gross profits and reduced the order of low gross profits products with lengthy turnover period of capital, thus leading to a drop of sales in that business.

Household and Sports Goods

During the Year, sales of this division increased from HK$606.8 million in the corresponding period last year by 6.8% to HK$648.2 million, representing 7.1% of the total turnover. The Group primarily supplies durable household goods, household utensils, sports goods and healthcare goods to sizable European and American brands. The Group has announced during the Year the possible spin-off of the division and separate listing on the ChiNext Board of the Shenzhen Stock Exchange.

Network Communications Facilities and Others

The division primarily produces interior decorative parts of automotive, set-top boxes and plastic dipole antennas that are used in polarised base station antennas for 5G. With the localisation of the production of components for automotive brands of the Sino-foreign joint venture and increasing orders from local automotive brand, the automotive business grow year on year. The revenue of the division during the Year increased from HK$739.1 million in the corresponding period last year by 7.0% to HK$790.5 million, representing 8.6% of the total turnover.

A percentage breakdown of total revenue by product categories for the year ended 31 December 2019 and a comparison with 2018 are as follows:

		2019	2018
i.	Handset Casings and High-precision Components	**77.5%**	74.4%
ii.	Smart Electrical Appliances Casings	**6.8%**	9.5%
iii.	Household and Sports Goods	**7.1%**	6.8%
iv.	Network Communications Facilities and Others	**8.6%**	8.3%
v.	Notebook Computers	**Nil**	1.0%

PROSPECTS

At the beginning of 2020, China-U.S. relations remain unstable and the development of the novel coronavirus epidemic remains unclear. Against this challenging backdrop, the Group's utmost concern is to maintain its competitive edge. The Group adheres to its principles of accelerating the growth in product categories and clients with innovative technologies and craftsmanship. With the introduction of Vivo, a renowned smartphone brand clientele in China, Group's smartphone business now covers the six largest global brands, which is beneficial for continuously expanding its market share. Moreover, while actively exploring the China market, several major customers also put relative emphasis on markets outside China to avoid excessive concentration of business in a single region.

The industry research corporation IDC previously predicted that the shipment of handsets will resume its growth as a result of the development of 5G in China and that the price for 5G smartphones is expected to decrease quickly, resulting in a general increase in smartphone shipments. The Group always focuses on mid-range handsets with high shipment volume and one of its clients introduced their first 5G handset at a mid-price range at the beginning of the year, gaining considerable market attention. With the speeding up of 5G commercialisation, it is expected there will soon be a new wave of replacements in handsets. There will also be potential upgrades of conceptual design for the Group's casings, such as incorporating 5G antenna designs or upgraded heat sink components to enhance added-value of its products.

The Group's premium customer base and automated production line, which includes the vertical one-stop process from the development of moulds for the production of mainstream products in the market, such as the metal middle frames, 2.5D/3D and uni-body Glastic casings as well as glass back covers are the result of its technological capabilities accumulated over the years. Among them, the 3D and uni-body Glastic casing are the areas where the Group has put the most effort in development. These products involve high-entry barrier technologies such as development of high precision moulds, colour printing and film processing, which are ahead of the domestic industry and help enhancing the gross profit margin of its products. The Group also possesses the film processing and hot bending technology which can be applied to 3D glass back covers, as well as technologies applied to handset 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, all of which enhance its competitive edge.

The Group will continue to focus on the handset and high-precision components businesses as before and consider the automotive sector as a highlight in long-term development and explore the diversification of peripheral industry centred around that sector. In view of the fact that the increasing popularity of 5G may drive the trend for the AI industry, the Group had deployed resources in this field, with the focus on household smart appliances and mobile appliances. The Group will continue its effort in the R&D of new products, and new fields as well as the application of new materials, striving to maintain gross profit margin of its products while exploring new business opportunities.

In the past few years, the Group had been prudent in investing in technology R&D and capacity expansion, which has enabled it to develop and consolidate some new customers and businesses, and successfully diversify risks. In the coming year, the Group will diligently strive through the economic downturn to create higher returns for shareholders of the Company.

FINANCIAL REVIEW

For the Year, the Group's total revenue reached HK$9,185.9 million, representing an increase of HK$286.6 million or 3.2%, compared with the year ended 31 December 2018. 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 64.2% in the Year, which is higher than 60.2% in 2018.

Gross profit of HK$1,676.9 million was HK$117.0 million, or 6.5% lower than 2018. Gross profit margin was 18.3%, representing 1.9 percentage points lower than the corresponding period last year. The decrease in gross profit margin was mainly due to the decrease in unit sale price of the tri-proof and high-precision components. Profit attributable to owners of the Company amounted to HK$401.5 million, representing a fall of 26.0% from HK$542.8 million reported in the corresponding period of 2018.

The selling and distribution expenses increased by HK$4.6 million or 3.6% which is in line with the increase in sales during the Year.

The administrative expenses increased by HK$71.0 million or 8.1% mainly due to the increase in staff costs caused by the employee compensation paid for the relocation of the Group's Shenzhen factory, additional staffs recruited assisting in the spin-off of the household and sports goods division and separate listing on the ChiNext Board of the Shenzhen Stock Exchange, and salary adjustment.

Compared with 2018, other operating expenses decreased by HK$43.9 million or 79.3% mainly attributable to the decrease in net loss arising from exchange difference.

Basic earnings per share amounted to HK6.20 cents, down 29.2% from HK8.76 cents for 2018. As for tax, the Group's major operating subsidiaries fall under different tax regimes in Hong Kong and Mainland China where different laws and regulations, and specific concessionary incentives apply for some specific locations. During the Year, one more 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 2019 and 31 December 2018:

	2019	2018
	HK$'000	*HK$'000*
Net cash flows from operating activities	**1,514,488**	1,037,664
Net cash flows used in investing activities	**(673,097)**	(1,541,868)
Net cash flows from/(used in) financing activities	**(490,327)**	556,019

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 2019, the Group had cash and cash equivalents and pledged deposits of HK$1,487.5 million (31 December 2018: HK$1,276.1 million), and without holding any structural investment contract, of which approximately HK$409.9 million (31 December 2018: HK$507.7 million) has been pledged to banks as security for trade financing. As at 31 December 2019, the Group had total assets of HK$13,573.4 million (31 December 2018: HK$13,642.1 million), net current assets of HK$1,119.7 million (31 December 2018: HK$1,832.7 million) and equity of HK$5,982.4 million (31 December 2018: HK$5,937.2 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 2019, the gearing ratio of the Group (consolidated net debt/total equity) was 37.8% (31 December 2018: 48.4%). As at 31 December 2019, other than the non-current portion of bank loans of HK$1,117.3 million (31 December 2018: HK$1,697.0 million), the Group had bank and other borrowings of HK$2,632.8 million (31 December 2018: HK$2,454.9 million) which will be repayable within one year from the end of the reporting period.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of HK$925.6 million during the year ended 31 December 2019 (31 December 2018: HK$1,255.9 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. 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 2019.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK$409.9 million (31 December 2018: HK$507.7 million) that were pledged to banks and a leasehold building in Hong Kong together with the related right-of-use asset, with a total carrying value amount of HK$53.5 million (31 December 2018: HK$54.5 million) mortgaged by the Group as at 31 December 2019, no other assets of the Group were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group employed a total of approximately 22,000 permanent employees (31 December 2018: approximately 16,000 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 employee in Hong Kong 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 2019, an interim dividend of HK1.0 cent per ordinary share for the six months ended 30 June 2019 (2018: HK2.0 cents per ordinary share) was paid to the Shareholders. The Board has declared a final dividend of HK0.05 cent (2018: HK0.8 cents) per ordinary share in respect of the year ended 31 December 2019. This proposed final dividend together with the interim dividend already paid amount to total dividends of HK1.05 cents (2018: HK2.8 cents). The payout ratio was reduced to 17% of the profit attributable to owners of the Company for the year ended 31 December 2019 (31 December 2018: 32%) such that the Group could increase its operating cash flow in response to the current relatively uncertain global economic environment and to support the potential opportunities that might be brought to the Group by 5G applications in the coming years. Subject to the Shareholders' approval at the forthcoming annual general meeting to be held on Monday, 18 May 2020, the said final dividend will be payable to the Shareholders, whose names appear on the register of members of the Company on 3 June 2020. Payment will be made on or about 12 June 2020.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2019, (i) the Group's largest customer and five largest customers accounted for approximately 34.0% and 66.3% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 12.6% and 20.9% 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 2019 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 of a non-executive Director and 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 AC comprises all independent non-executive Directors, Mr. Ting Leung Huel Stephen, Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and a non-executive Director, 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 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 auditor 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 2019 and annual results for the year ended 31 December 2019 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 2019 of the Company.

AUDITOR

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

PUBLICATION OF FINAL RESULTS

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

The annual report of the Company for the financial year ended 31 December 2019 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.

EVENTS AFTER THE REPORTING PERIOD

Due to the outbreak of novel coronavirus epidemics in early 2020, the PRC government has implemented various immediate and ongoing measures for anti-epidemic control, so as to mitigate the impacts from the epidemics. The major production bases of our Group are located in Xiamen city and Shishi city, Fujian province. At the beginning of the outbreak of epidemics, a leader team for epidemics prevention and control (the "anti-epidemic team") has been formed immediately, which was led by the general managers from each major production base to coordinate with supervisors from each division, in order to impose a series of preventive and controlling measures within the plants, including more frequent attempts of sanitisation within the plant, canteen and staff quarters areas everyday, stringent management and control on the health conditions of all personnel getting in or out the plants and assured provision for corresponding anti-epidemic supplies to all on-site staff, prevention on unnecessary flows of visitors, etc. Meanwhile, the anti-epidemic team closely reports to the Board on any real-time anti-epidemic conditions in each production base, the progress of staff's return to works, as well as the demand and supply of anti-epidemic supplies, while adjustments are immediately made to anti-epidemic efforts in response to the developments of epidemics. As of the date of this final results announcement, major operating plants under our Group has substantially restored to their normal operation.

Nevertheless, it is expected that the epidemics will bring about uncertain factors to various economic activities in China and globally in the short term, and our Group will be affected to a certain extent.

The Company will continue to closely monitor the relevant circumstances and take timely and corresponding measures.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.05 cent per share for the year ended 31 December 2019. The proposed final dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Wednesday, 3 June 2020, 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, 12 June 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Monday, 18 May 2020. 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 Monday, 20 April 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020 (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 Tuesday, 12 May 2020.

The register of members of the Company will be closed from Monday, 1 June 2020 to Wednesday, 3 June 2020 (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 2019, 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, 29 May 2020.

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, 17 March 2020

As at the date of this announcement, the Board comprises Mr. Wang Ya Nan, Mr. Wang Hung Man, Mr. Wong Ming Sik, Mr. Wong Ming Yuet and Mr. Hui Wai Man as executive Directors; Ms. Chan Sze Man as non-executive Director; 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.