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## 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 2020

#### HIGHLIGHTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change %
Revenue	<b>9,758,811</b>	9,185,866	6.2
Gross profit	<b>1,710,313</b>	1,676,884	2.0
<i>Gross profit margin</i>	<u>17.5%</u>	<u>18.3%</u>	<i>(0.8) p.p.</i>
Net profit attributable to owners of the Company	<b>351,340</b>	401,521	(12.5)
<i>Net profit margin</i>	<u>3.6%</u>	<u>4.4%</u>	<i>(0.8) p.p.</i>
Earnings per share			
– Basic	<b>HK5.42 cents</b>	HK6.20 cents	(12.6)
– Diluted	<b>HK5.42 cents</b>	HK6.20 cents	(12.6)
Dividends per share	<u>–</u>	<u>HK0.05 cent</u>	

The board (the “Board”) of directors (the “Directors”) 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 2020 (the “Year”), together with the comparative figures for the previous year, as follows:

## CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
REVENUE	5	<b>9,758,811</b>	9,185,866
Cost of sales		<u><b>(8,048,498)</b></u>	<u>(7,508,982)</u>
Gross profit		<b>1,710,313</b>	1,676,884
Other income and gains, net	5	<b>107,679</b>	103,879
Selling and distribution expenses		<b>(136,214)</b>	(133,326)
General and administrative expenses		<b>(1,049,630)</b>	(945,683)
Other operating expenses, net		<b>(22,057)</b>	(11,478)
Finance costs	6	<b>(175,057)</b>	(206,765)
Share of profit/(loss) of a jointly-controlled entity		<u><b>(5,380)</b></u>	<u>1,324</u>
PROFIT BEFORE TAX	7	<b>429,654</b>	484,835
Income tax expense	8	<u><b>(70,126)</b></u>	<u>(83,954)</u>
PROFIT FOR THE YEAR		<u><b>359,528</b></u>	<u>400,881</u>
Attributable to:			
Owners of the Company		<b>351,340</b>	401,521
Non-controlling interests		<u><b>8,188</b></u>	<u>(640)</u>
		<u><b>359,528</b></u>	<u>400,881</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	<i>10</i>		
– Basic		<u><b>HK5.42 cents</b></u>	<u>HK6.20 cents</u>
– Diluted		<u><b>HK5.42 cents</b></u>	<u>HK6.20 cents</u>

Details of the dividends are disclosed in note 9.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>359,528</u>	<u>400,881</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Revaluation surplus on transfer of right-of-use assets to an investment property	42,243	–
Gain/(loss) on property revaluation	(4,904)	199
Deferred tax debited to the asset revaluation reserve	<u>(9,810)</u>	<u>(32)</u>
	<u>27,529</u>	<u>167</u>
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	292,480	(288,974)
– jointly-controlled entity	<u>2,476</u>	<u>(2,423)</u>
	<u>294,956</u>	<u>(291,397)</u>
Release of exchange reserve upon disposal of a subsidiary	–	2,378
Release of exchange reserve upon deregistration of subsidiaries	<u>4,901</u>	<u>(1,612)</u>
	<u>299,857</u>	<u>(290,631)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>327,386</u>	<u>(290,464)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>686,914</u>	<u>110,417</u>
Attributable to:		
Owners of the Company	676,735	112,054
Non-controlling interests	<u>10,179</u>	<u>(1,637)</u>
	<u>686,914</u>	<u>110,417</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,824,403</b>	5,088,849
Right-of-use assets		<b>394,338</b>	410,606
Investment property		<b>90,525</b>	–
Investment in a jointly-controlled entity		<b>59,077</b>	61,981
Long term deposits		<b>263,781</b>	531,145
Lease receivable		<b>6,338</b>	13,067
Deferred tax assets		<b>3,703</b>	3,703
		<hr/>	<hr/>
Total non-current assets		<b>6,642,165</b>	6,109,351
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>2,204,257</b>	2,244,890
Trade and bills receivables	<i>12</i>	<b>2,992,848</b>	2,946,188
Prepayments, deposits and other receivables		<b>485,763</b>	545,077
Due from a jointly-controlled entity		<b>65,357</b>	65,973
Loans to a jointly-controlled entity		<b>140,260</b>	134,871
Loan receivable		–	3,154
Lease receivable		<b>7,252</b>	7,721
Tax recoverable		<b>4,587</b>	28,607
Pledged deposits		<b>404,842</b>	409,872
Cash and cash equivalents		<b>1,352,554</b>	1,077,676
		<hr/>	<hr/>
Total current assets		<b>7,657,720</b>	7,464,029
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>3,207,353</b>	2,948,445
Accrued liabilities and other payables		<b>577,224</b>	514,299
Interest-bearing bank and other borrowings		<b>2,227,702</b>	2,632,800
Lease liabilities		<b>21,565</b>	18,345
Due to a jointly-controlled entity		<b>63,568</b>	65,997
Due to a former non-controlling shareholder of a subsidiary		–	30,034
Tax payable		<b>114,283</b>	134,416
		<hr/>	<hr/>
Total current liabilities		<b>6,211,695</b>	6,344,336
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,446,025</b> <hr/>	<hr/> 1,119,693 <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>8,088,190</b> <hr/>	<hr/> 7,229,044 <hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>1,299,584</b>	1,117,339
Lease liabilities		<b>23,056</b>	37,827
Deferred tax liabilities		<b>99,498</b>	91,500
		<hr/>	<hr/>
Total non-current liabilities		<b>1,422,138</b>	1,246,666
		<hr/>	<hr/>
Net assets		<b>6,666,052</b>	5,982,378
		<hr/>	<hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	<b>64,795</b>	64,795
Reserves		<b>6,552,671</b>	5,881,425
		<hr/>	<hr/>
		<b>6,617,466</b>	5,946,220
		<hr/>	<hr/>
Non-controlling interests		<b>48,586</b>	36,158
		<hr/>	<hr/>
Total equity		<b>6,666,052</b>	5,982,378
		<hr/>	<hr/>

## NOTES

### 1. CORPORATE AND GROUP 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 the subsidiaries’ principal activities 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, an investment property and financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020. 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.

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.

## 2. BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

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 Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

- (a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework does not have any significant impact on the financial position and performance of the Group.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has applied the amendment prospectively to transactions or other events that occurred on or after 1 January 2020. The amendment did not have any impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendment did not have any significant impact on the financial position and 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		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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 <sup>#</sup> (note 5)	7,558,011	7,119,904	688,220	627,254	808,197	648,175	704,383	790,533	-	-	9,758,811	9,185,866
Intersegment sales	5,148	1,364	9,706	18,804	11,592	3,715	6,218	472	(32,664)	(24,355)	-	-
<b>Total</b>	<b>7,563,159</b>	<b>7,121,268</b>	<b>697,926</b>	<b>646,058</b>	<b>819,789</b>	<b>651,890</b>	<b>710,601</b>	<b>791,005</b>	<b>(32,664)</b>	<b>(24,355)</b>	<b>9,758,811</b>	<b>9,185,866</b>
Segment results before depreciation	954,626	933,900	50,812	(21,897)	126,298	93,976	79,101	93,016	-	-	1,210,837	1,098,995
Depreciation of property, plant and equipment	(437,153)	(352,522)	(83,167)	(33,521)	(29,061)	(14,788)	(69,313)	(66,787)	-	-	(618,694)	(467,618)
Depreciation of right-of-use assets	(16,782)	(13,622)	(2,209)	(1,990)	(609)	-	(6,983)	(8,206)	-	-	(26,583)	(23,818)
<b>Segment results</b>	<b>500,691</b>	<b>567,756</b>	<b>(34,564)</b>	<b>(57,408)</b>	<b>96,628</b>	<b>79,188</b>	<b>2,805</b>	<b>18,023</b>	<b>-</b>	<b>-</b>	<b>565,560</b>	<b>607,559</b>
Unallocated income											107,679	103,879
Corporate and other unallocated expenses											(65,740)	(24,414)
Finance costs (other than interest expenses on lease liabilities)											(172,465)	(203,513)
Share of profit/(loss) of a jointly- controlled entity											(5,380)	1,324
Profit before tax											429,654	484,835
Income tax expense											(70,126)	(83,954)
<b>Profit for the year</b>											<b>359,528</b>	<b>400,881</b>
Other segment information:												
Impairment losses/write-down recognised in the income statement, net <sup>*</sup>	(9,007)	(4,159)	(31,800)	(13,241)	(598)	-	(11,046)	(3,102)	-	-	(52,451)	(20,502)
Impairment losses reversed in the income statement <sup>**</sup>	4,144	4,496	112	-	-	-	212	1,380	-	-	4,468	5,876
Capital expenditure <sup>***</sup>	1,003,694	800,819	7,550	805	72,902	52,386	122,364	71,571	-	-	1,206,510	925,581

# 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		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	<u>7,472,004</u>	<u>8,134,648</u>	<u>1,484,141</u>	<u>924,907</u>	<u>699,461</u>	<u>577,909</u>	<u>2,613,899</u>	<u>2,150,079</u>	<u>-</u>	<u>-</u>	<u>12,269,505</u>	<u>11,787,543</u>
Unallocated assets											<u>2,030,380</u>	<u>1,785,837</u>
Total assets											<u>14,299,885</u>	<u>13,573,380</u>
Segment liabilities	<u>2,869,437</u>	<u>2,773,735</u>	<u>205,573</u>	<u>223,312</u>	<u>266,644</u>	<u>210,744</u>	<u>487,544</u>	<u>311,125</u>	<u>-</u>	<u>-</u>	<u>3,829,198</u>	<u>3,518,916</u>
Unallocated liabilities											<u>3,804,635</u>	<u>4,072,086</u>
Total liabilities											<u>7,633,833</u>	<u>7,591,002</u>

#### Geographical information

	Asia Pacific								Consolidated	
	PRC*		(excluding PRC)		United States		Others		2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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 <sup>#</sup>	<u>8,053,226</u>	<u>7,788,497</u>	<u>924,089</u>	<u>1,068,785</u>	<u>257,402</u>	<u>112,112</u>	<u>524,094</u>	<u>216,472</u>	<u>9,758,811</u>	<u>9,185,866</u>
(b) Non-current assets	<u>6,579,385</u>	<u>6,043,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,579,385</u>	<u>6,043,667</u>

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

\* The People's Republic of China ("PRC") includes 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:

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<b>3,478,580</b>	3,119,226
Customer B	<b>1,199,636</b>	1,456,193
	<b><u>4,678,216</u></b>	<u>4,575,419</u>

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:

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods	<b><u>9,758,811</u></b>	<u>9,185,866</u>

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 the 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Other income and gains, net</b>		
Bank interest income	9,798	6,419
Interest income from a jointly-controlled entity	2,805	2,697
Interest income from a loan receivable	–	1,309
Utilities income	8,559	4,424
Sale of scrap materials	1,383	2,283
Government grants*	69,141	71,488
Gain on inception of sublease agreements	–	6,972
Finance income	854	1,060
Others	15,139	7,227
	<u>107,679</u>	<u>103,879</u>

\* 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on bank and other borrowings	163,915	195,798
Interest expenses on discounted bills	8,550	7,715
Interest expenses on lease liabilities	2,592	3,252
	<u>175,057</u>	<u>206,765</u>

## 7. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	8,048,498	7,508,982
Depreciation of property, plant and equipment	618,694	467,618
Depreciation of right-of-use assets	26,583	23,818
Research and development costs	493,051	412,144
Lease payments not included in the measurement of lease liabilities	33,523	21,703
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	2,015,292	1,920,144
Share-based expenses	–	6,409
Pension scheme contributions	79,979	83,914
Less: Amounts included in research and development costs	<u>(125,417)</u>	<u>(94,778)</u>
	<b><u>1,969,854</u></b>	<b><u>1,915,689</u></b>
Auditor's remuneration	4,370	3,864
Loss on disposal of items of property, plant and equipment	10,934	5,366
Foreign exchange differences, net	(20,745)	272
Impairment of trade receivables	26,927	4,410
Reversal of impairment of trade receivables	(451)	(4,259)
Provision against inventories	15,208	15,701
Write-back of provision against inventories	(4,017)	(1,617)
Write-off of inventories	10,316	391
Loss on deregistration of subsidiaries	4,901	–
Loss on disposal of a subsidiary	<u>–</u>	<u>2,323</u>

Cost of inventories sold includes HK\$2,281,499,000 (2019: HK\$2,038,688,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against inventories, write-off of inventories, 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for the Company which is a qualifying entity under the two-tier profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	20,446	18,906
Underprovision/(overprovision) in prior years	<u>(12,763)</u>	<u>5</u>
	7,683	18,911
Current – Elsewhere		
Charge for the year	64,044	64,005
Underprovision in prior years	<u>211</u>	<u>–</u>
	64,255	64,005
Deferred	<u>(1,812)</u>	<u>1,038</u>
Total tax charge for the year	<u><b>70,126</b></u>	<u><b>83,954</b></u>

## 9. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends paid during the year:		
Final in respect of the financial year ended		
31 December 2019 – HK0.05 cent per ordinary share (2019: final dividend of HK0.8 cent per ordinary share, in respect of the financial year ended 31 December 2018)	3,240	51,836
Interim – Nil (2019: HK1.0 cent) per ordinary share	<u>–</u>	<u>64,795</u>
	<u><b>3,240</b></u>	<u><b>116,631</b></u>
Proposed final dividend:		
Final – Nil (2019: HK0.05 cent) per ordinary share	<u>–</u>	<u>3,240</u>

On 5 March 2021, the Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: HK0.05 cent per ordinary share).

## 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 (2019: 6,479,505,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the impact of the share options outstanding during the year had no dilutive effect on the basic earnings per share amounts presented.

## 11. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	405,873	557,946
Work in progress	589,431	524,918
Finished goods	1,208,953	1,162,026
	<u>2,204,257</u>	<u>2,244,890</u>

As at 31 December 2020, moulds of HK\$568,061,000 (2019: HK\$448,733,000) are included in the finished goods.

## 12. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	2,881,635	2,898,369
Impairment allowances	(58,323)	(38,371)
	<u>2,823,312</u>	<u>2,859,998</u>
Bills receivable	169,536	86,190
	<u>2,992,848</u>	<u>2,946,188</u>

As at 31 December 2020, gross trade receivables of certain customers of HK\$967,436,000 (2019: HK\$1,202,704,000) and bills receivable of HK\$1,243,000 (2019: HK\$23,025,000) 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.

## 12. TRADE AND BILLS RECEIVABLES (continued)

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

An ageing analysis of the Group's trade and bills receivables as at 31 December 2020, based on the invoice date and issuance date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	2,826,093	2,733,957
4 to 6 months, inclusive	151,040	183,509
7 to 9 months, inclusive	15,929	12,816
10 to 12 months, inclusive	6,305	9,422
More than 1 year	51,804	44,855
	<u>3,051,171</u>	2,984,559
Impairment allowances	<u>(58,323)</u>	<u>(38,371)</u>
	<u>2,992,848</u>	<u>2,946,188</u>

## 13. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	1,816,924	1,611,979
Bills payable	1,390,429	1,336,466
	<u>3,207,353</u>	<u>2,948,445</u>

### 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 2020, based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	2,457,104	2,240,609
4 to 6 months, inclusive	717,260	665,114
7 to 9 months, inclusive	6,281	17,345
10 to 12 months, inclusive	956	6,466
More than 1 year	25,752	18,911
	<u>3,207,353</u>	<u>2,948,445</u>

### 14. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
20,000,000,000 (2019: 20,000,000,000) ordinary shares	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
6,479,505,097 (2019: 6,479,505,097) ordinary shares	<u>64,795</u>	<u>64,795</u>

## CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of the Group for the Year on behalf of the Board.

Even though the global economy is affected by multiple pandemic waves of the 2019 coronavirus (“COVID-19”) in 2020, coupled with the drastic changes in the handset market, the Group can still rise to the challenge. During the Year, total turnover rose by 6.2% to HK\$9,758.8 million (2019: HK\$9,185.9 million), gross profit increased by 2.0% to HK\$1,710.3 million (2019: HK\$1,676.9 million). The Group’s financial position remains steady and continues to record stable cash flows from business operation. At the same time, the Group’s gearing ratio decreased year-on-year from 37.8% to 26.6%.

During the Year, the Group continued to focus on its handset and high-precision components businesses. The Group has participated in the development and sales of more different high-precision components projects in several new smartphone models launched in this year by one of the major international customers. At the same time, thanks to the booming sales of the customer’s several new smartphone models, the Group’s performance was able to remain stable under the pandemic.

Despite the decline in the global shipment volume of handsets during the Year, the Group successfully achieved an increase in market share in its core product Glasslike plastic (“Glastic”) casing with an increase in shipment volume during the Year. The Group’s handset and high-precision components businesses currently cover six largest global brands. The business growth of several major customers will facilitate the Group in increasing its market share continuously. In addition, amid the gradual resumption of economic activities in various countries in the second half of the Year, several major customers of the Group accelerated their products upgrade, thus increasing the proportion of product shipments of the Group’s new products, such as 3D and uni-body Glastic casings during the Year. Its high-end technological barriers facilitated the Group to maintain its competitive advantages.

Looking ahead, 5G networks will become more popular in China and other countries around the world. Major handset brands will focus more on the launch of 5G handsets in the mid to low price ranges, which will bring overall smartphone shipments back to the uptrend. As the Group's Glastic Casing solutions have a high price-performance ratio and thus have a market advantage, which can help to maintain the market share of the Group's product. At the same time, we anticipate that the popularisation of 5G networks in the coming years will complement the applications of the Internet of Things ("IoT"), the market is expected to grow rapidly in the next few years. The Group will continue to proactively invest in the research and development of new product lines and components regarding IoT products, aiming at increasing in the involvement in those customers' new IoT products, and expanding the product lines as our medium-to-long-term strategic objectives.

The Group understands that the precise implementation of forward-looking strategic deployment is inextricably linked to R&D, as well as control and application of core technology. We have built a strong "moat" through timely investments in the past few years. The Group also integrated resources from the fundamental organisation structure to business divisions, aiming to enhancing the performance of each business division. During the Year, the Group engaged two world-leading consulting firms to help in a series of optimisation and reform of the organisational structure, with a view to enhancing management efficiency and productivity, and improving its own competitiveness, in order to manage and operate more efficiently and sustainably. In the future, we will continually invest in our principal businesses, and I believe, by leveraging understanding of market development trends in the future and the forward planning by management of the Group, we can tackle market changes with ease in the coming year.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express gratitude for the dedicated efforts and valuable contributions of the management and all staff of the Group during the past year. We will further develop our technology and advocate innovations and changes through innovations in every business sector and the application of advanced materials, and utilise the diverse and leading technology and craftsmanship, with the aim of creating higher returns for our shareholders in the coming year.

## **BUSINESS REVIEW**

Since the beginning of 2020, the outbreak and worldwide spreading of the 2019 coronavirus (“COVID-19”) have brought immense pressures to the global market for consumer electronics hardware and smartphones, affecting the industry of handsets to some extent and inevitably affecting the Group as well. However, the latest handset products launched by the Group have been acclaimed by the market amongst the decrease in global shipment volume of the smartphones, and the Group has been able to maintain a growth in revenue by 6.2% to HK\$9,758.8 million (2019: HK\$9,185.9 million).

### **Handset Casings and High-precision Components**

This business is primarily engaged in the production of tri-proof (waterproof/dustproof/shockproof) high-precision components, high-precision insert molding parts, high-precision rubber molding parts and different kinds of handset casings. This business recorded an increase by 6.2% in turnover from HK\$7,119.9 million in the corresponding period last year to HK\$7,558.0 million during the Year, representing 77.4% of the total turnover.

The tri-proof and high-precision components business is benefited by the great demand of various new smartphone models by a major customer in the second half and the Group increased its involvement in the components of the customer’s handset, which drove the business growth of the Group. The Group expected that the Internet-of-Things (“IoT”) will become a popular trend in the coming years. Apart from being one of the major smartphone components supplier of the customer during the Year, the Group also proactively allocated resources to product research and development (“R&D”) for IoT and accessories, so as to achieve lateral development of product lines and to consolidate a long-term collaborative relationship with the customer.

Despite the decline of the global handset shipment during the Year, growth was achieved in the market share of Glastic casings developed by the Group and its shipment volume during the Year continued to increase as a result and the shipment volume for the Year has met the anticipated target. In addition, with the gradual resumption of economic activities in various countries in the second half of the Year, the Group’s major customers accelerated their products upgrade, thus increasing the proportion of its shipment of new products, such as 3D and uni-body Glastic casings during the Year. High technological barriers of those products facilitated to maintain the Group’s profit margin. At the same time, the Group provides glass back covers and metal middle frames for mid-to-high-end smartphones, in order to meet the demand of various brands for smartphones at different price ranges.

### **Smart Electrical Appliances Casings**

Sales of the smart electrical appliances casings business during the Year increased from HK\$627.3 million in the corresponding period last year by 9.7% to HK\$688.2 million during the Year, representing 7.1% of the total turnover. The business is primarily engaged in the design and production of control panels and casings of high-end electrical appliances, such as air-conditioners, washing machines and refrigerators for Chinese and international brands.

### **Household and Sports Goods**

Sales of this division increased from HK\$648.2 million from the corresponding period last year by 24.7% to HK\$808.2 million during the Year, representing 8.3% of total turnover. The Group primarily supplies durable household goods, household utensils, sports goods and healthcare goods to international European and American brands. The business has been benefitted from the continuing business growth of certain major customers in their China, European and American markets during the pandemic. The Group has also announced the possible spin-off of that business 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 and set-top boxes. Its major customers include local and Sino-foreign invested automotive brands. According to the data disclosed by the China Association of Automobile Manufacturers, sales of automobile during the Year accumulated to 20.178 million units, representing a year-on-year decline of 6.0%. Therefore, the revenue of the division during the Year declined from HK\$790.5 million in the corresponding period last year by 10.9% to HK\$704.4 million during the Year, representing 7.2% of the total turnover.

The percentages of total revenue by product categories for the Year and a comparison with 2019 are as follows:

	<b>2020</b>	2019
i. Handset Casings and High-precision Components	<b>77.4%</b>	77.5%
ii. Smart Electrical Appliances Casings	<b>7.1%</b>	6.8%
iii. Household and Sports Goods	<b>8.3%</b>	7.1%
iv. Network Communications Facilities and Others	<b><u>7.2%</u></b>	<b><u>8.6%</u></b>

## **PROSPECTS**

In view of the prevalence of volatile global pandemic in 2020 as well as the drastic change in the structure of handset market, the Group's utmost concern is to maintain its competitive edge. The Group adheres to its principles of enhancing its competitive edge, consolidating strengths of its products and exploring a diversified customer base with innovative technologies and craftsmanship. At the same time, by developing more product lines, the Group strives to deepen its relationship with customers. The Group will continue focusing on the handset and high-precision components businesses as before and is currently conducting R&D for various new product lines and new components with a major customer of tri-proof and high-precision components, with the vision of increasing involvement in components, expanding product lines and improving profit margin.

The market has indicated that 5G handset models have become more popular in the second half of the Year and there are expectation that 5G smartphones may "decrease in price with enhanced specifications" in order to drive for an increase in the overall shipment of handsets. The Group expects its key development solutions, the Glastic casing, can satisfy current customer needs, in which, the proportion of high-end 3D and uni-body Glastic casings business will further increase. At the same time, the market expects that handset shipment will return to an upward track in the coming year. The existing handset business of the Group covers the six largest global handset brands and their business growth will continue to facilitate the continuing expansion of the Group's market share.

The Group will consistently focus on its handset and high precision components businesses. We will, at the same time, take advantage of the current leading craftsmanship and techniques and outstanding development team of the Group, with prudent resource allocation, to explore various emerging products, new materials and new scopes, in order to make efforts to keep the Group abreast of trend in this era.

Over the past few years, the Group has been prudently investing in technology R&D and production capacity expansion, enabling it to develop and consolidate some new customers and businesses, and to diversify risks successfully. In the coming years, encountered by the complex and ever-changing external conditions and fierce market competition, the Group will strive to improve its competitiveness by integrating resources from the fundamental organisational structure to business divisions, improving the utilisation rates of production capacity and working efficiency of each business. Among them, during the Year, with the assistance of two world leading consulting firms, apart from promoting optimisation and reform of the organisational structure, the Group will further leverage on the economies of scales, while enhancing management efficiency and product quality as well as reducing operational cost, in order to enable the Group to have a more efficient and sustainable management and operations to create higher returns for the shareholders of the Company.

## **FINANCIAL REVIEW**

During the Year, the Group's total revenue reached HK\$9,758.8 million, representing an increase of HK\$572.9 million or 6.2%, from HK\$9,185.9 million in the corresponding period last year. The handset casings and high-precision components segments continued to dominate other segments. Among the top five customers, handset casings and high-precision components customers contributed 61.4% in the Year, which is lower than 64.2% in the corresponding period last year.

The Group's gross profit for the Year increased by approximately 2.0% from approximately HK\$1,676.9 million in the corresponding period last year to approximately HK\$1,710.3 million during the Year, mainly due to the increase in sales during the Year. Meanwhile, gross profit margin was approximately 0.8 percentage points lower than the corresponding period last year, from approximately 18.3% in 2019 to approximately 17.5% during the Year. In the first half of 2020, large scale of lockdown and quarantine measures were introduced across various countries around the world and brought negative impact to the Group's business. Along with the relaxation of those lockdown and stringent quarantine measures in the second half of the Year, the Group's business was gradually picking up. As a result, the Group's gross profit margin only slipped by approximately 0.8 percentage points when comparing to that in the corresponding period last year.

Other income and gains, net increased by approximately 3.7% or approximately HK\$3.8 million from approximately HK\$103.9 million in the corresponding period last year to approximately HK\$107.7 million during the Year mainly due to the increase in bank interest income which is in line with the increase in average bank balance during the Year.

Selling and distribution expenses increased by approximately 2.2% or approximately HK\$2.9 million from approximately HK\$133.3 million in the corresponding period last year to approximately HK\$136.2 million during the Year, accounting for approximately 1.4% of the Group's revenue, which was similar to the corresponding period last year of 1.5%. The increase was in line with the increase in sales during the Year.

Administrative expenses increased by approximately 11.0% or approximately HK\$103.9 million from approximately HK\$945.7 million in the corresponding period last year to approximately HK\$1,049.6 million during the Year, accounting for approximately 10.8% of the Group's revenue, which was approximately 0.5 percentage point higher than that for the corresponding period last year of 10.3%. The increase in administrative expenses was mainly attributable to the continuous investment in R&D projects and business development.

Other operating expenses, net increased by approximately 92.2% or approximately HK\$10.6 million from approximately HK\$11.5 million in the corresponding period last year to approximately HK\$22.1 million during the Year mainly due to the increase in impairment of trade receivables and loss on disposal of items of property, plant and equipment where, partially offset by the foreign exchange gain of HK\$20.7 million recorded in the Year (2019: foreign exchange loss of HK\$0.3 million).

Finance costs decreased by approximately 15.3% or approximately HK\$31.7 million from approximately HK\$206.8 million in the corresponding period last year to approximately HK\$175.1 million during the Year. The decrease was mainly attributable to the decrease in average loan balance and average interest rate during the Year.

Basic earnings per share amounted to HK5.42 cents during the Year, down 12.6% from HK6.20 cents in the corresponding period last year. As for the 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, 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 the years ended 31 December 2020 and 31 December 2019:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Net cash flows from operating activities	<b>1,396,828</b>	1,514,488
Net cash flows used in investing activities	<b>(857,736)</b>	(673,097)
Net cash flows used in financing activities	<b>(330,515)</b>	(490,327)

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 other 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 other debt financing. There were no material changes in the financing 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 2020, the Group had cash and cash equivalents and pledged deposits of HK\$1,757.4 million (31 December 2019: HK\$1,487.5 million), without holding any structural investment contract, of which approximately HK\$404.8 million (31 December 2019: HK\$409.9 million) has been pledged to banks as security for trade financing granted. As at 31 December 2020, the Group had total assets of HK\$14,299.9 million (31 December 2019: HK\$13,573.4 million), net current assets of HK\$1,446.0 million (31 December 2019: HK\$1,119.7 million) and equity of HK\$6,666.1 million (31 December 2019: HK\$5,982.4 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 2020, the gearing ratio of the Group (consolidated net debt/total equity) was 26.6% (31 December 2019: 37.8%). As at 31 December 2020, other than the non-current portion of bank loans of HK\$1,299.6 million (31 December 2019: HK\$1,117.3 million), the Group had bank and other borrowings of HK\$2,227.7 million (31 December 2019: HK\$2,632.8 million) which will be repayable within one year from the end of the reporting period.

## **CAPITAL EXPENDITURE**

The Group incurred capital expenditure of HK\$1,206.5 million during the Year (31 December 2019: HK\$925.6 million), mainly for the additions of property, plant and equipment for expansion of its 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 as at 31 December 2020.

## **CHARGES ON GROUP ASSETS**

Apart from bank deposits amounting to HK\$404.8 million (31 December 2019: HK\$409.9 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 amount of HK\$46.9 million (31 December 2019: HK\$53.5 million) mortgaged by the Group as at 31 December 2020, no other assets of the Group were charged to any financial institutions.

## **EMPLOYEE INFORMATION**

As at 31 December 2020, the Group employed a total of approximately 24,000 permanent employees (31 December 2019: approximately 22,000 employees). Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund, labour pension and mandatory provident fund schemes for our employees in Hong Kong 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 the use of 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, 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.

## **MAJOR CUSTOMERS AND SUPPLIERS**

As at 31 December 2020, (i) the Group's largest customer and five largest customers accounted for approximately 35.7% and 63.5% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.7% and 15.2% 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 of Hong Kong Limited (the "Stock Exchange") during the Year 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:

- The audit committee (the “AC”) of the Company 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 terms 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 2020 and annual results for the year ended 31 December 2020 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 of dealings as set out in the Model Code throughout the Year.

## **AUDITOR**

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

## **PUBLICATION OF FINAL RESULTS**

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

The annual report of the Company for the Year containing all the information required by appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **PROPOSED FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the Year (2019: HK0.05 cent per ordinary share).

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “Annual General Meeting”) will be held on Friday, 14 May 2021. 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 Friday, 26 March 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Monday, 10 May 2021.

## **PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Auditor to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

### **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, 5 March 2021

*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.*