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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Our turnover for the six months ended 30 June 2021 reached approximately HK\$5,115,225,000, representing an increase of approximately 28.2% as compared with that for the six months ended 30 June 2020.
- Our net profit attributable to owners of the Company for the six months ended 30 June 2021 reached approximately HK\$54,241,000, representing an increase of approximately 86.9% as compared with that for the six months ended 30 June 2020.
- Basic earnings per share for the six months ended 30 June 2021 was HK0.84 cent, representing an increase of approximately 86.7% as compared with that for the six months ended 30 June 2020.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

The board (the “Board”) of directors (the “Directors”) of Tongda Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Period”) together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	5,115,225	3,990,306
Cost of sales		(4,345,703)	(3,383,091)
Gross profit		769,522	607,215
Other income and gains, net		92,857	63,705
Selling and distribution expenses		(85,717)	(61,853)
General and administrative expenses		(590,525)	(451,725)
Other operating expenses, net		(13,110)	(29,653)
Finance costs		(65,396)	(88,375)
Share of loss of a jointly-controlled entity		(17,366)	(1,652)
PROFIT BEFORE TAX	5	90,265	37,662
Income tax expense	6	(28,096)	(6,851)
PROFIT FOR THE PERIOD		62,169	30,811
Attributable to:			
Owners of the Company		54,241	29,025
Non-controlling interests		7,928	1,786
		62,169	30,811
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK0.84 cent	HK0.45 cents
– Diluted		HK0.84 cent	HK0.45 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>62,169</u>	<u>30,811</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on property revaluation	2,560	(2,424)
Income tax effect	<u>(422)</u>	<u>343</u>
	<u>2,138</u>	<u>(2,081)</u>
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	411,668	(13,385)
– jointly-controlled entity	<u>3,199</u>	<u>(136)</u>
	<u>414,867</u>	<u>(13,521)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>417,005</u>	<u>(15,602)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>479,174</u>	<u>15,209</u>
ATTRIBUTABLE TO:		
Owners of the Company	469,938	13,427
Non-controlling interests	<u>9,236</u>	<u>1,782</u>
	<u>479,174</u>	<u>15,209</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	6,115,090	5,824,403
Right-of-use assets		465,709	394,338
Investment property		91,336	90,525
Investment in a jointly-controlled entity		44,910	59,077
Long term deposits		545,261	263,781
Lease receivable		3,270	6,338
Deferred tax assets		3,703	3,703
		7,269,279	6,642,165
CURRENT ASSETS			
Inventories	10	2,589,556	2,204,257
Trade and bills receivables	11	3,654,653	2,992,848
Prepayments, deposits and other receivables		511,939	485,763
Due from a jointly-controlled entity		156,762	65,357
Loans to a jointly-controlled entity		147,855	140,260
Lease receivable		6,312	7,252
Tax recoverable		6,205	4,587
Pledged deposits		465,233	404,842
Cash and cash equivalents		837,237	1,352,554
		8,375,752	7,657,720
CURRENT LIABILITIES			
Trade and bills payables	12	3,806,956	3,207,353
Accrued liabilities and other payables		523,513	577,224
Interest-bearing bank and other borrowings		3,002,422	2,227,702
Lease liabilities		15,962	21,565
Due to a jointly-controlled entity		62,729	63,568
Tax payable		97,633	114,283
		7,509,215	6,211,695
NET CURRENT ASSETS		866,537	1,446,025
TOTAL ASSETS LESS CURRENT LIABILITIES		8,135,816	8,088,190

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	877,427	1,299,584
Lease liabilities	18,775	23,056
Deferred tax liabilities	100,431	99,498
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Total non-current liabilities	996,633	1,422,138
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Net assets	7,139,183	6,666,052
	<hr/>	<hr/>
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	64,795	64,795
Reserves	7,022,609	6,552,671
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	7,087,404	6,617,466
	<hr/>	<hr/>
NON-CONTROLLING INTERESTS	51,779	48,586
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Total equity	7,139,183	6,666,052
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standards ("HKASs") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendments to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in these consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

	Unaudited six months ended 30 June									
	Handset casings and high-precision components		Smart electrical appliances casings		Household and sports goods		Network communications facilities and others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	3,677,274	3,149,336	322,201	268,094	587,940	289,966	527,810	282,910	5,115,225	3,990,306
Segment results before depreciation	310,158	317,202	60,075	(20,407)	101,863	38,583	35,188	20,706	507,284	356,084
Depreciation of property, plant and equipment	(282,195)	(197,294)	(53,911)	(17,655)	(16,005)	(11,872)	(46,554)	(39,618)	(398,665)	(266,439)
Depreciation of right-of-use assets	(7,218)	(6,855)	(3,063)	(816)	(469)	(693)	(3,432)	(4,293)	(14,182)	(12,657)
Segment results	20,745	113,053	3,101	(38,878)	85,389	26,018	(14,798)	(23,205)	94,437	76,988
Unallocated income									92,857	63,705
Corporate and other unallocated expenses									(15,290)	(14,313)
Finance costs (other than interest expenses on lease liabilities)									(64,373)	(87,066)
Share of loss of a jointly-controlled entity									(17,366)	(1,652)
Profit before tax									90,265	37,662
Income tax expense									(28,096)	(6,851)
Profit for the period									62,169	30,811

4. OPERATING SEGMENT INFORMATION (Continued)

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

	Unaudited 30 June 2021				Consolidated HK\$'000
	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	
Segment assets	<u>9,273,361</u>	<u>1,493,528</u>	<u>849,270</u>	<u>2,366,967</u>	13,983,126
Unallocated assets					<u>1,661,905</u>
Total assets					<u>15,645,031</u>
Segment liabilities	<u>3,247,073</u>	<u>186,072</u>	<u>337,505</u>	<u>594,556</u>	4,365,206
Unallocated liabilities					<u>4,140,642</u>
Total liabilities					<u>8,505,848</u>
	31 December 2020				
	Handset casings and high-precision components HK\$'000	Smart electrical appliances casings HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	<u>7,472,004</u>	<u>1,484,141</u>	<u>699,461</u>	<u>2,613,899</u>	12,269,505
Unallocated assets					<u>2,030,380</u>
Total assets					<u>14,299,885</u>
Segment liabilities	<u>2,869,437</u>	<u>205,573</u>	<u>266,644</u>	<u>487,544</u>	3,829,198
Unallocated liabilities					<u>3,804,635</u>
Total liabilities					<u>7,633,833</u>

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The following table presents unaudited revenue for the Group's geographical information for the six months ended 30 June 2021 and 2020.

	Unaudited six months ended 30 June									
	PRC*		Asia Pacific (excluding PRC)		United States		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from customers										
Segment revenue:										
Sales to external customers#	<u>4,474,469</u>	<u>3,300,014</u>	<u>232,864</u>	<u>426,111</u>	<u>97,740</u>	<u>92,027</u>	<u>310,152</u>	<u>172,154</u>	<u>5,115,225</u>	<u>3,990,306</u>

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.

Information about major customers

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

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Customer A	1,667,611	1,609,921
Customer B	<u>536,342</u>	<u>398,228</u>
	<u>2,203,953</u>	<u>2,008,149</u>

Revenues from Customer A and 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. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	398,665	266,439
Depreciation of right-of-use assets	14,182	12,657
Research and development costs	248,226	202,279
Salaries and wages	1,232,275	845,012
Impairment of trade receivables	11,013	17,479
Write-back of impairment of trade receivables	(7)	(70)
Provision against obsolete inventories	3,442	1,869
Foreign exchange differences, net	(90)	11,180
Loss on disposal of items of property, plant and equipment	1,671	196
Fair value gain on an investment property	811	–
Interest income	(5,799)	(4,424)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period, except for the Company which is a qualifying entity under the two-tier profits tax rates regime. The first HK\$2,000,000 of assessable profits of the Company is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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.

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

6. INCOME TAX (Continued)

During the six months ended 30 June 2021 and 2020, 福建省石獅市通達電器有限公司 (Tongda Electrics Company Limited, Shishi City, Fujian), 通達(廈門)科技有限公司 (Tongda (Xiamen) Technology Limited), 深圳通達電子有限公司 (Shenzhen Tongda Electronic Company Limited), 通達創智(廈門)股份有限公司 (Tongda Smart Tech (Xiamen) Company Limited) (formerly known as “廈門市通達創智實業有限公司 (Tongda (Xiamen) Smart Tech Industry Company Limited)”), 通達(廈門)精密橡塑有限公司 (Tongda (Xiamen) Elastomers Company Limited) and 通達揚帆科技(東莞)有限公司 (Tongda Yangfan Technology (Dongguan) Company Limited) were subject to a preferential tax rate of 15% under High New Technology Enterprises.

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	11,563	4,740
Overprovision in prior years	(428)	(13,242)
	<u>11,135</u>	<u>(8,502)</u>
Current – Elsewhere	<u>16,450</u>	<u>15,646</u>
Deferred	<u>511</u>	<u>(293)</u>
Total tax charge for the period	<u>28,096</u>	<u>6,851</u>

7. DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Dividends paid during the period:		
Final dividend in respect of the financial year ended 31 December 2020 – nil (2020: final dividend declared and paid in respect of the financial year ended 31 December 2019 – HK0.05 cent per ordinary share)	<u>-</u>	<u>3,240</u>

At the board meeting held on 27 August 2021, the Board did not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: nil).

8. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Profit for the period attributable to owners of the Company used in the basic earnings per share calculation	<u>54,241</u>	<u>29,025</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<u>6,479,505</u>	<u>6,479,505</u>

The Company had no potentially dilutive ordinary shares during the Period. No adjustment had been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 in respect of a dilution as the impact of the share options outstanding during the six months ended 30 June 2020 had no dilutive effect on the basic earnings per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$379,515,000 (30 June 2020: HK\$552,748,000) and incurred depreciation expenses of HK\$398,665,000 (30 June 2020: HK\$266,439,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$4,705,000 (30 June 2020: HK\$1,522,000) for proceeds of approximately HK\$3,034,000 (30 June 2020: HK\$1,326,000). During the Period, the exchange realignment of approximately HK\$314,363,000 (30 June 2020: HK\$11,175,000) was debited (30 June 2020: credited) to property, plant and equipment.

At 30 June 2021, the Group's leasehold building and the related right-of-use asset in Hong Kong were revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$49,000,000 (31 December 2020: HK\$46,900,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong and the related right-of-use asset is its highest and best use.

A revaluation surplus of HK\$2,560,000 (30 June 2020: deficit of HK\$2,424,000), resulting from the above valuation, has been credited (30 June 2020: debited) to other comprehensive income. The resulting increase in deferred tax liability of HK\$422,000 (30 June 2020: decrease in deferred tax liability of HK\$343,000) arising from the revaluation has also been debited (30 June 2020: credited) to other comprehensive income.

The Group's leasehold building and the related right-of-use asset in Hong Kong with a net carrying amount of HK\$49,000,000 (31 December 2020: HK\$46,900,000) were pledged to secure bank loans granted to the Group.

10. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Raw materials	585,182	405,873
Work in progress	608,727	589,431
Finished goods	<u>1,395,647</u>	<u>1,208,953</u>
	<u>2,589,556</u>	<u>2,204,257</u>

As at 30 June 2021, moulds of HK\$633,004,000 (31 December 2020: HK\$568,061,000) are included in the finished goods.

11. TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	3,372,017	2,881,635
Impairment allowances	<u>(53,757)</u>	<u>(58,323)</u>
	3,318,260	2,823,312
Bills receivables	<u>336,393</u>	<u>169,536</u>
	<u>3,654,653</u>	<u>2,992,848</u>

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 the management. Trade receivables are non-interest bearing. At the end of the reporting period, 28.7% (31 December 2020: 22.2%) and 53.4% (31 December 2020: 42.2%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

11. TRADE AND BILLS RECEIVABLES (Continued)

An ageing analysis of the Group's trade and bills receivables as at 30 June 2021, based on the invoice date and issuance date, is as follows:

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Within 3 months	3,502,982	2,826,093
4 to 6 months, inclusive	129,827	151,040
7 to 9 months, inclusive	24,795	15,929
10 to 12 months, inclusive	10,647	6,305
More than 1 year	40,159	51,804
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	3,708,410	3,051,171
Impairment allowances	(53,757)	(58,323)
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	3,654,653	2,992,848
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12. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Trade payables	2,084,974	1,816,924
Bills payable	1,721,982	1,390,429
	<hr/>	<hr/>
	3,806,956	3,207,353
	<hr/>	<hr/>

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 30 June 2021, based on the invoice date and issuance date, is as follows:

	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
Within 3 months	2,808,381	2,457,104
4 to 6 months, inclusive	965,910	717,260
7 to 9 months, inclusive	4,150	6,281
10 to 12 months, inclusive	5,858	956
More than 1 year	22,657	25,752
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	3,806,956	3,207,353
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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Period, the Group's turnover increased from HK\$3,990.3 million in the same period last year by 28.2% to HK\$5,115.2 million. Profit attributable to owners of the Company increased from HK\$29.0 million in the same period last year by 86.9% to HK\$54.2 million during the Period.

Revenue

The Group's revenue recorded a growth of 28.2%, from HK\$3,990.3 million in the same period last year to HK\$5,115.2 million during the Period, the increase of which was mainly because the Group's previous enhanced capacity had timely met the growth in shipments of major customers during the Period.

Gross Profit and Margin

The Group's gross profit for the Period increased by approximately 26.7% to approximately HK\$769.5 million and the gross profit margin was approximately 15.0%, which was slightly lower than that for the same period last year by approximately 0.2 percentage points. There has been an enhancement in production efficiency of the Group but, higher recruitment cost due to the impact of epidemic and additional depreciation expenses, which arising from the capital expenditure incurred in last year, recorded during the Period resulted in an overall slight decrease in the Group's gross profit margin.

Other Income and Gains, net

During the Period, other income and gains, net increased by 45.8% or HK\$29.2 million, to HK\$92.9 million compared with the same period last year. The increase in other income and gains, net was mainly due to the increase in government grants.

Selling and Distribution Expenses

During the Period, selling and distribution expenses increased by 38.4% or HK\$23.8 million, to HK\$85.7 million, accounting for 1.7% of the Group's revenue, which was 0.1 percentage point higher than that of the same period last year. The increase was in line with the increase in sales during the Period.

General and Administrative Expenses

During the Period, general and administrative expenses increased by 30.7% or HK\$138.8 million to HK\$590.5 million, accounting for 11.5% of the Group's revenue, which was 0.2 percentage points higher than that for the same period last year. The increase in administrative expenses was mainly attributable to: (i) increase in consultancy fee as the Group has engaged two globally leading international consulting firms assisting in optimisation and reform of its operation since last year; (ii) increase in research and development expenses to improve level of automation, enhance production efficiency and cater to the needs of customers' products; and (iii) increase in salaries due to the expansion of management team in order to support the existing and new business development and salary adjustment to attract and retain talents.

Other Operating Expenses, net

During the Period, other operating expenses, net decreased by 55.9% or HK\$16.6 million to HK\$13.1 million which was mainly attributable to the decrease in exchange losses recorded.

Finance Costs

During the Period, finance costs decreased by 26.0% or HK\$23.0 million, to HK\$65.4 million. The decrease was mainly due to the lower average interest rate during the Period.

Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company increased by 86.9% from HK\$29.0 million in the same period last year to HK\$54.2 million during the Period, and the net profit margin attributable to owners of the Company increased to 1.1% (30 June 2020: 0.7%), which was mainly attributable to the increase in gross profit and partially off-set by the increase in administrative expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group is in a healthy financial position. The Group derives its working capital mainly from cash on hand, net cash generated from operating activities and interest-bearing bank and other borrowings. The Board expects that the Group will rely on net cash generated from operating activities, interest-bearing bank and other borrowings and equity financing, if considered as appropriate by the management of the Company, to meet its working capital and other capital expenditure requirements.

As at 30 June 2021, the Group has cash and cash equivalents and pledged deposits balance of HK\$1,302.5 million (31 December 2020: HK\$1,757.4 million) without holding any structural investment contract.

HK\$465.2 million (31 December 2020: HK\$404.8 million) of the Group's cash and bank balances of HK\$1,302.5 million (31 December 2020: HK\$1,757.4 million) has been pledged to banks as security for trade financing.

As at 30 June 2021, the Group had total assets of HK\$15,645.0 million (31 December 2020: HK\$14,299.9 million), net current assets of HK\$866.5 million (31 December 2020: HK\$1,446.0 million) and equity of HK\$7,139.2 million (31 December 2020: HK\$6,666.1 million).

CAPITAL EXPENDITURE

The total capital expenditure incurred for the Period was HK\$438.3 million (31 December 2020: HK\$1,206.5 million), which was mainly used in the acquisition of production equipment and the construction of new manufacturing plants.

TREASURY POLICY

The Group's sales were principally denominated in RMB and US dollars while purchases were principally transacted in RMB. Therefore, the appreciation of RMB will have adverse effect on the Group's profitability and vice versa. The Group will continue to monitor its overall foreign exchange exposure and interest rate exposure, and consider hedging against the exposure should the need arises.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK\$465.2 million (31 December 2020: HK\$404.8 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\$49.0 million (31 December 2020: HK\$46.9 million) mortgaged by the Group as at 30 June 2021, the Group had not pledged its assets to any financial institutions.

HUMAN RESOURCES

As at 30 June 2021, the Group employed a total of approximately 27,000 (30 June 2020: 21,000) permanent employees in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2021 amounted to HK\$1,232.3 million (30 June 2020: HK\$845.0 million).

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

GEARING RATIO AND INDEBTEDNESS

As at 30 June 2021, the gearing ratio of the Group (consolidated net borrowings/total equity) was 36.1% (31 December 2020: 26.6%).

As at 30 June 2021, other than the non-current portion of bank borrowings of HK\$877.4 million (31 December 2020: HK\$1,299.6 million), the Group had bank and other borrowings of HK\$3,002.4 million (31 December 2020: bank and other borrowings of HK\$2,227.7 million) which will be repayable within one year from the end of the Period.

Bank borrowings carry interest rate ranging from 1.19% per annum ("p.a.") to 5.95% p.a. (31 December 2020: carry interest rate ranging from 1.21% p.a. to 5.95% p.a.).

BUSINESS REVIEW

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

The revenue of the Group during the Period increased by 28.2% from HK\$3,990.3 million in the same period last year to HK\$5,115.2 million, as its previously enhanced capacity had timely met the growth in shipments of major customers during the Period. Gross profit of the Group increased by 26.7% from HK\$607.2 million in the same period last year to HK\$769.5 million and the gross profit margin was 15.0%. The Group has engaged two world-leading international consulting firms since 2020 to assist the Group in conducting optimisation and reform, which incurred additional consultancy fee. At the same time, to coordinate with the business development of the Group, enhance production efficiency and meet customers’ demand on products, the growth in gross profit was partially offset by the increase in R&D expenses as well as the additional depreciation expenses arising from the capital expenditure incurred in last year and recorded during the Period. Nevertheless, the net profit attributable to owners of the Company increased by 86.9% from HK\$29.0 million in last year to approximately HK\$54.2 million.

Handset Casings and High-precision Components

This business primarily comprises various handset casings, waterproof/dustproof/shockproof (“tri-proof”) high-precision components, high-precision insert molding parts, high-precision rubber molding parts and accessories products. This business recorded an increase of 16.8% from HK\$3,149.3 million in the same period last year to HK\$3,677.3 million, representing 71.9% of the Group’s total turnover.

Though during the Period, the Group saw the temporary shortage in supply of chips and the rise in commodity price globally, the Group has still been able to expand its market share through its core product Glastic casing. The shipment during the Period increased year-on-year, of which new products such as 3D and uni-body Glastic casings increased in terms of their proportion. These were benefited from the growth in handset shipment of major customers, and the fact that our previously enhanced capacity timely met with the new orders from customers.

For tri-proof and high-precision components, there is still a year-on-year increase in the shipment during the Period. As the first half of the year is generally the low season of international customers of the Group, the Group would focus on up-front investment during the Period, such as technological research and development on new products and staff training. Currently, the Group has entered different business divisions of the customers to strive for more diversified products and orders in the future and consolidate the foundation for long-term collaboration.

Smart Electrical Appliances Casings

During the Period, the sales of this business increased by 20.2% from HK\$268.1 million in the same period last year to HK\$322.2 million, representing 6.3% of total turnover. This business primarily engages in the production of control panels, metal accessories and casings for high-end electrical appliances for Chinese and international brands, and its products include smart home appliances that can connect to the Internet of Things, such as air-conditioners, washing machines and refrigerators.

Household and Sports Goods

The Group primarily supplies durable household goods, household utensils and sports goods to European and American brands. As a result of the business growth of major customers in Chinese, European and American markets during the pandemic, the sales increased by 102.7% from HK\$290.0 million in the same period last year to HK\$587.9 million, representing 11.5% of total turnover. The Company has also announced the possible spin-off and separate listing of its subsidiary on the Shenzhen Stock Exchange.

Network Communications Facilities and Others

During the Period, the revenue of this segment increased by 86.6% from HK\$282.9 million in the same period last year to HK\$527.8 million, representing 10.3% of turnover. The Group mainly produces casings of set-top boxes and routers as well as automotive interior decorations for European and American customers. During the Period, the Group has also developed the aluminum components in battery of new energy vehicles for new customer to capture the opportunities during the period of high growth in new energy vehicles in the future.

The proportion of total revenue by product categories for the six months ended 30 June 2021 and a comparison with the same period last year are as follows:

	2021	2020
i. Handset casings and high-precision components	71.9%	78.9%
ii. Smart electrical appliances casings	6.3%	6.7%
iii. Household and sports goods	11.5%	7.3%
iv. Network communications facilities and others	10.3%	7.1%

Prospects

Looking forward, the business of handset casings and high-precision components will continue to be the Group's major business. The business proportion of the Group's 3D and uni-body Glastic casings with relatively high technological entry barriers will further enhance, and its high technological barriers of those products facilitated to maintain the profit margin. The Group will actively compete for orders of metal middle frames with higher unit price at the same time. On the other hand, as the second half of the year is generally the traditional peak season for handset industry, the Group is currently conducting R&D for various new products for major customers of the tri-proof and high-precision components business. As it is anticipated that the customers will launch new model of flagship handsets in the second half year, the related orders of the Group will be benefitted. The existing handset business of the Group covers various major global handset brands, together with the rapid popularisation of 5G handsets in middle to low-end market, their business growth will continue to facilitate the continuing expansion of the Group's market share.

In response to the dynamic market environment, the Group continued to be prudent in investing in technology R&D and production capacity expansion. While the initial investment maybe more concentrated, this may lead to the exploration of new business with higher growth potential and better prospect for development to realize its assets value. In the future, the Group will be market-oriented and adhere to providing customers with diversified leading practical processing technologies and solutions basing on innovative technologies and craftsmanship. At the same time, the Group will explore different emerging industries and new products, new materials as well as new areas, so as to enhance its consolidated competitive edge. Also, the Group will continue to optimise the production process and enhance product yield rate, thereby consolidating strengths of its products and exploring a diversified customer base.

As for corporate structure, the Group will continue to inspect and improve corporate management, by integrating resources from the fundamental organisational structure to business divisions with the aim of improving the utilisation rates of production capacity and working efficiency of each business, thereby further leveraging on the economies of scales while enhancing management efficiency and striving to reduce the turnover time of production, such that the Group can develop stably under the dynamic market environment.

SUPPLEMENTARY INFORMATION

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period (2020: nil).

Purchase, Sale or Redemption of the Company's Securities

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

Corporate Governance

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

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

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive and Mr. Wang Ya Nan currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The current structure is considered to be the most appropriate under specific circumstances.

Audit Committee

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

The AC had reviewed the unaudited interim results of the Group for the Period prior to the submission to the Board for approval.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code as the Company’s code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard set out in the Model Code throughout the Period.

Changes of Director’s Information Under Rule 13.51B(1) of the Listing Rules

The changes in Director’s information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Mr. Cheung Wah Fung, Christopher has been appointed as an independent non-executive director of Carrianna Group Holdings Company Limited (stock code: 126) on 25 June 2021, the issued shares of which are listed on the main board of the Stock Exchange.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Events after the Period

The Company proposed to implement the rights issue (the “Rights Issue”) on the basis of one (1) rights share for every two (2) existing shares of the Company held on 20 August 2021 at the subscription price of HK\$0.232 per rights share, to raise approximately HK\$752 million by issuing 3,239,752,548 rights shares to the qualifying shareholders of the Company. On 19 July 2021, the Company entered into an underwriting agreement with Sinomax Securities Limited as the underwriter in respect of the Rights Issue. The relevant prospectus, provisional allotment letter and excess application form in respect of the Rights Issue have been despatched to the shareholders of the Company on 23 August 2021. For further details, please refer to the Company’s announcement and prospectus dated 19 July 2021 and 23 August 2021 respectively.

Save for disclosed above, there were no other significant events affecting the Company nor any of its subsidiaries after the end of the financial period requiring disclosure in this announcement.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website at <http://www.tongda.com>. The full interim report will be made available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work during the Period. I would also like to express heartfelt gratitude to all of our customers and suppliers on behalf of the Group, and wish for their continuous supports in the future. We will keep working closely with our shareholders and employees to steer the Group to a more modernised and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group’s development.

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

Hong Kong, 27 August 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.