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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 2021

HIGHLIGHTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change %
Revenue	9,969,119	9,758,811	2.2
Gross profit	1,640,067	1,710,313	(4.1)
<i>Gross profit margin</i>	<u>16.5%</u>	<u>17.5%</u>	<i>(1.0) p.p.</i>
Net profit attributable to owners of the Company	228,198	351,340	(35.0)
<i>Net profit margin</i>	<u>2.3%</u>	<u>3.6%</u>	<i>(1.3) p.p.</i>
		(Restated)	
Earnings per share			
– Basic	HK2.89 cents	HK4.95 cents	(41.6)
– Diluted	HK2.89 cents	HK4.95 cents	(41.6)
Dividends per share	<u>–</u>	<u>–</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 2021 (the “Year”), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
REVENUE	5	9,969,119	9,758,811
Cost of sales		<u>(8,329,052)</u>	<u>(8,048,498)</u>
Gross profit		1,640,067	1,710,313
Other income and gains, net	5	140,264	107,679
Selling and distribution expenses		(163,386)	(136,214)
General and administrative expenses		(1,175,705)	(1,049,630)
Other operating gains/(expenses), net		18,472	(22,057)
Finance costs	6	(134,737)	(175,057)
Share of loss of a jointly-controlled entity		<u>(30,337)</u>	<u>(5,380)</u>
PROFIT BEFORE TAX	7	294,638	429,654
Income tax expense	8	<u>(51,369)</u>	<u>(70,126)</u>
PROFIT FOR THE YEAR		<u>243,269</u>	<u>359,528</u>
Attributable to:			
Owners of the Company		228,198	351,340
Non-controlling interests		<u>15,071</u>	<u>8,188</u>
		<u>243,269</u>	<u>359,528</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		(Restated)
– Basic		<u>HK2.89 cents</u>	<u>HK4.95 cents</u>
– Diluted		<u>HK2.89 cents</u>	<u>HK4.95 cents</u>

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>243,269</u>	<u>359,528</u>
OTHER COMPREHENSIVE INCOME		
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	4,504	(4,904)
Deferred tax debited to the asset revaluation reserve	<u>(743)</u>	<u>(9,810)</u>
	<u>3,761</u>	<u>27,529</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	563,191	292,480
– jointly-controlled entity	<u>1,868</u>	<u>2,476</u>
	<u>565,059</u>	<u>294,956</u>
Release of exchange reserve upon deregistration of subsidiaries	–	4,901
	<u>565,059</u>	<u>299,857</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>568,820</u>	<u>327,386</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>812,089</u>	<u>686,914</u>
Attributable to:		
Owners of the Company	793,322	676,735
Non-controlling interests	<u>18,767</u>	<u>10,179</u>
	<u>812,089</u>	<u>686,914</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,657,555	5,824,403
Right-of-use assets		406,958	394,338
Investment property		91,176	90,525
Investment in a jointly-controlled entity		33,084	59,077
Long term deposits		209,085	263,781
Lease receivable		–	6,338
Deferred tax assets		3,703	3,703
		<hr/>	<hr/>
Total non-current assets		7,401,561	6,642,165
CURRENT ASSETS			
Inventories	<i>11</i>	3,176,556	2,204,257
Trade and bills receivables	<i>12</i>	3,316,661	2,992,848
Prepayments, deposits and other receivables		523,405	485,763
Due from a jointly-controlled entity		186,299	65,357
Loans to a jointly-controlled entity		150,573	140,260
Lease receivable		6,582	7,252
Tax recoverable		16,868	4,587
Pledged deposits		535,089	404,842
Cash and cash equivalents		1,365,993	1,352,554
		<hr/>	<hr/>
		9,278,026	7,657,720
Assets of a subsidiary held for sale	<i>13</i>	75,542	–
		<hr/>	<hr/>
Total current assets		9,353,568	7,657,720
CURRENT LIABILITIES			
Trade and bills payables	<i>14</i>	3,772,257	3,207,353
Accrued liabilities and other payables		761,395	577,224
Interest-bearing bank and other borrowings		2,931,278	2,227,702
Lease liabilities		12,499	21,565
Due to a jointly-controlled entity		94,716	63,568
Tax payable		129,724	114,283
		<hr/>	<hr/>
		7,701,869	6,211,695
Liabilities of a subsidiary held for sale	<i>13</i>	18,096	–
		<hr/>	<hr/>
Total current liabilities		7,719,965	6,211,695
NET CURRENT ASSETS		<hr/>	<hr/>
		1,633,603	1,446,025
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		9,035,164	8,088,190

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*31 December 2021*

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		638,664	1,299,584
Other payables		95,588	–
Lease liabilities		13,423	23,056
Deferred tax liabilities		65,997	99,498
		<hr/>	<hr/>
Total non-current liabilities		813,672	1,422,138
		<hr/>	<hr/>
Net assets		8,221,492	6,666,052
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	97,193	64,795
Reserves		8,062,989	6,552,671
		<hr/>	<hr/>
		8,160,182	6,617,466
		<hr/>	<hr/>
Non-controlling interests		61,310	48,586
		<hr/>	<hr/>
Total equity		8,221,492	6,666,052
		<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. The non-current assets of a subsidiary held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2021. 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 following revised HKFRSs for the first time for the current year's financial statements.

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

Interest Rate Benchmark Reform – Phase 2

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark return has not had an impact on the Group’s HIBOR - based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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	
	2021	2020	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	HK\$'000	HK\$'000
Segment revenue												
Sales to external customers [#] (note 5)	7,281,165	7,558,011	536,118	688,220	1,138,209	808,197	1,013,627	704,383	-	-	9,969,119	9,758,811
Intersegment sales	13,090	5,148	9,711	9,706	-	11,592	-	6,218	(22,801)	(32,664)	-	-
Total	7,294,255	7,563,159	545,829	697,926	1,138,209	819,789	1,013,627	710,601	(22,801)	(32,664)	9,969,119	9,758,811
Segment results before depreciation	873,024	954,626	100,717	50,812	189,208	126,298	36,957	79,101	-	-	1,199,906	1,210,837
Depreciation of property, plant and equipment	(634,632)	(437,153)	(83,181)	(83,167)	(35,410)	(29,061)	(71,282)	(69,313)	-	-	(824,505)	(618,694)
Depreciation of right-of-use assets	(14,664)	(16,782)	(6,171)	(2,209)	(1,080)	(609)	(7,103)	(6,983)	-	-	(29,018)	(26,583)
Segment results	223,728	500,691	11,365	(34,564)	152,718	96,628	(41,428)	2,805	-	-	346,383	565,560
Unallocated income											140,264	107,679
Corporate and other unallocated expenses											(28,715)	(65,740)
Finance costs (other than interest expenses on lease liabilities)											(132,957)	(172,465)
Share of loss of a jointly-controlled entity											(30,337)	(5,380)
Profit before tax											294,638	429,654
Income tax expense											(51,369)	(70,126)
Profit for the year											243,269	359,528
Other segment information:												
Impairment losses/write-down recognised in the income statement, net*	(9,763)	(9,007)	(8,683)	(31,800)	(555)	(598)	(4,563)	(11,046)	-	-	(23,564)	(52,451)
Impairment losses reversed in the income statement**	421	4,144	446	112	-	-	1,629	212	-	-	2,496	4,468
Capital expenditure***	1,068,328	1,003,694	45,376	7,550	101,256	72,902	98,595	122,364	-	-	1,313,555	1,206,510

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	
	2021	2020	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	HK\$'000	HK\$'000
Segment assets	<u>9,776,779</u>	<u>7,472,004</u>	<u>1,847,106</u>	<u>1,484,141</u>	<u>904,915</u>	<u>699,461</u>	<u>1,859,178</u>	<u>2,613,899</u>	<u>-</u>	<u>-</u>	<u>14,387,978</u>	<u>12,269,505</u>
Assets of a subsidiary held for sale											<u>75,542</u>	<u>-</u>
Unallocated assets											<u>2,291,609</u>	<u>2,030,380</u>
Total assets											<u>16,755,129</u>	<u>14,299,885</u>
Segment liabilities	<u>3,178,995</u>	<u>2,869,437</u>	<u>589,088</u>	<u>205,573</u>	<u>315,203</u>	<u>266,644</u>	<u>571,876</u>	<u>487,544</u>	<u>-</u>	<u>-</u>	<u>4,655,162</u>	<u>3,829,198</u>
Liabilities of a subsidiary held for sale											<u>18,096</u>	<u>-</u>
Unallocated liabilities											<u>3,860,379</u>	<u>3,804,635</u>
Total liabilities											<u>8,533,637</u>	<u>7,633,833</u>

Geographical information

	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
(a) Revenue from customers										
Segment revenue:										
Sales to external customers [#]	<u>8,735,272</u>	<u>8,053,226</u>	<u>380,228</u>	<u>924,089</u>	<u>87,839</u>	<u>257,402</u>	<u>765,780</u>	<u>524,094</u>	<u>9,969,119</u>	<u>9,758,811</u>
(b) Non-current assets	<u>7,364,774</u>	<u>6,579,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,364,774</u>	<u>6,579,385</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	2,729,910	3,478,580
Customer B	<u>1,393,883</u>	<u>1,199,636</u>
	<u>4,123,793</u>	<u>4,678,216</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>9,969,119</u>	<u>9,758,811</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains, net		
Bank interest income	11,598	9,798
Interest income from a jointly-controlled entity	2,964	2,805
Utilities income	2,674	8,559
Sale of scrap materials	5,066	1,383
Government grants*	97,869	69,141
Finance income	492	854
Changes in fair value of an investment property	(5,911)	–
Others	25,512	15,139
	<u>140,264</u>	<u>107,679</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on bank and other borrowings	120,500	163,915
Interest expenses on discounted bills	12,457	8,550
Interest expenses on lease liabilities	1,780	2,592
	<u>134,737</u>	<u>175,057</u>

7. PROFIT BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	8,329,052	8,048,498
Depreciation of property, plant and equipment	824,505	618,694
Depreciation of right-of-use assets	29,018	26,583
Research and development costs	512,634	493,051
Lease payments not included in the measurement of lease liabilities	41,784	33,523
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	2,485,305	2,015,292
Pension scheme contributions*	98,593	79,979
Less: Amounts included in research and development costs	<u>(271,910)</u>	<u>(125,417)</u>
	<u>2,311,988</u>	<u>1,969,854</u>
Loss on disposal of items of property, plant and equipment***	1,207	10,934
Foreign exchange differences, net***	(22,563)	(20,745)
Changes in fair value of an investment property**	5,911	–
Impairment of trade receivables***	3,200	26,927
Reversal of impairment of trade receivables***	(2,496)	(451)
Provision against inventories	20,364	15,208
Write-back of provision against inventories	–	(4,017)
Write-off of inventories	–	10,316
Loss on deregistration of subsidiaries***	<u>–</u>	<u>4,901</u>

Cost of inventories sold includes HK\$2,745,142,000 (2020: HK\$2,281,499,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against inventories, write-back of 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.

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** This amount is included in "Other income and gains, net" on the face of the consolidated income statement.

*** These amounts are included in "Other operating gains/(expenses), net" on the face of the consolidated income statement.

8. 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 year, except for Tongda Precision Technology Company Limited (“**Tongda Precision Technology**”), a wholly owned subsidiary of the Company (2020: the Company), which is a qualifying entity under the two-tier profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of Tongda Precision Technology are 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.

	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	18,735	20,446
Overprovision in prior years	(428)	(12,763)
	18,307	7,683
Current – Elsewhere		
Charge for the year	52,838	64,044
Underprovision in prior years	73	211
	52,911	64,255
Deferred	(19,849)	(1,812)
Total tax charge for the year	51,369	70,126

9. DIVIDENDS

	2021	2020
	HK\$'000	HK\$'000
Dividends paid during the year:		
Final in respect of the financial year ended		
31 December 2020 – Nil per ordinary share		
(2020: final dividend of HK0.05 cent per ordinary share,		
in respect of the financial year ended 31 December 2019)	–	3,240

On 28 March 2022, the Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit		
Profit for the purpose of basic and diluted profit per share	<u>228,198</u>	<u>351,340</u>
	<i>'000</i>	<i>'000</i> (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted profit per share	<u>7,891,742</u>	<u>7,103,402</u>

The basic and diluted profit per share for the year ended 31 December 2020 have been restated to reflect the effect of a rights issue of the Company.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2020 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	555,872	405,873
Work in progress	778,587	589,431
Finished goods	<u>1,842,097</u>	<u>1,208,953</u>
	<u>3,176,556</u>	<u>2,204,257</u>

As at 31 December 2021, moulds of HK\$720,395,000 (2020: HK\$568,061,000) are included in the finished goods.

12. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	3,196,610	2,881,635
Impairment allowances	<u>(44,151)</u>	<u>(58,323)</u>
	<u>3,152,459</u>	2,823,312
Bills receivable	<u>164,202</u>	<u>169,536</u>
	<u>3,316,661</u>	<u>2,992,848</u>

12. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2021, gross trade receivables of certain customers of HK\$899,825,000 (2020: HK\$967,436,000) and bills receivable of HK\$15,555,000 (2020: HK\$1,243,000) were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

An ageing analysis of the Group's trade and bills receivables as at 31 December 2021, based on the invoice date and issuance date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	3,069,404	2,826,093
4 to 6 months, inclusive	235,857	151,040
7 to 9 months, inclusive	7,215	15,929
10 to 12 months, inclusive	2,920	6,305
More than 1 year	45,416	51,804
	<u>3,360,812</u>	<u>3,051,171</u>
Impairment allowances	(44,151)	(58,323)
	<u>3,316,661</u>	<u>2,992,848</u>

13. ASSETS AND LIABILITIES OF A SUBSIDIARY HELD FOR SALE

On 14 December 2021, the Group entered into a letter of intent with an independent third party (the “Purchaser”) whereby the Group agreed to dispose of its 100% equity interest in Tongda (Shanghai) Electrical Decoration Co., Ltd. (“通達(上海)電器裝飾件有限公司”) (“Tongda Shanghai”) for a consideration of RMB60,000,000 (equivalent to HKD73,529,000) (the “Disposal”). Tongda Shanghai is principally holding a property, which is not the core business of the Group. Subsequent to the end of the reporting period, on 25 January 2022, the Group and the Purchaser entered into an equity transfer agreement for the Disposal. The changes in business registration in the PRC is under processing which is expected to be completed in the first half of 2022. Accordingly, the assets and liabilities of Tongda Shanghai as at 31 December 2021 were classified as held for sale.

The major classes of assets and liabilities of Tongda Shanghai classified as held for sale as at 31 December 2021 were as follows:

	2021 HK\$’000
<i>Assets</i>	
Property, plant and equipment	16,530
Right-of-use assets	54,198
Inventories	458
Trade receivables	1,949
Prepayments and other receivables	2,110
Cash and cash equivalents	297
	<hr/>
	75,542
<i>Liabilities</i>	
Trade payables	10
Accrued liabilities and other payables	3,551
Tax payable	140
Deferred tax liabilities	14,395
	<hr/>
	18,096
	<hr/>
Net assets directly associated with a subsidiary held for sale	57,446

14. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	1,933,440	1,816,924
Bills payable	<u>1,838,817</u>	<u>1,390,429</u>
	<u>3,772,257</u>	<u>3,207,353</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	2,845,033	2,457,104
4 to 6 months, inclusive	860,184	717,260
7 to 9 months, inclusive	12,433	6,281
10 to 12 months, inclusive	25,101	956
More than 1 year	<u>29,506</u>	<u>25,752</u>
	<u>3,772,257</u>	<u>3,207,353</u>

15. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
20,000,000,000 (2020: 20,000,000,000) ordinary shares	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
9,719,257,645 (2020: 6,479,505,097) ordinary shares	<u>97,193</u>	<u>64,795</u>

15. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
Issued:				
As at 1 January 2020	6,479,505,097	64,795	1,063,277	1,128,072
Final 2019 dividend (<i>note 9</i>)	<u>–</u>	<u>–</u>	<u>(3,240)</u>	<u>(3,240)</u>
As at 31 December 2020 and 1 January 2021	6,479,505,097	64,795	1,060,037	1,124,832
Rights issue (<i>note</i>)	<u>3,239,752,548</u>	<u>32,398</u>	<u>716,996</u>	<u>749,394</u>
As at 31 December 2021	<u>9,719,257,645</u>	<u>97,193</u>	<u>1,777,033</u>	<u>1,874,226</u>

Note:

A rights issue of one rights share for every two existing shares held by members on the register of members on 20 August 2021 was made, at an issue price of HK\$0.232 per rights issue, resulting in the issue of 3,239,752,548 shares for a total cash consideration of HK\$751,623,000, before expenses of HK\$2,229,000.

CHAIRMAN’S STATEMENT

I am pleased to announce the annual results of Tongda Group Holdings Limited (the “Company”), together with its subsidiaries, (the “Group” or “Tongda Group”) for the year ended 31 December 2021 (the “Year”) on behalf of the board (the “Board”) of directors (the “Directors”) of the Company.

The global chip shortage and lingering pandemic have affected both the global market for consumer electronics product and the smartphone industrial chains. Nevertheless, the Group proactively responded to the situation and continued to invest in research and development (“R&D”) and introduced deployment plan for new products. During the Year, total turnover rose by 2.2% to HK\$9,969.1 million (2020: HK\$9,758.8 million), gross profit decreased by 4.1% to HK\$1,640.0 million (2020: HK\$1,710.3 million).

To become a leading solution provider of high-precision structural parts for smart mobile communications and consumer electronic products, on top of developing the decorative parts for consumer electronic products, it is crucial to open up more value creating paths in a concentric and diverse manner. Therefore, the Group has been striving to develop businesses with high-potential growth over the past years. Such businesses include tri-proof and high-precision components, battery components for new energy vehicles and household and sports goods, and thereby recorded a steady growth despite the challenging environment in recent years.

Taking tri-proof and high-precision components business as an example, the Group’s major customer launched several new handset models in the second half of the Year and the Group has increased its involvement in the high-precision components of handsets year on year. Together with the expansion of new production capacity being orderly implemented, the Group’s businesses continued to grow. Moreover, the Group is more active in developing product lines horizontally, such as allocating resources and investing in the R&D for IoT and peripheral accessories. At the same time, in view of the application scenarios of metaverse and the demand for hardware becoming clear, various leading technology brands have successively developed and launched new related products. Well-prepared in advance, in addition to working closely with major customers, the Group has already developed and provided relevant components to the top internet technology companies in the globe, and will actively explore the possibilities of various emerging products, new materials and new fields with our customers, to enhance our engagement in their new products while expanding the product lines as the medium and long-term strategic objectives.

In addition, China's new energy vehicles market also recorded a dual increase in both of its market size and product quality. During the Year, the production and sales of new energy vehicles in China increased by 1.6 times compared with last year. The Group has also succeeded in seizing the opportunity of the high-growth period of new energy vehicles and worked with a major manufacturer producing battery for new energy vehicles in China to provide aluminum battery components. While the project is on track, in the future, the Group will utilize the existing production capacity flexibly and strive to maximise its engagement in the supply of components and expand the order for different components.

The successful completion of the Beijing Winter Olympics and the promulgation of the "Work-out For All Programme (2021–2025)" have increased people's awareness and participation in sports. Moreover, the demand from the Stay-at-Home Economy such as home fitness and household products continues to drive the businesses of household and sports goods in the post-pandemic era, showing the market optimism towards the industry prospects. The Group has also issued an announcement regarding its application for separate listing of the spin-off business on the Main Board of the Shenzhen Stock Exchange, and the listing application has been accepted by the China Securities Regulatory Commission. The Group will reinforce its relationship with major customers and prudently allocate resources to secure more new customers in order to expand the high-margin business.

To strengthen the Group's market position and important customer base while coping with the market trend in the next few years, the Group continued to maintain an agile market insight and has completed the major and necessary expansion through strategic capital investment in the past few years. The Group has established favourable relationship with major brands in key developing industries and several leading internet technology companies across the globe. Through its existing diversified production facilities and strong R&D team, the Group will adapt to market changes and adjust the allocation among various businesses in a timely manner in the future, with an aim to release the corresponding value of the capital investments in the past few years.

To cope with the rapid development of the market, the Group has gained a profound understanding on the importance of having a management team with high quality. In the past two years, with the assistance from international consulting firms, the Group has continued to restructure its organisation and optimise the management efficiency of the Group, enabling the Group to quickly adjust its operating strategies and cope with challenges from different aspects under the complex and ever-changing external environment and fierce market competition. During the Year, the Group has also established a mechanism of “mutual risk undertaking and benefit sharing”, and adopted a share award scheme in order to provide staff of the Group the opportunity to share the fruits of the Group’s strategic development while encouraging members of the Group to actively participating in the business management of the Group.

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

As the globally leading solution provider of high-precision structural parts for smart mobile communication and consumer electronic products, the Group provides one-stop solution to customers, starting from product design, technical R&D to manufacturing. Our products mainly cover handset casings and high-precision components, metaverse-related hardware accessories, household and sports goods, aluminum components of battery for new energy vehicles, network communications facilities and panels for smart electrical appliances.

Under the impact of the global chip shortage and the lingering pandemic, both of the global market for consumer electronics hardware and the smartphone industry chains were affected. Having experienced a strong growth in the first half of the Year, the worldwide shipment of handsets recorded slowdown in the second half of the Year, which inevitably brought spillover effects to the Group. However, the Group continued to maintain its growth in revenue by 2.2% to HK\$9,969.1 million (2020: HK\$9,758.8 million) through enhancing its own competitiveness.

Handset Casings and High-precision Components

This business is primarily engaged in the production of different kinds of handset casings and tri-proof (waterproof/dustproof/shockproof) high-precision components, high-precision insert molding parts, high-precision rubber molding parts. This business recorded a slight decrease of 3.7% in turnover from HK\$7,558.0 million in the corresponding period last year to HK\$7,281.2 million in the current year, representing 73.0% of the total turnover.

Regarding the handset casings business, the Group covers the major handset brands globally and provides Glastic casings with high price-performance-ratio and metal middle frames to various handset brands, meeting the demand for various handset brands at different price levels. During the Year, the global shortage in supply of chips and components of handsets and the lingering pandemic around the world have led to a year-on-year decrease in global handset shipment during the second half of the Year. The overall shipment volume of handset casings of the Group was also affected.

The tri-proof and high-precision components business is benefited by the great demand for various smartphome of a major international customer of the Group and its launch of several new flagship handsets in the second half of the Year as well as the increase in involvement in the high-precision components of handsets of this customer, leading to an overall increase in business, which partly offset the impact brought by the decline in the handset casings business. In addition to continuing to serve as one of the core suppliers for handset components of that customer during the Year, the Group proactively allocated resources to product R&D for Internet of Things and peripherals, so as to achieve lateral development of product lines and secure a greater variety of orders in the future, thereby consolidating a long-term relationship with the customer. Meanwhile, since other international brands placed more emphasis on the hardware development of metaverse, the Group is also working with different international brands to provide solutions for various components.

Household and Sports Goods

Sales of this division increased from HK\$808.2 million in the corresponding period last year by 40.8% to HK\$1,138.2 million in the current year, representing 11.4% of total turnover. The Group primarily produces durable household goods, household utensils, sports goods and healthcare goods for international European and American brands. Through years of effort, the Group has established a strong cooperative relationship with customers of many major international brands and recorded strong growth in orders during the Year. The Group also announced the application for the separate listing of spin-off business on the Main Board of the Shenzhen Stock Exchange and received the acceptance of listing application from China Securities Regulatory Commission.

Smart Electrical Appliances Casings

Sales of the smart electrical appliances casings business during the Year decreased from HK\$688.2 million in the corresponding period last year by 22.1% to HK\$536.1 million in the current year, representing 5.4% of the total turnover. During the Year, the Group continued to adjust the structure of the business division and focus on other business sector, which primarily engaged in the production of customised control panels, metal components and casings of electrical appliances for domestic and international brands.

Network Communications Facilities and Others

This business division primarily produces aluminum battery components for new energy vehicles, interior decorative parts of automotive and other network communications products. Its major customers included the leading manufacturers of electric car batteries in China as well as local and Sino-foreign invested automotive brands. According to the data disclosed by the China Association of Automobile Manufacturers, 2021 new energy vehicles was the best highlighted sector among the automotive industry, ranking the top for 7 consecutive years in a row in terms of its sales volume. Among which, the 2021 production and sales of new energy vehicles in China both reached 3.5 million units, respectively, both of which increased by 1.6 times compared with last year. The market share is 13.4%, representing an increase of 8 percentage points when compared with last year. Sales of the Automotive business under this segment increased by 43.0%. Together with the sales growth of network communications projects, the revenue of the division increased by 43.9% from HK\$704.4 million in the corresponding period last year to HK\$1,013.6 million in the current year, representing 10.2% of the total turnover.

The percentages of total revenue by product categories for the Year and a comparison with 2020 are as follows:

	2021	2020
i. Handset Casings and High-precision Components	73.0%	77.4%
ii Household and Sports Goods	11.4%	8.3%
iii Smart Electrical Appliances Casings	5.4%	7.1%
iv. Network Communications Facilities and Others	10.2%	7.2%

PROSPECTS

As each of the major businesses has different development potentials, the Group will continue to adjust its business structure accordingly and allocate its resources in a prudent manner while leveraging its diversified production facilities, innovative technologies, leading craftsmanship and outstanding R&D team to focus on businesses with high profit and potential for growth.

Take tri-proof and high-precision components business as an example, metaverse might become a new trend in the long run. The virtual environment of metaverse will be accessed through peripheral products such as virtual reality glasses, augmented reality glasses, handsets and personal computers. As the application scenarios and required hardware of the metaverse gradually becomes clear, leading technology brands have begun to develop and launch related new products. Since these parts are generally of high-precision, there are high entry barriers in the requirements of mold precision, craftsmanship and techniques. In addition to working closely with current major customers, the Group has also developed and supplied related components to the top internet technology companies in the globe. In the future, the Group will actively explore the possibility of various emerging products, new materials and new areas with different customers. The handset casings business has currently covered all global handset brands. The Group will continue to provide innovative products to meet the needs of customers' new projects, leveraging its diversified production facilities to better cater for the business expansion of each customer, and hence, drive forward the related businesses steadily.

New energy vehicle market is another high-growth industry. During the Year, the production and sales of new energy vehicles in China both increased by 1.6 times compared with the previous year. The market development of new energy vehicles has shifted from policy-driven to a new market-driven stage, showing a favourable development scenario of enhancement in both market scale and quality. The Group has supplied aluminum components in battery of new energy vehicles for leading batteries manufacture for new energy vehicle in China. In the future, the Group will strive to increase its involvement in components and expand orders for different accessories, with an aim to capture the opportunities of high growth stage in new energy vehicles.

The successful completion of the Beijing Winter Olympics and the promulgation of the “Work-out For All Programme (2021–2025)” have increased people’s awareness and participation in sports, showing the market optimism towards the industry prospects. The Group has also issued an announcement regarding its application for separate listing of the spin-off business on the Main Board of the Shenzhen Stock Exchange, to enhance overall financial and financing capability of the business and expand business development. The Group will reinforce its relationship with major customers and prudently allocate resources to secure more new customers in order to expand the high-margin business.

With a long-term focus on the future, the Group, through the strategic capital investment in the past few years, has completed the major and necessary deployment for expansion and established a corresponding market position and a group of quality customers necessary for future development, including the leading customers of the industry for each major business, new quality customers that support the future growth and various leading internet technology companies. Also, through the existing diversified production facilities, innovative technologies, leading craftsmanship and outstanding R&D team of the Group, we will adapt to market changes and adjust the distribution among various businesses in a timely manner in the future, with an aim to release the corresponding value of the capital investments which invested in the past few years. At the same time, the Group will focus on enhancing profitability of each project, with more cautious and prudent planning for new investments in the future while optimising its balance sheet and cash flow continuously to ensure a stable development of the Group in the future.

FINANCIAL REVIEW

During the Year, the Group's total revenue reached HK\$9,969.1 million, representing an increase of HK\$210.3 million or 2.2%, from HK\$9,758.8 million in the corresponding period last year. The handset casings and high-precision components segment continued to dominate over other segments. Among the top 5 customers, handset casings and high-precision components customers contributed 54.7% in the Year, which is lower than 61.4% in the corresponding period last year.

Revenue

The global chip shortage and lingering pandemic have affected both the global market for consumer electronics product and the smartphone industrial chains. Nevertheless, the Group proactively responded to the situation and continued to invest in research and development ("R&D") and introduced deployment plan for new products. During the Year, total turnover rose by 2.2% to HK\$9,969.1 million (2020: HK\$9,758.8 million).

Gross Profit and Margin

The Group's gross profit for the Year decreased by approximately 4.1% from approximately HK\$1,710.3 million in the corresponding period last year to approximately HK\$1,640.0 million during the Year, where the gross profit margin was approximately 1.0 percentage point lower than the corresponding period last year, from approximately 17.5% in 2020 to approximately 16.5% during the Year.

During the Year, the Group was impacted by certain external unfavorable factors including fluctuations in raw material price and rising labor costs. At the same time, customer orders fluctuated due to factors such as the pandemic situation remained volatile, the shortage of chips and materials, which increased the Group's operating costs. However, the Group's overall segment profit before depreciation remained stable comparing to the corresponding period last year, which is due to the Group's efforts to improve management, operation, production efficiency and yield, and to continuously adjust various business structures to reduce the negative impact from the above-mentioned unfavorable factors.

On the other hand, the fixed assets which have been strategically invested in recent years by the Group to stabilise its market position, strengthen the cooperative relationship between new and existing customers, and for the future business development have to take time to reflect its existing value, but in short term lead to an obvious increase in the Group's depreciation expenses. Although the Group's operating efficiency improved during the Year, the short-term increase in depreciation expense put pressure on the Group's gross profit margin and lead to the decrease in the Group's gross profit during the Year when comparing to the corresponding period last year.

During the Year, the Group has completed the major and necessary investments for the expansion plan for the next few years. In the coming year, the Group's capex plan will be more rigorous and prudent. The Group expected that with the continuous adjustment of products and business structure, coupled with the increase in business volume with existing and new customers can drive the Group's existing investments to realise their real value, and thus the Group's gross profit margin can be improved.

Other Income and Gains, Net

Other income and gains, net increased by approximately 30.3% or HK\$32.6 million from approximately HK\$107.7 million in the corresponding period last year to approximately HK\$140.3 million during the Year mainly due to the increase in government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 20.0% or HK\$27.2 million from approximately HK\$136.2 million in the corresponding period last year to approximately HK\$163.4 million during the Year, accounting for approximately 1.6% of the Group's revenue, which was approximately 0.2 percentage point higher than that for the corresponding period last year of 1.4%. The increase was mainly because the increase in freight charges during the Year.

General and Administrative Expenses

General and administrative expenses increased by 12.0% or HK\$126.1 million from approximately HK\$1,049.6 million in the corresponding period last year to approximately HK\$1,175.7 million during the Year, accounting for approximately 11.8% of the Group's revenue, which was approximately 1.0 percentage point higher than that for the corresponding period last year of 10.8%. The increase in administrative expenses was mainly attributable to: (i) the increase in salaries and staff welfare for the expansion of management team to better support the existing and new business development and, to attract and retain talents; (ii) the increase in consultancy fee mainly as the Group has engaged certain leading international consulting firms assisting in optimisation and reform of its operation since last year; and (iii) the increase in research and development expenses to improve level of automation, enhance production efficiency and cater to the needs of customers' products.

Other Operating Gains/(Expenses), Net

The Group recorded net other operating income of approximately HK\$18.5 million during the Year, compared with net other operating expenses of approximately HK\$22.1 million in the corresponding period last year mainly due to the decrease in impairment of trade receivables, decrease in loss on disposal of items of property, plant and equipment and the increase in net exchange gain recorded.

Finance Costs

Finance costs decreased by approximately 23.1% or approximately HK\$40.4 million from approximately HK\$175.1 million in the corresponding period last year to approximately HK\$134.7 million during the Year. The decrease was mainly attributable to the decrease in average interest rate during the Year.

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 2021 and 2020:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	408,303	1,396,828
Net cash flows used in investing activities	(1,220,224)	(857,736)
Net cash flows from/(used in) financing activities	696,417	(330,515)

On 13 September 2021, the Company completed a rights issue at a price of HK\$0.232 per rights share (the "Right Shares") on the basis of one (1) Rights Share for every two (2) existing shares of the Company held by the qualifying shareholders on the record date (the "Rights Issue"). Details of the Rights Issue are set out in the Company's prospectus dated 23 August 2021. The net proceeds from the Rights Issue was approximately HK\$749 million and the net proceeds were used to finance the Group's capital expenditure, repayment of bank loans, finance the Group's R&D and other operating activities.

During the Year, the Group's primary sources of funding included cash generated from operating activities, the credit facilities provided by the Group's principal banks and the Rights Issue. As at 31 December 2021, the Group had cash and cash equivalents and pledged deposits of HK\$1,901.1 million (31 December 2020: HK\$1,757.4 million), without holding any structural investment contract, of which approximately HK\$535.1 million (31 December 2020: HK\$404.8 million) has been pledged to banks as security for trade financing granted. As at 31 December 2021, the Group had total assets of HK\$16,755.1 million (31 December 2020: HK\$14,299.9 million), net current assets of HK\$1,633.6 million (31 December 2020: HK\$1,446.0 million) and equity of HK\$8,221.5 million (31 December 2020: HK\$6,666.1 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 2021, the gearing ratio of the Group (consolidated net debt/total equity) was 20.3% (31 December 2020: 26.6%). As at 31 December 2021, other than the non-current portion of bank loans of HK\$638.7 million (31 December 2020: HK\$1,299.6 million), the Group had bank and other borrowings of HK\$2,931.3 million (31 December 2020: HK\$2,227.7 million) which will be repayable within one year from the end of the reporting period.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of HK\$1,313.6 million during the Year (31 December 2020: HK\$1,206.5 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, credit facilities and the Rights Issue.

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 2021.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK\$535.1 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\$50.3 million (31 December 2020: HK\$46.9 million) mortgaged by the Group as at 31 December 2021, no other assets of the Group were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31 December 2021, the Group employed a total of approximately 26,000 permanent employees (31 December 2020: approximately 24,000 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 2021, (i) the Group's largest customer and five largest customers accounted for approximately 27.4% and 57.2% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 2.5% and 8.0% 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.

RIGHTS ISSUE IN 2021

To strengthen the financial status and stability of the Group and to enhance our liquidity and lowering the gearing level, the Company has completed Rights Issue and issued 3,239,752,548 new shares at the subscription price of HK\$0.232 per rights share on the basis of one rights share for every two existing shares of the Company during the Year.

On 19 July 2021, the Company received from Landmark Worldwide Holdings Limited ("**Landmark Worldwide**") the irrevocable undertaking, pursuant to which, Landmark Worldwide has irrevocably undertaken to the Company, among other things, to: (i) subscribe for 791,750,000 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 1,583,500,000 shares beneficially owned by it and (ii) ensure that the 1,583,500,000 shares currently beneficially owned by it will remain beneficially owned by it up to and including the record date.

On 19 July 2021, the Company received from E-Growth Resources Limited ("**E-Growth**") the irrevocable undertaking, pursuant to which, E-Growth has irrevocably undertaken to the Company, among other things, to: (i) subscribe for 148,000,000 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 296,000,000 shares beneficially owned by it and (ii) ensure that the 296,000,000 shares currently beneficially owned by it will remain beneficially owned by it up to and including the record date.

On 19 July 2021, the Company received from each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua the irrevocable undertaking, pursuant to which, each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua has irrevocably undertaken to the Company, among other things, to: (i) subscribe for 230,465,000 Rights Shares, 48,230,000 Rights Shares, 59,650,000 Rights Shares and 45,610,000 Rights Shares respectively which will be provisionally allotted to it nil-paid in respect of the 460,930,000 shares, 96,460,000 shares, 119,300,000 shares and 91,220,000 shares currently beneficially owned by Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua respectively and (ii) ensure that the the 460,930,000 shares, 96,460,000 shares, 119,300,000 shares and 91,220,000 shares currently beneficially owned by Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua respectively will remain beneficially owned by it up to and including the record date.

Details of the Rights Issue are set out in the Company's prospectus dated 23 August 2021 and in note 15 to the consolidated financial statements of this announcement.

Use of Proceeds from Rights Issue

Upon completion of the Rights Issue on 13 September 2021, the Company received net cash proceeds of approximately HK\$749 million (the "Net Proceeds"). The intended use of the Net Proceeds and the actual use of the proceeds under the Rights Issue as of 31 December 2021 are set out below:

Intended use of proceeds	Actual use of the proceeds	Proposed timetable for use of proceeds
(i) Capital expenditure for the purchase of machinery and equipment as well as plant decoration to improve automation and production efficiency and increase production capacity, to support the development of handset casings and high-precision components business:		

Intended use of proceeds	Actual use of the proceeds	Proposed timetable for use of proceeds
– as of HK\$280 million for purchase of equipment	Approximately HK\$112 million was used for purchase of equipment	Approximately HK\$168 million will be used for purchase of equipment, and will be expected to fully utilised on or before 30 June 2022.
– as of HK\$50 million for plant decoration	Approximately HK\$50 million was used for plant decoration	N/A
(ii) Repayment of the Group's interest-bearing long-term bank borrowings which will be matured within 6 months or short-term interest-bearing bank borrowings that can be repaid at any time		
– as of HK\$120 million for repayment of interest-bearing long-term bank borrowings to be matured within 6 months	Approximately HK\$120 million was used for repayment of interest-bearing long-term bank borrowings to be matured within 6 months	N/A
– as of HK\$50 million for repayment of short-term interest-bearing bank borrowings that can be repaid at any time	Approximately HK\$50 million was used for repayment of short-term interest-bearing bank borrowings that can be repaid at any time	N/A

Intended use of proceeds	Actual use of the proceeds	Proposed timetable for use of proceeds
(iii) As of HK\$100 million for research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, so as to support the continuous development of the Group's major business	Approximately HK\$71 million was used for research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business	Approximately HK\$29 million will be used for research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, and will be expected to fully utilised on or before 31 March 2022.
(iv) As of HK\$65 million for general working capital of the Group, including staff costs, utilities and maintenance expenses, logistic costs, consultancy fee and legal and professional fee	Approximately HK\$65 million was used for general working capital of the Group, including staff costs, utilities and maintenance expenses, logistic costs, consultancy fee and legal and professional fee	N/A

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 C.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 2021 and annual results for the year ended 31 December 2021 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere on the announcement, the Group also has the following significant events after the reporting period:

(a) Adoption of share award scheme and grant of award shares

The Company has adopted a share award scheme (the “Share Award Scheme”) at 17 January 2022 and awarded 64,500,000 awarded shares to 14 selected employees by way of allotment and issue of 64,500,000 new shares of the Company to them under the Share Award Scheme. Details of the adoption of Share Award Scheme and grant of awarded shares are set out in the Company’s announcement dated 17 January 2022.

(b) Acquisition of land use right and property located in the PRC

Pursuant to the announcement of the Company dated 14 January 2022, Tongda (Shishi) Technology Company Limited, an indirect wholly-owned subsidiary of the Company as the purchaser (the “Purchaser”), entered into an property transfer agreement with Tongda Electrical Machinery Company Limited Shishi as a vendor (the “Vendor”), pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the land use right of the land situated at Liandong Village, Gangkou Avenue East, Anjiang Town, Shishi City, Fujian Province, the PRC (中國福建省石獅市蚶江鎮港口大道東側蓮東村) with a total site area of approximately 54,298 sq.m. and the property which mainly contains 7 buildings over the land at a total consideration of RMB90,004,000 (equivalent to approximately HK\$109,805,000).

Mr. Wang Ya Nan, an executive Director and chairman of the Board, is a shareholder of the Vendor, and together with his brothers including Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua, owned the entire issued share capital of the Vendor indirectly in equal shares. As such, the Vendor is a majority-controlled company held directly by Mr. Wang Ya Nan together with his family members, the Vendor is an associate of the connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are less than 5%, the acquisition is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements.

(c) Entering into facility agreement with certain specific performance obligations

Pursuant to the announcement of the Company dated 4 January 2022, the Company as borrower; Hang Seng Bank Limited (“HSB”) and The Hong Kong and Shanghai Banking Corporation Limited (the “HSBC”) as coordinator; HSBC as agent; and various financial institutions as lenders entered into a facility agreement (the “Facility Agreement”) in respect of the term loan facility of up to a principal amount of HK\$1,200,000,000 for a term of three years. The facility is for re-financing purpose and under the Facility Agreement, certain specific performance obligations are imposed. Details of the obligations have been set out in the announcement.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2020: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “Annual General Meeting”) will be held on Friday, 13 May 2022. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders on or before Monday, 11 April 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022 (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 Friday, 6 May 2022.

PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position 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 and consequently no opinion or assurance conclusion has been expressed by the Auditor on this preliminary announcement.

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.

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, 28 March 2022

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.