通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED
通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

	2022	2021	Change
	HK$'000	*HK$'000* (Re-presented)	%
Revenue	**7,559,205**	9,433,001	(19.9)
Gross profit	**1,392,370**	1,503,129	(7.4)
Gross profit margin	***18.4%***	*15.9%*	*2.5 p.p.*
Net profit from continuing operations attributable to owners of the Company	**408,862**	236,831	72.6
Net profit attributable to owners of the Company	***137,287***	*228,198*	*(39.8)*
Earnings per share			
Basic			
– For profit for the year	**HK1.41 cents**	HK2.89 cents	(51.2)
– For profit for the year from continuing operations	**HK4.21 cents**	HK3.00 cents	40.3
Diluted			
– For profit for the year	**HK1.41 cents**	HK2.89 cents	(51.2)
– For profit for the year from continuing operations	**HK4.21 cents**	HK3.00 cents	40.3
Dividends per share	**–**	–	

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 2022 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	5	**7,559,205**	9,433,001
Cost of sales		**(6,166,835)**	(7,929,872)
Gross profit		**1,392,370**	1,503,129
Other income and gains, net	5	**101,730**	99,216
Selling and distribution expenses		**(52,969)**	(56,930)
General and administrative expenses		**(1,122,076)**	(1,106,153)
Gain on disposal of subsidiaries		**401,773**	–
Other operating expenses, net		**(62,154)**	(31,965)
Finance costs	6	**(137,831)**	(73,689)
Share of loss of a jointly-controlled entity		**(30,265)**	(30,337)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**490,578**	303,271
Income tax expense	8	**(67,302)**	(51,369)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**423,276**	251,902
DISCONTINUING OPERATION			
Loss for the year from a discontinued operation		**(271,575)**	(8,633)
Profit for the year		**151,701**	243,269
Attributable to:			
Owners of the Company		**137,287**	228,198
Non-controlling interests		**14,414**	15,071
		151,701	243,269

	Notes	2022 HK$'000	2021 HK$'000 (Re-presented)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	*10*		
– For profit for the year		**HK1.41 cents**	HK2.89 cents
– For profit for the year from continuing operations		**HK4.21 cents**	HK3.00 cents
Diluted			
– For profit for the year		**HK1.41 cents**	HK2.89 cents
– For profit for the year from continuing operations		**HK4.21 cents**	HK3.00 cents

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	HK$'000	*HK$'000*
		(Re-presented)
PROFIT FOR THE YEAR	**151,701**	243,269
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**1,126**	4,504
Deferred tax debited to the asset revaluation reserve	**(184)**	(743)
	942	3,761
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(735,860)**	560,715
– jointly-controlled entity	**(2,819)**	4,344
Release of exchange reserve upon disposal of subsidiaries	**(8,256)**	–
	(746,935)	565,059
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**(745,993)**	568,820
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(594,292)**	812,089
Attributable to:		
Owners of the Company	**(601,007)**	793,322
Non-controlling interests	**6,715**	18,767
	(594,292)	812,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,597,605**	6,657,555
Right-of-use assets		**381,760**	406,958
Investment property		**81,166**	91,176
Investment in a jointly-controlled entity		**–**	33,084
Investments in associates		**119,389**	–
Long term deposits		**49,099**	209,085
Lease receivables		**3,202**	–
Deferred tax assets		**3,703**	3,703
Total non-current assets		**6,235,924**	7,401,561
CURRENT ASSETS			
Inventories	*11*	**2,351,255**	3,176,556
Trade and bills receivables	*12*	**2,159,485**	3,316,661
Prepayments, deposits and other receivables		**653,217**	523,405
Due from a jointly-controlled entity		**105,989**	186,299
Loans to a jointly-controlled entity		**198,288**	150,573
Due from an associate		**6,269**	–
Lease receivables		**5,228**	6,582
Tax recoverable		**3,160**	16,868
Pledged deposits		**323,216**	535,089
Cash and cash equivalents		**1,195,166**	1,365,993
		7,001,273	9,278,026
Assets classified as held for sale	*13*	**991,688**	75,542
Total current assets		**7,992,961**	9,353,568
CURRENT LIABILITIES			
Trade and bills payables	*14*	**2,530,860**	3,772,257
Accrued liabilities and other payables		**562,925**	761,395
Interest-bearing bank and other borrowings		**1,927,782**	2,931,278
Lease liabilities		**7,113**	12,499
Due to a jointly-controlled entity		**6,348**	94,716
Tax payable		**97,649**	129,724
		5,132,677	7,701,869
Liabilities classified as held for sale	*13*	**311,688**	18,096
Total current liabilities		**5,444,365**	7,719,965
NET CURRENT ASSETS		**2,548,596**	1,633,603
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,784,520**	9,035,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	**2022** ***HK$'000***	2021 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,050,695**	638,664
Other payables		**33,632**	95,588
Lease liabilities		**8,531**	13,423
Deferred tax liabilities		**60,826**	65,997
Total non-current liabilities		**1,153,684**	813,672
Net assets		**7,630,836**	8,221,492
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**97,193**	97,193
Reserves		**7,465,618**	8,062,989
		7,562,811	8,160,182
Non-controlling interests		**68,025**	61,310
Total equity		**7,630,836**	8,221,492

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 and associates are manufacture and sale of components of handset casings and high-precision components, household and sports goods and network communications facilities and others. There were no significant changes in the nature of the principal activities of the subsidiaries and associates 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 subsidiaries 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the *Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination that occurred on or after 1 January 2022, the amendments did not have any impact on the financial position and performance of the Group.

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

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

	Handset casings and high-precision components		Household and sports goods		Network communications facilities and others		Eliminations		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	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)	**5,334,562**	7,281,165	**1,093,210**	1,138,209	**1,131,433**	1,013,627	**–**	–	**7,559,205**	9,433,001
Intersegment sales	**538**	13,090	**–**	–	**–**	–	**(538)**	(13,090)	**–**	–
Total	**5,335,100**	7,294,255	**1,093,210**	1,138,209	**1,131,433**	1,013,627	**(538)**	(13,090)	**7,559,205**	9,433,001
Segment results before depreciation	**831,797**	873,024	**178,035**	189,208	**373,655**	36,957	**–**	–	**1,383,487**	1,099,189
Depreciation of property, plant and equipment	**(653,626)**	(634,632)	**(39,903)**	(35,410)	**(68,399)**	(71,282)	**–**	–	**(761,928)**	(741,324)
Depreciation of right-of-use assets	**(8,474)**	(14,664)	**(1,113)**	(1,080)	**(3,428)**	(7,103)	**–**	–	**(13,015)**	(22,847)
Segment results	**169,697**	223,728	**137,019**	152,718	**301,828**	(41,428)	**–**	–	**608,544**	335,018
Unallocated income									**101,730**	99,216
Corporate and other unallocated expenses									**(30,634)**	(27,969)
Finance cost (other than interest expenses on lease liabilities)									**(137,366)**	(72,657)
Share of losses of a jointly-controlled entity									**(30,265)**	(30,337)
Impairment of loan to a jointly-controlled entity									**(21,431)**	–
Profit before tax from continuing operations									**490,578**	303,271
Income tax expense									**(67,302)**	(51,369)
Profit for the year from continuing operations									**423,276**	251,902
Other segment information:										
Impairment losses/provision recognised in the income statement, net*	**(142,435)**	(9,763)	**(4,733)**	(555)	**(16,867)**	(4,563)	**–**	–	**(164,035)**	(14,881)
Impairment losses reversed in the income statement**	**312**	421	**–**	–	**2,670**	1,629	**–**	–	**2,982**	2,050
Gain on disposal of subsidiaries	**–**	–	**–**	–	**401,773**	–	**–**	–	**401,773**	–
Capital expenditure***	**403,761**	1,068,328	**176,107**	101,256	**14,250**	98,595	**–**	–	**594,118**	1,268,179

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

* Included impairment of trade receivables and provision against inventories.

** Included reversal of impairment of trade receivables.

*** 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		Household and sports goods		Network communications facilities and others		Eliminations		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**8,816,989**	9,776,779	**874,035**	904,915	**1,590,993**	1,859,178	**–**	–	**11,282,017**	12,540,872
Assets classified as held for sale									**991,688**	75,542
Assets associated with a discontinued operation not classified as held for sale as at 31 December 2021									**–**	1,847,106
Unallocated assets									**1,955,180**	2,291,609
Total assets									**14,228,885**	16,755,129
Segment liabilities	**2,321,755**	3,178,995	**246,596**	315,203	**574,710**	571,876	**–**	–	**3,143,061**	4,066,074
Liabilities classified as held for sale									**311,688**	18,096
Liabilities associated with a discontinued operation not classified as held for sale as at 31 December 2021									**–**	589,088
Unallocated liabilities									**3,143,300**	3,860,379
Total liabilities									**6,598,049**	8,533,637

Geographical information

	PRC*		Asia Pacific (excluding PRC)		United States		Europe		Others		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations												
(a) Revenue from customers												
Segment revenue:												
Sales to external customers#	**6,170,387**	8,199,154	**374,263**	380,228	**255,458**	87,839	**471,364**	514,920	**287,733**	250,860	**7,559,205**	9,433,001
(b) Non-current assets	**6,112,832**	7,364,774	**–**	–	**–**	–	**–**	–	**–**	–	**6,112,832**	7,364,774

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, investments in associates 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 from continuing operations:

	2022	2021
	HK$'000	*HK$'000*
Customer A	**1,350,676**	1,393,883
Customer B	**1,119,216**	2,729,910
	2,469,892	4,123,793

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 from continuing operations is as follows:

	2022	2021
	HK$'000	*HK$'000*
Continuing operations		
Revenue from contracts with customers		
Sale of goods	**7,559,205**	9,433,001

The performance obligation is satisfied upon delivery of the goods and the payment is generally due within one to three 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 from continuing operations is as follows:

	2022	2021
	HK$'000	*HK$'000*
Other income and gains, net from continuing operations		
Bank interest income	**15,224**	8,476
Interest income from a jointly-controlled entity	**2,864**	2,964
Utilities income	**6,796**	1,162
Sale of scrap materials	**18,274**	5,066
Government grants*	**38,560**	62,283
Finance income	**162**	492
Changes in fair value of an investment property	**(2,331)**	(5,911)
Rental income	**17,906**	13,899
Others	**4,275**	10,785
	101,730	99,216

* 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

	2022	2021
	HK$'000	*HK$'000*
Continuing operations		
Interest expenses on bank and other borrowings	**126,465**	69,869
Interest expenses on discounted bills	**10,901**	2,788
Interest expenses on lease liabilities	**465**	1,032
	137,831	73,689

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2022	2021
	HK$'000	*HK$'000*
Cost of inventories sold	**6,166,835**	7,929,872
Depreciation of property, plant and equipment	**761,928**	741,324
Depreciation of right-of-use assets	**13,015**	22,847
Research and development costs	**514,879**	501,432
Lease payments not included in the measurement of lease liabilities	**48,776**	41,459
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**1,906,836**	2,280,659
Pension scheme contributions*	**98,897**	92,591
Equity-settled share award expense, net	**3,636**	–
Less: Amounts included in research and development costs	**(232,737)**	(271,910)
	1,776,632	2,101,340
Loss/(gain) on disposal of items of property, plant and equipment***	**(558)**	992
Foreign exchange differences, net***	**30,628**	27,691
Changes in fair value of an investment property**	**2,331**	5,911
Loss on lease termination***	**1,344**	–
Impairment of trade receivables***	**15,284**	3,183
Reversal of impairment of trade receivables***	**(2,982)**	(2,050)
Provision against inventories	**148,751**	11,698
Impairment of loan to a jointly-controlled entity***	**21,431**	–

Cost of inventories sold includes HK$2,356,233,000 (2021: HK$2,521,243,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against 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 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% (2021: 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, which is a qualifying entity under the two-tier profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of Tongda Precision Technology are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2022	2021
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**35,856**	18,735
Underprovision/(overprovision) in prior years	**2,464**	(428)
	38,320	18,307
Current – Elsewhere		
Charge for the year	**61,515**	52,838
Underprovision/(overprovision) in prior years	**(27,178)**	73
	34,337	52,911
Deferred	**(5,355)**	(19,849)
Total tax charge for the year from continuing operations	**67,302**	51,369

9. DIVIDENDS

On 29 March 2023, the Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2022	2021
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted profit/(loss) per share		
From continuing operations	**408,862**	236,831
From a discontinuing operation	**(271,575)**	(8,633)
	137,287	228,198
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted profit per share	**9,719,258**	7,891,742

No adjustment has been made to the basic profit/(loss) per share amount presented for the year ended 31 December 2022 in respect of a dilution as the impact of the award shares has anti-dilutive effect.

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

11. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Raw materials	**405,428**	555,872
Work in progress	**507,533**	778,587
Finished goods	**1,438,294**	1,842,097
	2,351,255	3,176,556

As at 31 December 2022, moulds of HK$583,944,000 (2021: HK$720,395,000) are included in the finished goods.

12. TRADE AND BILLS RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**2,109,103**	3,196,610
Impairment allowances	**(39,027)**	(44,151)
	2,070,076	3,152,459
Bills receivable	**89,409**	164,202
	2,159,485	3,316,661

12. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2022, gross trade receivables of certain customers of HK$286,077,000 (2021: HK$899,825,000) and bills receivable of HK$2,949,000 (2021: HK$15,555,000) 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 one to three months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing. At the end of the reporting period, 21.7% (2021: 13.5%) and 43.7% (2021: 45.7%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

An ageing analysis of the Group's trade and bills receivables as at 31 December 2022, based on the invoice date and issuance date, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**1,992,724**	3,069,404
4 to 6 months, inclusive	**164,239**	235,857
7 to 9 months, inclusive	**3,145**	7,215
10 to 12 months, inclusive	**5,934**	2,920
More than 1 year	**32,470**	45,416
	2,198,512	3,360,812
Impairment allowances	**(39,027)**	(44,151)
	2,159,485	3,316,661

13. DISCONTINUED OPERATION AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) 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 "Tongda Shanghai Disposal"). Tongda Shanghai is principally holding a property, which is not the core business of the Group. On 25 January 2022, the Group and the Purchaser entered into an equity transfer agreement for the Tongda Shanghai Disposal. The changes in business registration in the PRC was under processing which was 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*
Assets	
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
Assets classified as held for sale	75,542
Liabilities	
Trade payables	10
Accrued liabilities and other payables	3,551
Tax payable	140
Deferred tax liabilities	14,395
Liabilities directly associated with the assets classified as held for sale	18,096
Net assets classified as held for sale	57,446

The Tongda Shanghai Disposal was completed on 3 November 2022.

13. DISCONTINUED OPERATION AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

(b) On 30 December 2022, the Company as a vendor and an independent third party as a purchaser (the "Purchaser") entered into a memorandum of understanding to dispose of the smart electrical appliances casing business (the "EA business") under 福建省石獅市通達電器有限公司 (the "EA Disposal"). On 29 March 2023, Tong Da Development (BVI) Limited, a wholly-owned subsidiary of the Company, and the Purchaser entered into sale and purchase agreement on the EA Disposal to dispose of Stedfast Investments Holdings Limited ("Stedfast Investments") , an indirect wholly-owned subsidiary of the Company and whom, together with its subsidiaries, will be the sole entities in the Group carrying the EA business immediate before the completion of the EA Disposal. The EA Disposal is expected to be completed in 2023. As at 31 December 2022, the assets and liabilities to be disposed of were classified as assets and liabilities held for sale. The EA business is accounted for as a discontinued operation and is no longer included in the operating segment information in note 4. Details of the EA Disposal are set out in the announcement of the Company dated 29 March 2023.

The results of the discontinued operation for the year are presented below:

	2022	2021
	HK$'000	*HK$'000*
Revenue	**412,858**	536,118
Cost of sales	**(575,486)**	(489,014)
Gross profit/(loss)	**(162,628)**	47,104
Other income and gains, net	**10,925**	41,048
Selling and distribution expenses	**(12,971)**	(16,622)
General and administrative expenses	**(44,518)**	(69,552)
Other operating gains/(expenses), net	**(35,033)**	50,437
Finance costs	**(27,350)**	(61,048)
Loss before tax from discontinued operation	**(271,575)**	(8,633)
Income tax expense	**–**	–
Loss for the year from discontinued operation	**(271,575)**	(8,633)

13. DISCONTINUED OPERATION AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

(b) The major classes of assets and liabilities classified as held for sale as at 31 December are as follows:

	2022	2021
	HK$'000	*HK$'000*
Assets		
Property, plant and equipment	**104,426**	–
Long term deposits	**32,806**	–
Inventories	**443,710**	–
Trade and bills receivables	**306,985**	–
Prepayments, deposits and other receivables	**72,168**	–
Pledged deposits	**23,622**	–
Cash and cash equivalents	**7,971**	–
Assets classified as held for sale	**991,688**	–
Liabilities		
Trade and bills payables	**115,514**	–
Accrued liabilities and other payables	**34,702**	–
Interest-bearing bank and other borrowings	**161,472**	–
Liabilities directly associated with the assets classified as held for sale	**311,688**	–
Net assets classified as held for sale	**680,000**	–

14. TRADE AND BILLS PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**1,224,700**	1,933,440
Bills payable	**1,306,160**	1,838,817
	2,530,860	3,772,257

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 2022, based on the invoice date and issuance date, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**1,720,621**	2,845,033
4 to 6 months, inclusive	**749,442**	860,184
7 to 9 months, inclusive	**24,187**	12,433
10 to 12 months, inclusive	**5,840**	25,101
More than 1 year	**30,770**	29,506
	2,530,860	3,772,257

15. SHARE CAPITAL

	2022	2021
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2021: 20,000,000,000) ordinary shares	**200,000**	200,000
Issued and fully paid:		
9,719,257,645 (2021: 9,719,257,645) ordinary shares	**97,193**	97,193

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 2021	6,479,505,097	64,795	1,060,037	1,124,832
Rights issue *(Note)*	3,239,752,548	32,398	716,996	749,394
As at 31 December 2021, 1 January 2022 and 31 December 2022	9,719,257,645	97,193	1,777,033	1,874,226

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 a subscription price of HK$0.232 per rights share, 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 2022 (the "Year") on behalf of the board (the "Board") of directors (the "Directors") of the Company.

During the Year, the Group faced a challenging external operating environment, including persistent international disputes, global inflation, supply chain bottlenecks, multiple economic headwinds and declining consumer confidence, which resulted in a 10-year low in global smartphone shipments and the largest ever decline in the China smartphone market. In spite of this, the Group has remained steadfast in its core competencies and responded flexibly, and through the quality customer base it has successfully built up over the years, it has been able to mitigate the impact of the external environment on its main business.

As a leading solutions provider of high-precision structural parts for smart mobile communications and consumer products, the Group not only consolidates its existing key customer base, but also maintains a keen market insight to explore more value creation paths in a focused and diversified manner. In the handset business, the Group has been actively shifting its focus in recent years to tri-proof and high-precision components, VR/AR and "metaverse" related businesses in the post-smartphone market era. During the Year, the Group continued to grow as one of the core suppliers of smartphone components to its key customer in the tri-proof and high-precision components business. The new products launched by this customer in the second half of the year provided strong support to the Group's earnings, partially offsetting the impact of the decline in the handset casing business.

During the Year, the Group also supplied virtual reality glasses and augmented reality glasses to a number of top global Internet technology companies. As the "metaverse" application scenarios and contents become more diverse, the market expects an increase in product shipments in the coming year, with international brands and new market players catalysing the accelerated development of the industry and it is expected that the demand for hardware from consumers and dealers will increase significantly. The Group will actively explore with its customers the possibilities of various emerging products, new materials and new fields, focusing on technological innovation, with the medium to long-term strategic goal of increasing participation in new products and expanding product lines for these customers.

The Group has successfully built up a diversified and quality customer base through its international transformation over the years. Although the Group's sales recorded a year-on-year decline during the Year due to the weak sales of Chinese handset brands, the gross profit margin improved due to the change in customer mix. The Group will continue to drive the growth of high margin customers, and at the same time, leverage its existing high precision production technology and capacity to explore more high margin and high growth customers in different categories other than consumer electronics, so as to further enhance the Group's capacity utilisation and gross profit margin.

The Group's new energy vehicle battery-related components and household and sports goods, which have been deployed in the past few years, have recorded stable revenue under the challenging environment in recent years. In order to unlock the corresponding value of these businesses more effectively, and at the same time to adapt to the unstable environment, the Group's earlier plan to divest its household and sports goods business to the Main Board of Shenzhen Stock Exchange has been completed and was listed on 13 March 2023, raising a net proceed of RMB624.0 million. Upon completion of the spin-off, the Group will continue to hold 67.5% equity interest in the business and remain as subsidiaries of the Group. The successful divestment will enhance the overall financial and financing capability of the operation and drive the sustainable development of the operation. In addition, the Group also disposed of 70% of the automobile business during the Year and continued to hold the remaining 30% equity interest in the business. Meanwhile, in order to further enhance the Group's capital flow efficiency, the Group also entered into sale and purchase agreement with an independent third party on 29 March 2023 for the disposal of the entire smart electrical appliance casing business. The Group will continue to deepen its relationship with other existing core customers and will flexibly utilise its existing production capacity in the future so that the management can make more spontaneous and precise adjustments to the overall business in a rapidly changing environment.

The Group is fully aware of the importance of good corporate governance in achieving sustainable and quality development. After the completion of the management process re-engineering project during the year, the Group has focused on the management of the supply chain and quality management procedures, together with professional training, to ensure the effective implementation of the management system and to steadily improve production efficiency based on safety and compliance. The Group also strives to ensure the integration of business development and environmental protection by actively increasing efforts in energy saving and emission reduction and promoting the effective use of resources through the development, promotion and application of new technologies, processes and equipment.

Over the past few years, the Group has been actively involved in cultivating internationally renowned technology and brand name customers, and has started mass production of core products for these international customers during the Year and in the coming year. At the same time, the Group has made significant improvements in its operational management over the past few years through the assistance of international consultants and its own restructuring efforts. Looking ahead to the coming year, the Group expects that the sales contribution from high margin international customers will continue to increase, while the improvement in operational management will give the Group a greater competitive cost advantage and help the Group to expand its market share in existing customers. At the same time, the Group is actively exploring the development of high margin non-electronic consumer products customers by utilising its existing production facilities and technologies for high precision electronic components. In the future, we will continue and deepen such exploration in order to further increase the share of high margin customers of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express sincere gratitude for the dedicated efforts and valuable contributions of the management and all staff of the Group during the past year. Meanwhile, the Group wishes to sincerely thank its shareholders, customers and business partners for their long-standing support. We will further develop our technology and advocate innovations and changes through innovations in every business sector and the application of advanced materials, and utilize the diverse and leading technology and craftsmanship, with the aim of maintaining business sustainability and maximizing values for various shareholders in the coming year.

BUSINESS REVIEW

As the globally leading solution provider of high-precision structural parts for smart mobile communication and consumer 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, network communications facilities, aluminum components of battery for new energy vehicles and panels for smart electrical appliances.

During the Year, ongoing international disputes, global inflation, supply chain bottlenecks and multiple economic headwinds led to weak corporate and consumer confidence, which put pressure on the sales of consumer products and affected the Group accordingly. As a result, the Group suffered a 19.9% decrease in revenue from continuing operations from HK$9,443.0 million in the corresponding period last year to HK$7,559.2 million during the Year. However, with the Group's proactive deployment of international customers over the years and the commencement of mass production of core products from new international customers during the Year, coupled with the stable demand from existing international customers, the Group recorded a remarkable increase in the share of sales from high margin international customers, driving the gross profit margin from continuing operations up 2.5 percentage points from 15.9% for the corresponding period last year to 18.4% for the Year.

CONTINUING OPERATION

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 decrease of 26.7% in turnover from HK$7,281.2 million in the corresponding period last year to HK$5,334.6 million in the current year, representing 70.5% of the total turnover of continuing operation.

Sales of handset casings were significantly weaker due to various external uncertainties resulting in weaker consumer demand during the Year. According to a recent report released by International Data Corporation ("IDC"), global smartphone shipments reached a 10-year low of approximately 1.21 billion units during the Year, down 11.3% year-on-year. In addition, according to the China Academy of Information and Communication Technology (CAICT) in February 2023, the shipment of domestic branded smartphone accumulated to about 230 million units in 2022, down 24.7% year-on-year. The Group's overall handset casing shipment volume and unit price declined in the face of multiple unfavorable conditions such as weak market demand and declining smartphone specification packages.

With relatively stable market demand for the products of the Group's major international customers, the Group's sales continued to rise during the Year as it concentrated its resources on its tri-proof and high-precision components business. The Group's participation in its high-precision components continued to grow, and the Group's earnings were supported by new product launches from this customer in the second half of the year, which partially offset the impact of the decline in the handset casing business. The Group continued to be one of the core suppliers of high precision components to this customer during the Year, consolidating our long term relationship with this customer. As AR/VR products become more connected to people's lives and work, it will become a new growth area for the consumer electronics industry. The Group is also working with various international brands to develop supporting solutions for related hardware, and is mainly involved in the supply of components for virtual reality glasses, augmented reality glasses and other related products, in order to achieve horizontal development of product lines and secure more diversified product orders in the future.

Household and Sports Goods

Sales of this business segment decreased by 4.0% to HK$1,093.2 million for the Year compared to HK$1,138.2 million for the same period last year, accounting for 14.5% of the total turnover from continuing operations. The Group mainly manufactures durable household goods, household utensils, sports goods and health care products for international European and American brands. The decrease in sales during the Year was mainly due to the impact of inventory clearance by customers in Europe and the United States and the change in the epidemic in China. The Group continued to deepen its relationship with its core customers and the spin-off of its household and sports goods business to the Main Board of Shenzhen Stock Exchange has been completed and was listed on 13 March 2023, raising a net proceed of RMB624.0 million. Upon completion of the spin-off, the Group continues to hold 67.5% equity interest in the business and remains as subsidiaries of the Group. The successful divestment will help enhance the overall financial and financing capability of the business and drive the sustainable development of the business.

Network Communications Facilities and Others

During the Year, the division mainly engaged in the production of networking products and aluminum battery components for new energy vehicles and automotive interior components. Revenue from this division increased by 11.6% to HK$1,131.4 million during the Year as compared to HK$1,013.6 million in the corresponding period last year, accounting for 15.0% of the total turnover from continuing operations. For the networking products segment, the Group mainly manufactures wireless routers and other networking products casing and high precision components for well-known brands in Europe, the United States and the PRC. For the automotive segment, the Group's major customers include leading electric vehicle battery manufacturers in the PRC, and PRC and Sino-foreign equity joint venture automobile brands. The Group has disposed of 70% of its automotive business during the Year and will continue to hold the remaining 30% equity interest of the business. The Group believes that this will enable it to concentrate its resources on specific existing businesses which have established scale and potential for development, so that the management can make more spontaneous and precise adjustments to the overall business in a fast-changing environment.

DISCONTINUED OPERATION

Smart Electrical Appliances Casings

Revenue of the smart electrical appliance casing business decreased by 23.0% to HK$412.9 million during the Year from HK$536.1 million in the corresponding period last year. The business mainly provides electrical control panels, metal parts and casings for domestic brands. The Group's future development strategy is to concentrate on specific existing businesses which have established scale and potential for development by utilising existing production capacity and technology, and to explore new high-margin customers. Meanwhile, in order to further enhance the Group's capital flow efficiency, to cope with the Group's future development plan and to be adaptable and light-weight in the challenging environment, on 29 March 2023, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the entire smart electrical appliance casing at a consideration of HK$680.0 million. The proceeds from the disposal are expected to be used to reduce the Group's gearing level, identify potential investments with synergies with the Group's existing business and for general operating purposes. After the disposal, the Group will no longer be engaged in the business relating to the smart electrical appliance casing.

The percentages of total revenue from continuing operation by product categories for the Year and a comparison with same period last year are as follows:

		2022	2021
i.	Handset Casings and High-precision Components	**70.5%**	77.2%
ii.	Household and Sports Goods	**14.5%**	12.1%
iii.	Network Communications Facilities and Others	**15.0%**	10.7%

PROSPECTS

The global economy and operation environment are in the doldrums, and in the face of unfavorable conditions such as rising interest rates and declining in the consumption strength, the Group will continue to review its strategic planning in a timely manner and, in light of the development potential, opportunities and risks of each of its major businesses, deploy resources prudently, continue to optimise its business portfolio and adjust its operating structure, flexibly utilise the Group's existing diversified production capacity, innovative technologies, and fully utilise the Group's leading craftsmanship and excellent research and development team to focus on high margin and high potential business.

As tri-proof and high precision components are one of the Group's high-margin businesses, the Group will strengthen cooperation with overseas customers with the goal of increasing component participation and securing more orders for different parts, while maintaining stable delivery capabilities to support the development of each customer in emerging areas. The Group is also working with a number of top global Internet technology companies to supply components for virtual reality glasses, augmented reality glasses and other related products. In the future, the Group will actively explore various emerging products with various customers to find new markets and opportunities in various fields, while hoping to bring new experiences to end consumers.

The Group's handset casing business currently covers all major handset brands worldwide. In the past few years, with the assistance of internationally renowned consultants and our own efforts in restructuring, the Group has made remarkable improvements in its operation and management, which has given the Group a greater competitive advantage in terms of cost and enable the Group to expand its market share with existing customers. Meanwhile, the Group has started mass-production of its new model handset casings for an internationally renowned technology brand's new model smartphone, which has been well received by the market after its launch. The Group expects to be able to supply more different components for its different new model smartphones in the future, which will help increase the overall sales and gross profit margin of the relevant business.

In addition, the Group is actively exploring the application of its existing production facilities and technologies for high precision electronic components in the development of high margin non-electronic consumer goods customers and has obtained initial positive results. In the future, we will continue and deepen such exploration in order to further increase the share of high margin customers of the Group.

For household and sports goods business, the Group completed the spin-off of its business and listed on the Main Board of Shenzhen Stock Exchange on 13 March 2023 with a net proceed of RMB624.0 million, which will continue to be the Group's subsidiaries after the completion of the spin-off. The successful divestment will help enhance the overall financial and financing capability of the business and further strengthen the Group's partnership with existing customers. As the inventory pressure of the Group's major customers decreases and new products from major customers enter mass production, coupled with the gradual growth of sales from new customers of internationally renowned brands that are actively cultivated, the Group is confident in the development of the relevant business in the coming year.

As for the network communications facilities business, the shipment volume has been lagging behind schedule due to chip shortage in the past few years. However, with the return to normal supply of chips, the Group has sufficient orders from high-margin European, American and domestic first-tier brands, which will drive the rapid development of the relevant business segment.

The Group understands that the global market will remain under pressure in the near future, so we must be flexible and light on our feet, and continue to provide customers with diverse processing technologies and solutions based on innovative technologies and processes. At the same time, the Group will actively utilise its existing high precision manufacturing capacity and technology to explore new industries, new products, new materials and new fields without limiting itself to existing products, with the aim of enhancing gross profit margin and cash flow to open up brand new development opportunities.

FINANCIAL REVIEW

During the Year, the Group's total revenue from continuing operations was HK$7,559.2 million, representing a decrease of HK$1,873.8 million or 19.9%, from HK$9,433.0 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 45.6% in the Year, which is lower than 57.8% in the corresponding period last year.

Revenue

The Group's revenue from continuing operations decreased by approximately 19.9%, from approximately HK$9,433.0 million in the corresponding period last year to approximately HK$7,559.2 million during the Year. During the year, the Group faced a challenging external operating environment, including ongoing international disputes, global inflation, supply chain bottlenecks and multiple economic headwinds, as well as weak business and consumer confidence, which put pressure on sales of consumer products. As a result, the Group recorded a year-on-year decline in revenue from continuing operations during the year.

Gross Profit and Margin

The Group's gross profit from continuing operations decreased by approximately 7.4%, from approximately HK$1,503.1 million in the corresponding period last year to approximately HK$1,392.4 million during the Year. The gross profit margin was approximately 18.4% during the Year, which was approximately 2.5 percentage points higher than that for the corresponding period last year of approximately 15.9%. Despite the extremely challenging operating environment during the Year, the Group maintained its core competencies and responded proactively and flexibly, and through the quality customer base it has successfully built up over the years, the impact of the external environment on its main business was mitigated. With the Group's proactive deployment of international customers over the years, the Group's core products for new international customers started mass production during the Year and, coupled with the stable demand from existing international customers, the Group recorded a significant increase in the percentage of sales to high margin international customers. At the same time, the Group has made remarkable improvements in its operational management in the past two years through the assistance of internationally renowned consultants and its own efforts. Although the gross profit from continuing operations recorded a year-on-year decline of 7.4% due to the decline in sales during the Year, the gross profit margin from continuing operations was on the other hand, increased by 2.5 percentage points from 15.9% for the corresponding period last year to 18.4% for the Year.

Other income and gains, net

Other income and gains, net from continuing operations increased by approximately 2.5% or HK$2.5 million from approximately HK$99.2 million in the corresponding period last year to approximately HK$101.7 million during the Year. The balance mainly represents bank interest income, sales of scrap materials and government grants and remains stable during the year.

Selling and distribution expenses

Selling and distribution expenses from continuing operations decreased by 6.9% or HK$3.9 million from approximately HK$56.9 million in the corresponding period last year to approximately HK$53.0 million during the Year, accounting for approximately 0.7% of the Group's revenue from continuing operations, remains stable comparing to the corresponding period last year of 0.6%. Decrease in selling and distribution expenses was because of the decrease in revenue of the Group from continuing operations.

General and administrative expenses

General and administrative from continuing operations increased by 1.4% or HK$15.9 million from approximately HK$1,106.2 million in the corresponding period last year to approximately HK$1,122.1 million during the Year, accounting for approximately 14.8% of the Group's revenue from continuing operations, which was approximately 3.1 percentage point higher than that for the corresponding period last year of 11.7%. The increase in administrative expenses was mainly attributable to the: (i) 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 and (ii) increase in research and development expenses to improve level of automation, enhance production efficiency and cater the needs of customers' products which, partially offsetting by various cost saving measures adopted by the Group which lead to the decrease in other administrative expenses during the Year.

Other Operating Expenses, Net

Other operating expenses, net from continuing operations increased by approximately 94.4% or HK$30.2 million from approximately HK$32.0 million in the corresponding period last year to approximately HK$62.2 million during the Year. The increase in other operating expenses, net was mainly attributable to the impairment of loan to a jointly-controlled entity where no such impairment in the corresponding period last year, as well as an increase in foreign exchange losses and impairment of trade receivables.

Finance costs

Finance costs from continuing operations increased by approximately 87.0% or approximately HK$64.1 million from approximately HK$73.7 million in the corresponding period last year to approximately HK$137.8 million during the Year. The increase in finance costs was primarily the result of higher average debt from continuing operations and higher average interest rates during the Year.

Loss for the year from a discontinued operation

Loss for the year from a discontinued operation increased by approximately 3,058.1% or approximately HK$263.0 million from loss of approximately HK$8.6 million in the corresponding period last year to loss of approximately HK$271.6 million during the Year. The loss was attributable to the smart electrical appliance casings business. The production and operation activities of this business were greatly affected as the order demand and operation of this business continued to be affected by various adverse factors such as macroeconomic uncertainties, sharp deterioration in the property market, sluggish consumer confidence and weak demand, and volatile raw material prices. At the same time, provision had to be made for slow moving stocks, resulting in the widening of losses.

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 2022 and 2021:

	2022	2021
	HK$'000	*HK$'000*
Net cash flows from operating activities	**743,435**	408,303
Net cash flows used in investing activities	**(348,887)**	(1,220,224)
Net cash flows from/(used in) financing activities	**(314,012)**	696,417

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 and the credit facilities provided by the Group's principal banks and the Rights Issue. As at 31 December 2022, the Group had cash and cash equivalents and pledged deposits of HK$1,518.4 million (31 December 2021: HK$1,901.1 million), without holding any structural investment contract, of which approximately HK$323.2 million (31 December 2021: HK$535.1 million) has been pledged to banks as security for trade financing granted. As at 31 December 2022, the Group had total assets of HK$14,228.9 million (31 December 2021: HK$16,755.1 million), net current assets of HK$2,548.6 million (31 December 2021: HK$1,633.6 million) and equity of HK$7,630.8 million (31 December 2021: HK$8,221.5 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 2022, the gearing ratio of the Group (consolidated net debt/total equity) was 19.1% (31 December 2021: 20.3%). As at 31 December 2022, other than the non-current portion of bank loans of HK$1,050.7 million (31 December 2021: HK$638.7 million), the Group had bank and other borrowings of HK$1,927.8 million (31 December 2021: HK$2,931.3 million) which will be repayable within one year from the end of the reporting period.

CAPITAL EXPENDITURE

The Group incurred capital expenditure for continuing operations of HK$594.1 million during the Year (31 December 2021: HK$1,268.2 million), mainly for the additions of property, plant and equipment for expansion of its handset casings and high precision components segment as well as its household and sports goods 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 proceeds of 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.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK$323.2 million (31 December 2021: HK$535.1 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$50.2 million (31 December 2021: HK$50.3 million) mortgaged by the Group as at 31 December 2022, no other assets of the Group were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group employed a total of approximately 18,000 permanent employees (31 December 2021: approximately 26,000 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

On 25 January 2022, the Group and an independent third party entered into an equity transfer agreement 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) for a consideration of RMB60,000,000. Tongda Shanghai is principally holding a property, which is not the core business of the Group. The disposal was completed on 3 November 2022.

On 11 November 2022, Tong Da Holdings (BVI) Limited, a direct wholly-owned subsidiary of the Company, as the vendor, and an independent third party as the purchaser entered into sale and purchase agreement, pursuant to which the vendor has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, 70% of the entire issued share capital of Tongda Oversea Company Limited, an wholly-owned subsidiary of the vendor at a consideration of HK$385,000,000. The disposal was completed on 28 December 2022. Further details were set out in the announcements of the Company dated 13 November 2022 and 28 December 2022, and the circular of the Company dated 9 December 2022.

Subsequent to the reporting period, on 29 March 2023, Tong Da Development (BVI) Limited, an indirect wholly-owned subsidiary of the Company as the vendor and an independent third party as a purchaser, entered into sale and purchase agreement to dispose of Stedfast Investments Holdings Limited ("Stedfast Investments"), an indirect wholly-owned subsidiary of the Company. Immediately before the completion of the disposal, Stedfast Investments and its subsidiaries will be the sole entities in the Group carrying the manufacturing and sale of smart electrical appliances casings business. The disposal is expected to be completed in 2023. Further details were set out in the announcement of the Company dated 29 March 2023.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2022 or subsequent to the reporting period.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2022, (i) the Group's largest customer and five largest customers accounted for approximately 17.9% and 47.7% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 1.6% and 6.8% 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.

UPDATE ON USE OF PROCEEDS FROM RIGHTS ISSUE

To strengthen the financial status and stability of the Group and to enhance the Group's liquidity and lowering the gearing level, the Company has completed a 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 on 13 September 2021 ("Right Issue"). Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK$749 million (the "Net Proceeds") of which approximately HK$552 million has been utilised during the year ended 31 December 2021 where the remaining balance of approximately HK$197 million has been fully utilised during the Year in accordance with the intentions previously disclosed by the Company as follows:

Intended use of proceeds	**Intended allocation of the remaining net proceeds** ***(HK$ million)***	Actual allocation of the remaining net proceeds during the Period *(HK$ million)*
Capital expenditure for the purchase of machinery and equipment to improve automation and production efficiency and increase production capacity, to support the development of handset casings and high-precision components business	**168**	168
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	**29**	29
	197	197

SHARE OPTION AND SHARE AWARD SCHEMES

Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include all executive directors and any full-time employee of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

During the years ended 31 December 2022 and 2021, no shares options were granted by the Company under the Scheme.

As at 31 December 2022 and 2021, there were no outstanding shares in respect of which options had been granted under the Scheme.

Share Award Scheme

The Company adopted a share award scheme on 17 January 2022 (the "Share Award Scheme") under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

(a) the par value of the share of the Company;

(b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and

(c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The purpose of the Share Award Scheme is to (i) establish a mechanism of "risk sharing and benefit sharing" between middle and senior management and the Group, so that the middle and senior management have the opportunity to share the results of the Group's strategic development and organisational changes, and attract and retain core talents; (ii) establish an equity reward model linked to the Company's overall value and personal performance indicators and achieve diversified and long-term rewards for middle and senior management; and (iii) attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of 10 years from 17 January 2022 unless terminated earlier by the Board and is administered by the Board and the trustee of the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company as at the adoption date of the Share Award Scheme. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the shares in issue of the Company from time to time.

During the Year, 64,500,000 awarded shares were granted under the Share Award Scheme to 14 selected employees who are individual third parties under the Listing Rule. The awarded shares are subject to certain vesting conditions specified by the Board at the time of granting the awarded shares and shall be vested in three tranches in 48 months started from the grant date. Details of the adoption of the Share Award Scheme and the grant of awarded shares are set out in the Company's announcement dated 17 January 2022.

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:

Code provision B.2.4(a) of the CG Code states that where all the independent non-executive directors have served more than nine years on the board, the length of tenure of each existing independent non-executive director should be disclosed on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting.

The independent non-executive Directors ("INEDs") have all been serving as INEDs for more than nine years. In the circular of the Company dated 11 April 2022, the disclosure of the length of the tenure of all the long serving INEDs on a named basis was inadvertently omitted. Accordingly, the Company issued a supplemental announcement to disclose the length of tenure of all the INEDs on 21 April 2022.

The Company has three independent non-executive Directors, namely Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *GBS, 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 2022 and annual results for the year ended 31 December 2022 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) The spin-off and separate listing (the "Spin-off") of a subsidiary, Tongda Smart Tech (Xiamen) Company Limited ("Tongda Smart Tech") on the Shenzhen Stock Exchange has been completed and listed on 13 March 2023. In connection with the Spin-off, Tongda Smart Tech has issued 28,000,000 offer shares under the A share offering at the final offer price of RMB25.13 per offer share. The net proceeds raised from the A share offering was approximately RMB624 million.

Immediately upon the completion of the A share offering, the Company indirectly holds approximately 67.5% interest in Tongda Smart Tech, and Tongda Smart Tech remains as a subsidiary of the Company. Detail of the Spin-off completion are set out in the announcement of the Company dated 10 March 2023.

(b) On 29 March 2023, Tong Da Development (BVI) Limited, an indirect wholly-owned subsidiary of the Company as the vendor and an independent third party as the purchaser, entered into sale and purchase agreement to dispose of Stedfast Investments Holdings Limited ("Stedfast Investments"), an indirect wholly-owned subsidiary of the Company (the "EA Disposal"). Immediate before the completion of the EA Disposal, Stedfast Investments and its subsidiaries will be the sole entities in the Group carrying the manufacturing and sale of smart electrical appliances casings business. The EA Disposal is expected to be completed in 2023. Details of the EA Disposal are set out in the announcement of the Company dated 29 March 2023.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2021: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Monday, 29 May 2023. 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, 17 April 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Monday, 22 May 2023.

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, 29 March 2023

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, GBS, SBS, JP and Mr. Ting Leung Huel Stephen as independent non-executive Directors.