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 2023

HIGHLIGHTS

	2023	2022	Change
	HK$'000	*HK$'000*	*%*
		(Re-presented)	
Revenue	**6,521,928**	7,972,063	(18.2)
Gross profit	**345,783**	1,229,742	(71.9)
Gross profit margin	***5.3%***	*15.4%*	(10.1)p.p.
Net profit/(loss) attributable to owners of the Company	**(1,229,656)**	137,287	(995.7)
Net profit/(loss) margin	***(18.9%)***	*1.7%*	(20.6)p.p.
Earnings/(loss) per share			
– Basic	**(HK12.64 cents)**	HK1.41 cents	(996.5)
– Diluted	**(HK12.64 cents)**	HK1.41 cents	(996.5)

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 2023 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Re-presented)
REVENUE	5	**6,521,928**	7,972,063
Cost of sales		**(6,176,145)**	(6,742,321)
Gross profit		**345,783**	1,229,742
Other income and gains, net	5	**137,008**	112,655
Selling and distribution expenses		**(81,843)**	(65,940)
General and administrative expenses		**(1,210,563)**	(1,166,593)
Gain on disposal of subsidiaries		**–**	401,773
Other operating expenses, net		**(147,259)**	(97,187)
Finance costs	6	**(196,782)**	(165,182)
Share of profits of associates		**512**	–
Share of loss of a jointly-controlled entity		**–**	(30,265)
PROFIT/(LOSS) BEFORE TAX	7	**(1,153,144)**	219,003
Income tax expense	8	**(51,769)**	(67,302)
PROFIT/(LOSS) FOR THE YEAR		**(1,204,913)**	151,701
Attributable to:			
Owners of the Company		**(1,229,656)**	137,287
Non-controlling interests		**24,743**	14,414
		(1,204,913)	151,701
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	10	**(HK12.64 cents)**	HK1.41 cents
Diluted		**(HK12.64 cents)**	HK1.41 cents

Details of the dividends are disclosed in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(1,204,913)**	151,701
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on property revaluation	**(1,078)**	1,126
Deferred tax credited/(debited) to the asset revaluation reserve	**281**	(184)
	(797)	942
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(132,159)**	(735,860)
– associates	**(598)**	–
– jointly-controlled entity	**–**	(2,819)
Release of exchange reserve upon disposal of subsidiaries	**–**	(8,256)
	(132,757)	(746,935)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(133,554)**	(745,993)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(1,338,467)**	(594,292)
Attributable to:		
Owners of the Company	**(1,345,329)**	(601,007)
Non-controlling interests	**6,862**	6,715
	(1,338,467)	(594,292)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,552,218**	5,597,605
Right-of-use assets		**371,803**	381,760
Investment property		**74,779**	81,166
Investment in a jointly-controlled entity		**–**	–
Investments in associates		**120,505**	119,389
Long term deposits		**76,377**	49,099
Lease receivables		**–**	3,202
Term deposits		**62,332**	–
Deferred tax assets		**11,159**	3,703
Total non-current assets		**5,269,173**	6,235,924
CURRENT ASSETS			
Inventories	*11*	**1,267,254**	2,351,255
Trade and bills receivables	*12*	**1,906,700**	2,159,485
Prepayments, deposits and other receivables		**622,894**	653,217
Due from a jointly-controlled entity		**112,922**	105,989
Loans to a jointly-controlled entity		**169,925**	198,288
Due from an associate		**–**	6,269
Lease receivables		**3,739**	5,228
Tax recoverable		**8,529**	3,160
Financial assets at fair value through profit or loss ("FVTPL")		**259,434**	–
Pledged deposits		**194,648**	323,216
Cash and cash equivalents		**1,160,490**	1,195,166
		5,706,535	7,001,273
Assets classified as held for sale	*13*	**2,327,022**	991,688
Total current assets		**8,033,557**	7,992,961
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,836,766**	2,530,860
Accrued liabilities and other payables		**294,756**	562,925
Interest-bearing bank and other borrowings		**1,878,213**	1,927,782
Lease liabilities		**5,285**	7,113
Due to a jointly-controlled entity		**–**	6,348
Tax payable		**93,596**	97,649
		4,108,616	5,132,677
Liabilities classified as held for sale	*13*	**964,252**	311,688
Total current liabilities		**5,072,868**	5,444,365
NET CURRENT ASSETS		**2,960,689**	2,548,596
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,229,862**	8,784,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,065,488**	1,050,695
Other payables		**77,443**	33,632
Lease liabilities		**24,729**	8,531
Deferred tax liabilities		**58,706**	60,826
Total non-current liabilities		**1,226,366**	1,153,684
Net assets		**7,003,496**	7,630,836
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**97,356**	97,193
Reserves		**6,585,468**	7,465,618
		6,682,824	7,562,811
Non-controlling interests		**320,672**	68,025
Total equity		**7,003,496**	7,630,836

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. Save as disclosed in note 13, 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 HKFRSs, 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, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. The non-current assets of subsidiaries classified as 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 2023. 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.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pilar Two Model Rules*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(a) Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 – Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. These amendments had no impact on the Group's financial statements as there were no transactions fallen within the scope of these amendments on or after the beginning of the earliest period presented.

(d) Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. Due to the decrease in contributions from the smart electrical appliances casings segment and the network communications facilities and others segment to the Group's total revenue and in line with our continuing restructuring to improve the management efficiency, the management decided to consolidate the handset casings and high-precision components segment with the smart electrical appliances casings segment and the network communications facilities and others segment during the year. The segment information for last year was re-presented on the basis of the year. The Group currently has two reportable segments as follows:

(a) the consumer electronics structural components segment consists of manufacturing of components for smart mobile communication and other electrical consumer products; and

(b) the household and sports goods segment consists of durable household goods, household utensils and sports goods.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income and gains, net, corporate and other unallocated expenses, non-lease-related finance costs, share of profit/loss of a jointly-controlled entity and associates and impairment of loans to a jointly-controlled entity are excluded from such measurement.

Segment assets exclude an investment in a jointly-controlled entity, investments in associates, deferred tax assets, tax recoverable, loans to a jointly-controlled entity, amounts due from a jointly-controlled entity and associates, pledged deposits, cash and cash equivalents and assets classified as held for sale as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to a jointly-controlled entity, tax payable, deferred tax liabilities and liabilities classified as held for sale as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. **OPERATING SEGMENT INFORMATION (continued)**

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

	Consumer electronics structural components		Household and sports goods		Eliminations		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000* (Re-presented)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Re-presented)	***HK$'000***	*HK$'000* (Re-presented)
Segment revenue								
Sales to external customers[#] (note 5)	**5,636,475**	6,878,853	**885,453**	1,093,210	**–**	–	**6,521,928**	7,972,063
Intersegment sales	**475**	712	**–**	–	**(475)**	(712)	**–**	–
Total	**5,636,950**	6,879,565	**885,453**	1,093,210	**(475)**	(712)	**6,521,928**	7,972,063
Segment results before depreciation	**(387,456)**	1,075,208	**148,349**	178,035	**–**	–	**(239,107)**	1,253,243
Depreciation of property, plant and equipment	**(740,050)**	(846,931)	**(43,344)**	(39,903)	**–**	–	**(783,394)**	(886,834)
Depreciation of right-of-use assets	**(10,384)**	(11,902)	**(3,451)**	(1,113)	**–**	–	**(13,835)**	(13,015)
Segment results	**(1,137,890)**	216,375	**101,554**	137,019	**–**	–	**(1,036,336)**	353,394
Unallocated income							**137,008**	112,655
Corporate and other unallocated expenses							**(33,789)**	(30,711)
Finance cost (other than interest expenses on lease liabilities)							**(195,093)**	(164,639)
Share of profits of associates							**512**	–
Share of loss of a jointly controlled entity							**–**	(30,265)
Impairment of loans to a jointly controlled entity							**(25,446)**	(21,431)
Profit/(loss) before tax							**(1,153,144)**	219,003
Income tax expense							**(51,769)**	(67,302)
Profit/(loss) for the year							**(1,204,913)**	151,701
Other segment information:								
Impairment losses/provision recognised in the income statement, net*	**(342,781)**	(248,791)	**(3,585)**	(4,733)	**–**	–	**(346,366)**	(253,524)
Impairment losses reversed in the income statement**	**12**	2,982	**381**	–	**–**	–	**393**	2,982
Gain on disposal of subsidiaries	**–**	401,773	**–**	–	**–**	–	**–**	401,773
Capital expenditure***	**153,031**	418,011	**44,145**	176,107	**–**	–	**197,176**	594,118

4. **OPERATING SEGMENT INFORMATION (continued)**

\# 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 leasehold land recognised in right-of-use assets.

	Consumer electronics structural components		Household and sports goods		Eliminations		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**7,942,454**	10,407,982	**1,255,076**	874,035	**–**	–	**9,197,530**	11,282,017
Assets classified as held for sale							**2,327,022**	991,688
Unallocated assets							**1,778,178**	1,955,180
Total assets							**13,302,730**	14,228,885
Segment liabilities	**1,958,597**	2,896,465	**280,382**	246,596	**–**	–	**2,238,979**	3,143,061
Liabilities classified as held for sale							**964,252**	311,688
Unallocated liabilities							**3,096,003**	3,143,300
Total liabilities							**6,299,234**	6,598,049

Geographical information

	PRC*		Asia Pacific (excluding PRC)		United States		Europe		Others		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000* (Re-presented)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Re-presented)
(a) Revenue from customers												
Segment revenue:												
Sales to external customers#	**5,178,111**	6,583,245	**442,535**	374,263	**40,570**	255,458	**383,164**	471,364	**477,548**	287,733	**6,521,928**	7,972,063
(b) Non-current assets	**5,137,509**	6,112,832	**–**	–	**–**	–	**–**	–	**–**	–	**5,137,509**	6,112,832

4. OPERATING SEGMENT INFORMATION (continued)

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.

Information about major customers

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

	2023	2022
	HK$'000	*HK$'000*
Customer A	**1,046,652**	1,350,676
Customer B	**987,652**	1,119,216
	2,034,304	2,469,892

Revenues from Customer A and B were mainly derived from sales by the consumer electronics structural 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:

	2023	2022
	HK$'000	*HK$'000*
		(Re-presented)
Revenue from contracts with customers		
Sale of goods	**6,521,928**	7,972,063

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 is as follows:

	2023	2022
	HK$'000	*HK$'000*
		(Re-presented)
Other income and gains, net		
Bank interest income	**17,352**	16,837
Interest income from a jointly-controlled entity	**2,733**	2,864
Interest income from receivables from an individual third party#	**1,539**	–
Utilities income	**13,443**	6,931
Sale of scrap materials	**6,630**	18,274
Government grants*	**71,475**	47,455
Finance income	**348**	162
Changes in fair value of an investment property	**(5,339)**	(2,331)
Rental income	**10,706**	14,601
Gain on inception of sublease agreements	**2,781**	–
Gain on changes in fair value of FVTPL	**5,037**	–
Gain on disposal of FVTPL	**5,684**	–
Others	**4,619**	7,862
	137,008	112,655

* Various government grants have been received for setting up research activities. There are no unfulfilled conditions or contingencies relating to these grants.

\# Included in assets classified as held for sales an amount of HK$40,885,000 due from an individual third party which was secured by the entire issued share capital of this individual third party, bearing a fixed annual interest rate of 10% and repayable on demand.

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
		(Re-presented)
Interest expenses on bank and other borrowings	**181,689**	146,441
Interest expenses on discounted bills	**13,404**	18,198
Interest expenses on lease liabilities	**1,689**	543
	196,782	165,182

7. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
		(Re-presented)
Cost of inventories sold	**6,176,145**	6,742,321
Depreciation of property, plant and equipment	**783,394**	886,834
Depreciation of right-of-use assets	**13,835**	13,015
Research and development costs	**627,818**	530,386
Lease payments not included in the measurement of lease liabilities	**37,366**	48,577
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**1,534,050**	2,033,145
Pension scheme contributions*	**112,591**	106,175
Equity-settled share award expense, net	**1,813**	3,636
Less: Amounts included in research and development costs	**(243,171)**	(232,737)
	1,405,283	1,910,219
Auditor's remuneration	**3,390**	5,780
Loss/(gain) on disposal of items of property, plant and equipment***	**11,076**	(261)
Foreign exchange differences, net***	**12,793**	62,042
Changes in fair value of an investment property**	**5,339**	2,331
Loss on lease termination***	**14**	1,344
Impairment of trade receivables***	**9,704**	15,370
Reversal of impairment of trade receivables***	**(393)**	(2,982)
Provision against inventories	**336,662**	238,154
Impairment of loans to a jointly-controlled entity***	**25,446**	21,431

Cost of inventories sold includes HK$1,862,060,000 (2022: HK$2,445,725,000) 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 EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of Tongda Precision Technology are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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.

	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**9,760**	35,856
Underprovision in prior years	**375**	2,464
	10,135	38,320
Current – Elsewhere		
Charge for the year	**50,928**	61,515
Underprovision/(overprovision) in prior years	**1**	(27,178)
	50,929	34,337
Deferred	**(9,295)**	(5,355)
Total tax charge for the year	**51,769**	67,302

9. DIVIDENDS

On 27 March 2024, the Board of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2023	2022
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted profit/(loss) per share	**(1,229,656)**	137,287
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted profit/(loss) per share	**9,729,919**	9,719,258

No adjustment has been made to the basic profit/(loss) per share amount presented for the year ended 31 December 2023 and 2022 in respect of a dilution as the impact of the award shares has anti-dilutive effect.

11. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Raw materials	**234,968**	405,428
Work in progress	**397,914**	507,533
Finished goods	**634,372**	1,438,294
	1,267,254	2,351,255

As at 31 December 2023, moulds of HK$210,960,000 (2022: HK$583,944,000) are included in the finished goods.

12. TRADE AND BILLS RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,726,098**	2,109,103
Impairment allowances	**(52,687)**	(39,027)
	1,673,411	2,070,076
Bills receivable	**233,289**	89,409
	1,906,700	2,159,485

As at 31 December 2023, HK$467,251,000 of gross trade receivables of certain customers (2022: HK$268,077,000) and bills receivable of HK$129,268,000 (2022: HK$2,949,000) 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, 17.1% (2022: 21.7%) and 45.0% (2022: 43.7%) 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 2023, based on the invoice date and issuance date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**1,801,875**	1,992,724
4 to 6 months, inclusive	**104,246**	164,239
7 to 9 months, inclusive	**4,213**	3,145
10 to 12 months, inclusive	**2,998**	5,934
More than 1 year	**46,055**	32,470
	1,959,387	2,198,512
Impairment allowances	**(52,687)**	(39,027)
	1,906,700	2,159,485

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(a) 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 as the vendor (the "Vendor"), and the Purchaser entered into sale and purchase agreement (the "SPA") on the EA Disposal to dispose of Stedfast Investments Holdings Limited, an indirect wholly-owned subsidiary of the Company and whom, together with its subsidiaries, will be the sole entities in the Group carrying on the EA business immediately before the completion of the EA Disposal. As at 31 December 2022, the assets and liabilities to be disposed of were classified as assets and liabilities held for sale.

The major classes of assets and liabilities of the EA business classified as held for sale as at 31 December 2022 are as follows:

	2022 *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 classified as held for sale	311,688
Net assets classified as held for sale	680,000

On 13 October 2023, the Vendor and the Purchaser entered into a termination agreement (the "Termination Agreement") to terminate the SPA with effect from the date of the Termination Agreement due to: (1) the Group planned to focus on the High Precision Disposal (as defined as below), the proposal of which was received on April 2023; and (2) the improvement in the outlook of the industry of the EA business. Pursuant to the Termination Agreement, the Vendor shall pay a termination fee in the amount of HK$120,000,000, comprising the refund of the deposit in the amount of HK$60,000,000 initially paid by the Purchaser to the Vendor pursuant to the SPA and a cash payment in the amount of HK$60,000,000 in respect of the termination of the SPA. Details of the termination of the EA disposal and the reason and benefits of the termination are set out in the announcements of the Company dated 13 October 2023 and 27 December 2023. As such, the assets and liabilities to be disposed of in relation to the EA business were ceased to be classified as held for sale for the year ended 31 December 2023.

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

(b) On 22 December 2023, Tongda Precision Technology Company Limited, a wholly-owned subsidiary of the Company as a seller, an independent third party as a purchaser, and the Company as the guarantor, entered into a business transfer agreement (the "BTA") whereby the Group agreed to dispose of the business of manufacturing high-precision micro components (the "High Precision Business") as currently conducted by the Group for a consideration of HK$2,015,000,000 (the "High Precision Disposal"). Further details of the High Precision Disposal are set out in the announcement of the Company dated 22 December 2023 and the circular dated 19 February 2024. Following satisfaction or waiver of all the conditions precedent to the BTA, the closing is expected to take place in first half of 2024. Accordingly, the assets and liabilities of the High Precision Business as at 31 December 2023 were classified as assets and liabilities held for sale.

The major classes of assets and liabilities of the High Precision Business classified as held for sale as at 31 December 2023 are as follows:

	2023
	HK$'000
Assets	
Property, plant and equipment	**457,303**
Right-of-use assets	**1,558**
Long term deposits	**5,412**
Inventories	**601,240**
Trade and bills receivables	**772,318**
Prepayments, deposits and other receivables	**96,994**
Tax recoverable	**4,151**
Pledged deposits	**101,065**
Cash and cash equivalents	**286,981**
Assets classified as held for sale	**2,327,022**
Liabilities	
Trade and bills payables	**630,857**
Accrued liabilities and other payables	**160,723**
Interest-bearing bank and other borrowings	**160,583**
Lease liabilities	**1,535**
Tax payable	**10,554**
Liabilities classified as held for sale	**964,252**
Net assets classified as held for sale	**1,362,770**

14. TRADE AND BILLS PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**1,057,139**	1,224,700
Bills payable	**779,627**	1,306,160
	1,836,766	2,530,860

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 2023, based on the invoice date and issuance date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**1,386,891**	1,720,621
4 to 6 months, inclusive	**374,416**	749,442
7 to 9 months, inclusive	**10,400**	24,187
10 to 12 months, inclusive	**5,717**	5,840
More than 1 year	**59,342**	30,770
	1,836,766	2,530,860

15. SHARE CAPITAL

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2022: 20,000,000,000) ordinary shares	**200,000**	200,000
Issued and fully paid:		
9,735,607,645 (2022: 9,719,257,645) ordinary shares	**97,356**	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:				
At 1 January 2022, 31 December 2022 and 1 January 2023	9,719,257,645	97,193	1,777,033	1,874,226
Awarded shares	16,350,000	163	3,826	3,989
As at 31 December 2023	**9,735,607,645**	**97,356**	**1,780,859**	**1,878,215**

CHAIRMAN'S STATEMENT

I am pleased to announce the annual results of Tongda Group Holdings Limited (the "Company"), together with its subsidiaries (collectively as the "Group"), for the year ended 31 December 2023 (the "Year") on behalf of the board (the "Board") of directors (the "Directors") of the Company.

Turbulent external environment, ongoing global inflation and weak corporate and consumer confidence put pressure on the sales of consumer products. The revenue of the Group recorded a decrease of approximately 18.2% from approximately HK$7,972.1 million in the corresponding period last year to approximately HK$6,521.9 million during the Year. The gross profit of the Group recorded a decrease of approximately 71.9% from approximately HK$1,229.8 million in the corresponding period last year to approximately HK$345.8 million during the Year. In response to the rapid changes and extremely challenging external operating environment, the Group continued to conduct self-examination, with its primary objective of further solidifying the Group's foundation and strengthening its competitiveness, and carried out a series of optimisation and adjustments to its operating structure, which included but not limited to shutting down factories with sustained losses, consolidating customer base and other measures. Despite the one-time losses to the Group's accounts in the short term, such measures can reduce cash outflow and allow us to invest in other higher-quality businesses in the long run. At the same time, the Group has enough cash reserves and the related losses will not affect the Group's ability to continue as a going concern.

Considering the decrease in contributions from the smart electrical appliances casings business and the network communications facilities and others business to the Group's total revenue, for management purposes, and in line with our continuing restructuring to improve the management efficiency, the management decided to consolidate the handset casings and high-precision components segment with the smart electrical appliances casings segment and the network communications facilities and other segments. As a result, the Group's business segments during the Year will be consolidated into two segments: a) the consumer electronics structural components, which consists of manufacturing of components for smart mobile communication and other electrical consumer products; and b) the household and sports goods, which consists of durable household goods, household utensils and sports goods.

The sales revenue from consumer electronics structural components business during the Year decreased comparing to same period last year in which, sales of handset casings still faced challenges in the first half of the Year. However, the number of orders has shown a recovery in recent months. The Group's handset casing business currently covers all major handset brands worldwide. As the inventory pressure of major customers decreases, we expect to provide more diversified casings and parts for more new model smartphones in the coming year.

For the high-precision components business, the Group updated its strategic planning in accordance with the current situation and sold this business for a price of HK$2,015.0 million during the Year, which was mainly due to the fact that foreign-branded customers of this business are moving their production bases from the PRC to overseas. If the Group did not sell this business, it is likely that the Group would need to invest more funds to set up production facilities overseas. In contrast, the disposal of business enables the Group to largely reduce its finance cost expenditures and improve its liquidity and gearing ratio while freeing up more working capital as well as manpower to strengthen and expand its remaining businesses with established scale and potential for development. The Group is also actively exploring the possibility of 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 results. The Group will explore a broader market space through different channels and forms, with the goal of increasing the Group's capacity utilisation and high margin customers.

For the smart electrical appliance casing business, the Group has mature manufacturing and production technologies. In addition, the current policy environment and the electrical appliances market has improved. The Group will devote more efforts to expand its scale and improve profitability.

For the network communication business, the Group expects that the seventh generation of wireless network ("Wi-Fi 7") router applications will be popularised. The Olympic Games Paris will also help the Group's related customers in network communication to promote their new model products, driving the demand for network communication products.

For the household and sports goods business, apart from the existing giant European and US brand customers, the Group has commenced new business relationship with a number of giant consumer brand customers. Meanwhile, as a move to expand this business, the Group has built new factories and are now in operation, which can accommodate the future growth in customer demand for the product and increase the attractiveness of cooperation to new customers. This business was listed on the Main Board of Shenzhen Stock Exchange on 13 March 2023, which raised 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 Group has experienced a very challenging general environment in the past few years. We deeply understand that a stable financial position and sufficient liquidity are crucial to the Group's sustainable growth. Therefore, in the face of adverse factors such as the deterioration of the global economy, the relatively slow recovery of the Chinese economy after the COVID-19 epidemic, slow upgrading of consumer goods, weak purchasing power, high interest rates, and tight credit environment, we continuously adjust the overall business through the assistance of different consultants and its own restructuring efforts, which will significantly reduce the Group's financing costs and improve our liquidity and gearing ratio.

Looking ahead to the coming year, we will actively expand our remaining businesses with established scale and potential for development, continue to strengthen our profound accumulation in processes, production line automation and quality control based on innovative technologies and processes and promote the effective use of resources, with an aim to give the Group a greater competitive cost advantage. Meanwhile, we will explore with different customers the possibilities of various emerging products, new materials and new fields and take the increase participation in new products for these customers and expansion of product lines as its medium to long-term strategic goal, with an aim to unleash the corresponding value of the Group's assets more effectively.

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. The Group wishes to sincerely thank its shareholders, customers and business partners for their long-standing support. We will continue to practice the Company's core values, further develop our technology and advocate innovations and changes through innovations in every business sector and the application of advanced materials, utilise the diverse and leading technology and craftsmanship to promote the Group's steady progress towards sustainable development goals, and strive to achieve sustainable and high-quality development with all parties in the coming year through continuous efforts and close cooperation with various stakeholders.

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 research and development ("R&D") to manufacturing. Our products mainly cover handset casings and high-precision components, metaverse-related hardware accessories, panels for smart electrical appliances, network communications facilities, automotive interior components, aluminum components of batteries for new energy vehicles, and household and sports goods.

The Group underwent restructuring at the end of 2022, as a result of which the revenue related to manufacturing of automotive interior components and aluminum components of battery for electric vehicles were no longer consolidated to the consolidated financial statements of the Group during the Year after the disposal of 70% of the entire issued share capital of a subsidiary. Meanwhile, with the global inflation, as well as weakening confidence of enterprises and consumers in spending, the sales of consumer products were under pressure, and the Group was affected by destocking of some customers and delay in the product launch schedule, such that the sales revenue of the Group during the Year decreased by 18.2% to HK$6,521.9 million (2022: HK$7,972.1 million).

The Group experienced a decrease in sales revenue without the corresponding drop in certain costs such as depreciation, utilities, wages, etc. Also, the Group made corresponding provision for inventory according to the turnover rate of inventory for the Year, and assumed part of the cost of moulds which was assumed by customer in previous years owing to its decision to do so on an one-off basis based on various commercial considerations such as to enhance competitiveness and to improve capacity utilisation, etc, thus leading to the decrease in the Group's gross profit and gross profit margin for the Year compared to the corresponding period last year. Meanwhile, under rapid changes and increasing challenges in the external business environment, the Group has continued its self-review by carrying out a series of optimising adjustment on operational structure, including but not limited to measures such as discontinuing plants with ongoing losses and strengthening customer base, with further consolidation of the Group's foundation and enhancement of competitiveness as its primary purpose. In the long term, the Group will be able to reduce its cash outflow and invest more in other businesses of higher quality, though there will be a one-off increase in the Group's costs and expenses, leading to the reduction of the Group's gross profit in the short term. Being affected by the various factors as abovementioned, the gross profit of the Group during the Year decreased by approximately 71.9% to approximately HK$345.8 million during the Year from approximately HK$1,229.8 million in the corresponding period last year. As the Group has possessed sufficient cash reserves, the relevant losses do not impact on the ability of the Group's businesses to continue as a going concern.

BUSINESS SEGMENTS

For the purpose of streamlining the management of businesses, the Group recategorised its business divisions according to its products and services. As there was a decrease in revenue contribution from the segments of smart electrical appliances casings as well as network communications facilities and others, in line with our continuous restructuring efforts to improve the management efficiency, the management has decided to consolidate the segments of handset casings and high-precision components, smart electrical appliances casings as well as network communications facilities and others. The segment information from the previous year was re-presented with those during the Year as the basis. The two current reporting segments of the Group are as follows:

(a) Consumer electronics structural components

Consisting of manufacturing of components for smart mobile communication and other electrical consumer products; and

(b) Household and sports goods

Consisting of durable household goods, household utensils and sports goods, etc.

Consumer Electronics Structural Components

The turnover of the business decreased by approximately 18.1% to approximately HK$5,636.4 million during the Year compared to approximately HK$6,878.9 million in the corresponding period last year, representing approximately 86.4% of the total sales revenue of the Group. During the Year, the sales of handset casings still encountered challenges, particularly in the first half of the Year. Considering the tough external business environment and weakening consumer market, during the Year, the Group also decided to assume part of the cost of moulds on behalf of its customers in order to enhance the Group's competitiveness and improve the Group's capacity utilisation. According to the market report published by International Data Corporation ("IDC") in early 2024, the global shipment of smart handset markets decreased by approximately 3.2% year-on-year to approximately 1,170 million units. However, the Group noted that there was a rapid rebound of recovery momentum in global handset markets in the second half of the Year, which contributed to the fact that mass productions of casings for new models of handset have been performed for new models of smart handset of internationally renowned technology brands. IDC also stated that the shipment of handset markets in the fourth quarter of 2023 increased by approximately 8.5% year-on-year, representing the shipment of approximately 330 million units, being higher than the expected growth of approximately 7.3%. It is anticipated that the growth in the second half of 2023 will strengthen the expected recovery in 2024.

The Group timely reviewed its strategic planning and has announced its disposal of high precision components business for a consideration of HK$2,015.0 million, primarily due to the successive production base relocations of customers of foreign brands of the business from China to overseas. If the Group did not dispose of the business, it is highly probable that the Group has to establish its production facilities overseas for the business, which would inevitably lead to significant increase in the capital expenditure of the Group and higher risk exposure. In contrast, such disposal can enable the Group to reduce its finance costs and expenses remarkably while improving its funding liquidity and gearing ratio, thus leading to a balance sheet of higher stability and improving the overall profitability and business performance of the Group.

Moreover, the Group can spare more working capital and manpower through the disposal of the business, which can be used for further expansion of its remaining business of established scale and development potentials, including its businesses such as handset casings, smart electrical appliances casings, network communications facilities and household and sports goods etc., of which, smart electrical appliances casings business mainly provides electrical control panels, metal parts and casings for domestic brands, and network communications facilities business 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.

Household and Sports Goods

The sales of the business segment decreased by approximately 19.0% to approximately HK$885.5 million during the Year compared to approximately HK$1,093.2 million in the corresponding period last year, representing approximately 13.6% of the total sales revenue of the Group. The Group mainly manufactures durable household goods, household utensils, sports goods and health care products for international European and American brands. The Group continued to deepen its relationship with its core customers. Although there was a decrease in sales during the Year owing to the destocking of European and American customers, the sales of the Group can be driven back to the uptrend in the coming year with the establishment of new business relationship with various large-scale consumer goods brands, including a Spanish retailer listed on Fortune Global 50, an American high-end consumer goods customer, and a Chinese coffee store chain, plus the fact that the Group also became a qualified supplier for an American supermarket chain during the Year. Besides, the new plant of the Group established for expanding this business has commenced operation, which will accommodate future growth in product demand from customers and enhance the attraction for participation and collaboration of new customers. The listing of the business on the Main Board of Shenzhen Stock Exchange on 13 March 2023 raised 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 the business remains as subsidiaries of the Group. The successful divestment will enhance the overall financial and financing capability of the business and drive the sustainable development.

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

		2023	2022
i.	Consumer Electronics Structural Components	**86.4%**	86.3%
ii.	Household and Sports Goods	**13.6%**	13.7%

PROSPECTS

The Group understands that the external economic environment is full of uncertainties, and that the credit environment remains tight. 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 principal businesses, deploy resources prudently, continue to optimise its business portfolio and adjust its operating structure, flexibly utilise its existing innovative technologies and diversified production capacity, and fully utilise its leading craftsmanship and excellent research and development team to focus on businesses with mature scale and development potential.

According to the IDC research report, it is estimated that global smartphone shipments will reach 1,200 million units in 2024, representing a year-on-year increase of 2.8%. Despite the fact that overall shipments in 2024 are still lower than pre-COVID-19 level, the global smartphone market has bottomed out and begun to show a recovery uptrend. The Group's handset casing business currently covers all major handset brands worldwide, and there are signs of an increase in orders in the past few months. As the inventory pressure of major customers decreases, the Group expects to offer more different casings and accessories for different new models of smartphones in the coming year, so as to boost the overall sales and gross profit margin of the Group's handset casing business. The Group is also actively exploring the application of its existing production equipment and technologies for high-precision electronic components in the development of high-margin non-electronic consumer goods customers in various aspects, and has obtained initial positive results. The Group will explore its potential markets through different channels and forms, with an aim to increase the Group's capacity utilisation and high-margin customers.

For the smart electrical appliances casing business, the Group has a competitive advantage among its industry peers owing to its mature technologies. The PRC government has promulgated and implemented a series of policies, such as the Notice from 13 Departments including the Ministry of Commerce on Certain Measures to Promote Household Consumption (商務部等13部門關於促進家居消費若干措施的通知(商消費發號)), aiming to stimulate the growth of the electrical appliance industry by providing subsidies. In view of the current policy environment and the continuous improvement of the electrical appliance market, the Group will devote more efforts to expand its scale and improve its profitability.

For the network communications business, the Group expects that the application of seventh-generation wireless network (Wi-Fi 7) routers will become increasingly popular, thereby driving the demand for network communications products. Moreover, the 2024 Olympic Games to be held in Paris will also facilitate the Group's network communications customers in promoting their new models of products.

For the household and sports goods business, in addition to the existing giant brand customers in Europe and the United States, as the Group actively placed orders with several new giant consumer brand customers in the past, several new factories have been built and have all been put into production, enabling the Group to respond to the future growth of customers' demand for products and increase the attractiveness for new customers to cooperate with the Group, thereby generating momentum for rapid sales growth in the future.

In recent years, the Group has promptly reorganised and streamlined its businesses. In the long run, the Group will be able to utilise resources more effectively, significantly reduce its financing costs and expenses, and also improve its liquidity and gearing ratio. In the past few years, owing to the assistance of various consulting firms and its own efforts, the Group has achieved significant improvements in operational management, which has brought greater cost competitiveness to the Group and facilitated the Group in expanding its market share among existing customers. Moreover, the Group has continuously strengthened its internal management efficiency and talent reserve in recent years, and will actively utilise its existing high-precision production capacity and technologies, so as to explore, in addition to its existing products, various new industries, new products, new materials and new fields. The Group is confident that it is well-positioned to reap the benefits once the industry picks up.

FINANCIAL REVIEW

During the Year, the Group's total revenue was approximately HK$6,521.9 million, representing a decrease of approximately HK$1,450.2 million or approximately 18.2%, from approximately HK$7,972.1 million in the corresponding period last year. Due to the decrease in contributions from the smart electrical appliances casings segment and the network communications facilities and others segment to the Group's total revenue and in line with our continuing restructuring to improve the management efficiency, the management decided to consolidate the handset casings and high-precision components segment with the smart electrical appliances casings segment as well as the network communications facilities and others segment during the Year. The segment information for last year was re-presented on the basis of the Year and the Group currently has two reportable segments including the consumer electronics structural components segment and the household and sport goods segment respectively.

Revenue

The Group's revenue decreased by approximately 18.2%, from approximately HK$7,972.1 million in the corresponding period last year to approximately HK$6,521.9 million during the Year. At the end of 2022, the Group disposed 70% of the entire issued share capital of a subsidiary and therefore the revenue relating to the manufacturing of automotive interior components and aluminum battery components for electric vehicles was no longer consolidated in the Group's consolidated financial statements during the Year. Meanwhile, global inflation and weak corporate and consumer confidence exerted pressure on the sales of consumer products, and the Group was also affected by the de-stocking of some customers and their delayed product launch schedule. As a result, the Group's sales revenue decreased during the Year when comparing to same period last year.

Gross Profit and Margin

The Group's gross profit decreased by approximately 71.9%, from approximately HK$1,229.8 million in the corresponding period last year to approximately HK$345.8 million during the Year. The gross profit margin was approximately 5.3% during the Year, which was approximately 10.1 percentage points lower than that for the corresponding period last year of approximately 15.4%. Decrease in gross profit and gross profit margin was mainly attributable to:

1) the decrease in sales with reasons mentioned above where certain costs including the depreciation, utilities, wages, etc. could not be reduced in the same proportion;

2) waive certain moulding costs that should have been borne by customers on a one-off basis due to various commercial considerations such as strengthening the Group's competitiveness and enhancing the utilisation of its production capacity under current difficult external operating environment and weak consumer market;

3) the increase in inventory provision from HK$238.2 million in the corresponding period last year to HK$336.7 million during the Year in response to the slowing in turnover rate of inventory as a result of the legacy of the past pandemics and the current relatively weak consumer environment; and

4) the closing down of certain factories which were loss-making over the last few years and therefore resulting one-off charges to the cost of sales.

The Group has sufficient cash reserve at the end of the Year and up to the date of this announcement and the losses mentioned above have no material impact to the Group's ability to continue as a going concern.

Through the Group's internal reorganisation and consolidation measures, including but not limited to the decommissioning of loss-making factories and consolidation of the customer base, which may bring one-off losses to the Group's books in the short term, the Group will be able to make a more effective use of its resources and minimise the unnecessary cash expenditure in the long run. Coupled with the continuous efforts made by the Group in recent years to strengthen the efficiency of the internal management of the Group and the pool of human resources, the Board is confident that the Group is well-prepared to reap the benefits once the industry picks up.

Other income and gains, net

Other income and gains, net increased by approximately 21.6% or approximately HK$24.3 million from approximately HK$112.7 million in the corresponding period last year to approximately HK$137.0 million during the Year mainly due the increase in government grants and gain on changes in fair value or disposal of the structured deposits during the Year which was partially offset by the year-to-year decline in rental income.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 24.1% or approximately HK$15.9 million from approximately HK$65.9 million in the corresponding period last year to approximately HK$81.8 million during the Year, accounting for approximately 1.3% of the Group's revenue, which was approximately 0.5 percentage points higher than that for the corresponding period last year of 0.8%. The increase was mainly attributable to the increase in expenses for the exploration of new business opportunities.

General and administrative expenses

General and administrative expenses increased by approximately 3.8% or approximately HK$44.0 million from approximately HK$1,166.6 million in the corresponding period last year to approximately HK$1,210.6 million during the Year, accounting for approximately 18.6% of the Group's revenue, which was approximately 4.0 percentage points higher than that for the corresponding period last year of 14.6%. The increase in administrative expenses was mainly because the Group budgeted more on research and development (R&D) expenses for 1) the improvement of efficiency, automation, product improvement and product innovation; 2) the increase in R&D of environmentally friendly products and recycled materials in response to the increasing proportion of the Group's overseas customers and the global trend of environmental protection; and 3) the increase in R&D of new materials and products as requested by various customers along with the gradual improvement in sales orders from customers since the fourth quarter of the Year. The impact from the increase in R&D expenses was partially off-set by the decrease in salaries due to certain cost saving measures.

Other operating expenses, net

Other operating expenses, net increased by approximately 51.5% or approximately HK$50.1 million from approximately HK$97.2 million in the corresponding period last year to approximately HK$147.3 million during the Year, which was mainly attributable to the payment of a termination fee of HK$60.0 million upon the termination of the disposal of the smart electrical appliances casing business during the Year. Detail of which was set out in note 13(a) to the consolidated financial statements in this announcement.

Finance costs

Finance costs increased by approximately 19.1% or approximately HK$31.6 million from approximately HK$165.2 million in the corresponding period last year to approximately HK$196.8 million during the Year. The increase was mainly attributable to the increase 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 cash inflow from operating activities. The table below summarises the Group's cash flows for the years ended 31 December 2023 and 2022:

	2023	2022
	HK$'000	*HK$000*
Net cash flows from operating activities	**7,013**	743,435
Net cash flows used in investing activities	**(375,441)**	(348,887)
Net cash flows from/(used in) financing activities	**674,789**	(314,012)

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 proceed from spin-off of our household and sport goods business on the Shenzhen Stock Exchange during the Year. As at 31 December 2023, the Group had cash and cash equivalents of HK$1,676.9 million (including time deposits, structured deposits, bank deposits, pledged bank deposits, and cash) (31 December 2022: HK$1,518.4 million), of which HK$194.6 million (31 December 2022: HK$323.2 million) has been pledged to banks as security for trade financing granted. As at 31 December 2023, the Group had total assets of HK$13,302.7 million (31 December 2022: HK$14,228.9 million), net current assets of HK$2,960.7 million (31 December 2022: HK$2,548.6 million) and equity of HK$7,003.5 million (31 December 2022: HK$7,630.8 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 2023, the gearing ratio of the Group (consolidated net debt/total equity) was 18.1% (31 December 2022: 19.1%). As at 31 December 2023, other than the non-current portion of bank loans of HK$1,065.5 million (31 December 2022: HK$1,050.7 million), the Group had bank and other borrowings of HK$1,878.2 million (31 December 2022: HK$1,927.8 million) which will be repayable within one year from the end of the reporting period.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of HK$197.2 million during the Year (31 December 2022: HK$594.1 million), mainly for the additions of property, plant and equipment for expansion of its consumer electronics structural 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 proceed from spin-off of our household and sport goods business on the Shenzhen Stock Exchange during the Year.

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$194.6 million (31 December 2022: HK$323.2 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$47.9 million (31 December 2022: HK$50.2 million) mortgaged by the Group as at 31 December 2023, no other assets of the Group were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31 December 2023, the Group employed a total of approximately 15,000 permanent employees (31 December 2022: approximately 18,000 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 announcement are historical in nature and past performance is not a guarantee of future performance. This 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 22 December 2023, Tongda Precision Technology Company Limited, a wholly-owned subsidiary of the Company as a seller, an independent third party as a purchaser, and the Company as the guarantor, entered into a business transfer agreement whereby the Group agreed to dispose of the business of manufacturing high-precision micro components as currently conducted by the Group for a consideration of HK$2,015,000,000. Further details of the disposal are set out in the announcement of the Company dated 22 December 2023 and the circular dated 19 February 2024. The disposal is expected to be completed on the first half of 2024.

On 22 December 2023, Tongda Intelligence (BVI) Co Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, and Tongda Group (Asia) Limited, as the vendor, entered into the sale and purchase agreement, pursuant to which the purchaser has conditionally agreed to purchase, and the vendor has conditionally agreed to sell all issued shares of Credence Technology Limited, a company incorporated in the British Virgin Islands with limited liability, at the consideration of HK$60,000,000, subject to the terms and conditions as set out in the sale and purchase agreement. The vendor is owned as to 25% each by Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung, being controlling shareholders and connected persons of the Company. As at the date of this announcement, the acquisition has been completed. Further details were set out in the announcement of the Company dated 22 December 2023.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 2023.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2023, the Group did not have any immediate plan for material investments or acquisition of material capital assets.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2023, (i) the Group's largest customer and five largest customers accounted for approximately 16.1% and 47.2% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 1.1% and 4.3% 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 ended 31 December 2022 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 year ended 31 December 2022 *(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 2023 and 2022, no shares options were granted by the Company under the Scheme.

The Scheme has expired on 24 June 2023 and no further options can be 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 number of awards available for grant under the Share Award Scheme as at 31 December 2022, 1 January 2023 and 31 December 2023 was 916,425,764, 916,425,764 and 917,425,764 respectively. 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.

The number of shares that may be issued in respect of the awarded shares granted under the Share Award Scheme during the year ended 31 December 2023 and 2022, being 38,150,000 shares and 55,500,000 shares respectively, divided by the weighted average number of shares of the relevant class in issue for the respective period was approximately 0.39% and 0.57%.

As at the date of this announcement, the total number of shares available for issue under the Share Award Scheme was 38,150,000 (2022: 55,500,000), representing approximately 0.39% (2022: 0.57%) of the entire issued share capital of the Company as at the date of this announcement.

During the year ended 31 December 2022, 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 Part 2 of Appendix C2 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 four independent non-executive Directors, namely Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *GBS, SBS, JP*, Mr. Ting Leung Huel Stephen and Mr. Sze Irons *BBS, JP* respectively.

The four 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 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 three 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 2023 and annual results for the year ended 31 December 2023 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

D & Partners CPA Limited (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

There were no significant events after the year ended 31 December 2023 and up to the date of this announcement.

PROPOSED FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2022: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Wednesday, 29 May 2024. 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 Tuesday, 30 April 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 May 2024 to Wednesday, 29 May 2024 (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 Thursday, 23 May 2024.

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 D2 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, 27 March 2024

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, Mr. Ting Leung Huel Stephen and Mr. Sze Irons, BBS, JP as independent non-executive directors.