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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 2014

**HIGHLIGHTS**

- Our revenue for the financial year ended 31 December 2014 reached approximately HK$4,791,346,000, representing an increase of approximately 32.1% as compared with that for the financial year ended 31 December 2013.

- Our net profit attributable to owners of the Company for the financial year ended 31 December 2014 reached approximately HK$501,701,000, representing an increase of approximately 39.3% as compared with that for the financial year ended 31 December 2013.

- Basic earnings per Share for the financial year ended 31 December 2014 was HK9.44 cents representing an increase of approximately 26.4% as compared with that for the financial year ended 31 December 2013.

- The Directors propose to declare a final dividend of HK2.0 cents per Share for the financial year ended 31 December 2014.

The Board of Directors (the "Board") 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 2014 (the "Year"), together with the comparative figures for the previous year, as follows:

## CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2014*

| | Notes | **2014** *HK$'000* | 2013 *HK$'000* |
|---|---|---|---|
| REVENUE | *6* | **4,791,346** | 3,627,101 |
| Cost of sales | | **(3,647,711)** | (2,829,088) |
| Gross profit | | **1,143,635** | 798,013 |
| Other income and gains, net | *6* | **26,507** | 46,583 |
| Selling and distribution expenses | | **(111,992)** | (78,517) |
| General and administrative expenses | | **(330,262)** | (277,770) |
| Other operating expenses, net | | **(26,756)** | (21,227) |
| Finance costs | *7* | **(56,883)** | (51,869) |
| Share of losses of associates | | **(1,852)** | (94) |
| PROFIT BEFORE TAX | *8* | **642,397** | 415,119 |
| Income tax expense | *9* | **(94,187)** | (46,141) |
| PROFIT FOR THE YEAR | | **548,210** | 368,978 |
| Attributable to: | | | |
| Owners of the Company | | **501,701** | 360,102 |
| Non-controlling interests | | **46,509** | 8,876 |
| | | **548,210** | 368,978 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | *11* | | |
| – Basic | | **HK9.44 cents** | HK7.47 cents |
| – Diluted | | **HK9.30 cents** | HK7.36 cents |

Details of the dividends are disclosed in note 10.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2014*

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| PROFIT FOR THE YEAR | **548,210** | 368,978 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | |
| Gain on property revaluation | **868** | 850 |
| Income tax effect | **(143)** | (140) |
| | **725** | 710 |
| Other comprehensive income/(expense) to be reclassified/reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | | |
| – subsidiaries | **(8,635)** | 67,051 |
| – associates | **(16)** | 1,162 |
| Release of exchange reserve upon step acquisition from associates to subsidiaries | **(4,052)** | – |
| Release of exchange reserve upon disposal of an associate | **133** | – |
| | **(12,570)** | 68,213 |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX | **(11,845)** | 68,923 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **536,365** | 437,901 |
| Attributable to: | | |
| Owners of the Company | **490,090** | 425,420 |
| Non-controlling interests | **46,275** | 12,481 |
| | **536,365** | 437,901 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*31 December 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **1,757,234** | 1,327,626 |
| Investment property | | **54,545** | 53,992 |
| Prepaid land lease payments | | **61,657** | 34,051 |
| Goodwill | | **–** | 6,135 |
| Investments in associates | | **3,059** | 40,647 |
| Prepayments | | **61,534** | 63,421 |
| Long term deposits | | **147,119** | 78,945 |
| Loan to a non-controlling shareholder of a subsidiary | | **12,610** | – |
| Deferred tax assets | | **3,703** | 3,703 |
| Total non-current assets | | **2,101,461** | 1,608,520 |
| CURRENT ASSETS | | | |
| Inventories | *12* | **1,400,901** | 1,088,267 |
| Trade and bills receivables | *13* | **2,166,186** | 1,585,497 |
| Prepayments, deposits and other receivables | | **204,441** | 132,288 |
| Loan to a non-controlling shareholder of a subsidiary | | **6,305** | – |
| Due from a related company | | **9,848** | 1,749 |
| Tax recoverable | | **344** | 110 |
| Pledged deposits | | **117,463** | 62,793 |
| Cash and cash equivalents | | **360,161** | 177,643 |
| Total current assets | | **4,265,649** | 3,048,347 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | *14* | **1,329,422** | 894,417 |
| Accrued liabilities and other payables | | **195,609** | 140,458 |
| Interest-bearing bank and other borrowings | | **629,143** | 591,761 |
| Due to a non-controlling shareholder of a subsidiary | | **54** | 54 |
| Tax payable | | **177,406** | 187,547 |
| Total current liabilities | | **2,331,634** | 1,814,237 |
| NET CURRENT ASSETS | | **1,934,015** | 1,234,110 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **4,035,476** | 2,842,630 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*31 December 2014*

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | | **350,835** | 257,906 |
| Deferred tax liabilities | | **48,172** | 35,554 |
| Total non-current liabilities | | **399,007** | 293,460 |
| Net assets | | **3,636,469** | 2,549,170 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | *15* | **54,692** | 48,589 |
| Reserves | | **3,422,502** | 2,406,288 |
| | | **3,477,194** | 2,454,877 |
| Non-controlling interests | | **159,275** | 94,293 |
| Total equity | | **3,636,469** | 2,549,170 |

## NOTES

### 1. CORPORATE 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 consists of investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handsets, notebook computers and electrical appliances, ironware products and other electronic products. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for a leasehold building in Hong Kong classified as property, plant and equipment and the investment property which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. 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.

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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2. BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

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 standards and new interpretation for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | *Investment Entities* |
| Amendments to HKAS 32 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to HKAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |
| Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle* | *Definition of Vesting Condition*[1] |
| Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle* | *Accounting for Contingent Consideration in a Business Combination*[1] |
| Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle* | *Short-term Receivables and Payables* |
| Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle* | *Meaning of Effective HKFRSs* |

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

## 4. NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[4] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | *Investment Entities: Applying the Consolidation Exception*[2] |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[2] |
| HKFRS 14 | *Regulatory Deferral Accounts*[5] |
| HKFRS 15 | *Revenue from Contracts with Customers*[3] |
| Amendments to HKAS 1 | *Disclosure Initiative*[2] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[2] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[2] |
| Amendments to HKAS 19 | *Defined Benefit Plans: Employee Contributions*[1] |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements*[2] |
| *Annual Improvements 2010-2012 Cycle* | Amendments to a number of HKFRSs[1] |
| *Annual Improvements 2011-2013 Cycle* | Amendments to a number of HKFRSs[1] |
| *Annual Improvements 2012-2014 Cycle* | Amendments to a number of HKFRSs[2] |

[1] Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning on or after 1 January 2016

[3] Effective for annual periods beginning on or after 1 January 2017

[4] Effective for annual periods beginning on or after 1 January 2018

[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

## 5. OPERATING SEGMENT INFORMATION

The following tables present revenue, profit and certain assets and liabilities information for the Group's operating segments for the years ended 31 December 2014 and 2013.

### Group

| | Electrical fittings | | Ironware parts | | Communication facilities and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | **HK$'000** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | **3,636,967** | 2,882,537 | **687,730** | 492,385 | **466,649** | 252,179 | **-** | – | **4,791,346** | 3,627,101 |
| Intersegment sales | **14,535** | 20,514 | **11,701** | 20,924 | **4,205** | – | **(30,441)** | (41,438) | **-** | – |
| Total | **3,651,502** | 2,903,051 | **699,431** | 513,309 | **470,854** | 252,179 | **(30,441)** | (41,438) | **4,791,346** | 3,627,101 |
| Segment results before depreciation and amortisation | **765,241** | 531,111 | **62,188** | 60,045 | **65,179** | 26,484 | **-** | – | **892,608** | 617,640 |
| Depreciation | **(152,516)** | (135,515) | **(16,660)** | (12,968) | **(6,943)** | (4,442) | **-** | – | **(176,119)** | (152,925) |
| Amortisation | **(1,530)** | (733) | **(1,647)** | (1,653) | **(82)** | (82) | **-** | – | **(3,259)** | (2,468) |
| Segment results | **611,195** | 394,863 | **43,881** | 45,424 | **58,154** | 21,960 | **-** | – | **713,230** | 462,247 |
| Unallocated income | | | | | | | | | **26,507** | 46,583 |
| Impairment of goodwill | | | | | | | | | **(9,177)** | (16,616) |
| Corporate and other unallocated expenses | | | | | | | | | **(29,428)** | (25,132) |
| Finance costs | | | | | | | | | **(56,883)** | (51,869) |
| Share of losses of associates | | | | | | | | | **(1,852)** | (94) |
| Profit before tax | | | | | | | | | **642,397** | 415,119 |
| Income tax expense | | | | | | | | | **(94,187)** | (46,141) |
| Profit for the year | | | | | | | | | **548,210** | 368,978 |

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

**Group (continued)**

| | Electrical fittings | | Ironware parts | | Communication facilities and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | **HK$'000** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Other segment information: | | | | | | | | | | |
| Impairment losses/write-down recognised in the income statement* | **(23,482)** | (3,105) | **(1,637)** | (2,000) | **(3,180)** | (1,110) | **-** | - | **(28,299)** | (6,215) |
| Impairment losses reversed in the income statement** | **-** | 50 | **-** | - | **470** | 2,349 | **-** | - | **470** | 2,399 |
| Capital expenditure*** | **541,271** | 165,908 | **59,066** | 42,667 | **25,416** | 1,566 | **-** | - | **625,753** | 210,141 |
| Segment assets | **4,942,593** | 3,702,037 | **596,229** | 504,290 | **324,643** | 159,509 | **-** | - | **5,863,465** | 4,365,836 |
| Unallocated assets | | | | | | | | | **503,645** | 291,031 |
| Total assets | | | | | | | | | **6,367,110** | 4,656,867 |
| Segment liabilities | **1,155,363** | 791,081 | **239,164** | 172,540 | **130,558** | 71,308 | **-** | - | **1,525,085** | 1,034,929 |
| Unallocated liabilities | | | | | | | | | **1,205,556** | 1,072,768 |
| Total liabilities | | | | | | | | | **2,730,641** | 2,107,697 |

* Included impairment of trade receivables, write-off of trade receivables and provision against obsolete inventories.

** Included write-back of impairment of trade receivables and write-back of provision against obsolete inventories.

*** Capital expenditure consists of additions to property, plant and equipment.

During the year, the Group performed a review on its business and rationalised the allocation for certain revenue, expenses, assets and liabilities to the respective reporting segments. Accordingly, certain comparative accounts have been reclassified to conform to the current year's presentation.

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

**Geographical information**

(a) Revenue from customers

**Group**

| | Mainland China | | Southeast Asia | | Middle East | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***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 | **4,321,073** | 3,275,095 | **333,836** | 176,067 | **5,061** | 48,717 | **131,376** | 127,222 | **4,791,346** | 3,627,101 |
| (b) Non-current assets | **2,041,237** | 1,516,897 | **-** | - | **-** | - | **40,852** | 41,138 | **2,082,089** | 1,558,035 |

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

The non-current assets information above is based on the locations of the assets and excludes investments in associates, goodwill, a loan to a non-controlling shareholder of a subsidiary and deferred tax assets.

**Information about major customers**

During the year ended 31 December 2014, revenue of approximately HK$1,206,968,000 (2013: HK$698,836,000) and HK$481,376,000 (2013: Nil), representing 25.19% (2013: 19.27%) and 10.05% (2013: Nil) of the Group's revenue, respectively, was derived from sales by electrical fittings segment to two customers (2013: one), including sales to a group of entities which are known to be under common control of the respective customers.

## 6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| **Revenue** | | |
| Sale of: | | |
| Electrical fittings | **3,636,967** | 2,882,537 |
| Ironware parts | **687,730** | 492,385 |
| Communication facilities and others | **466,649** | 252,179 |
| | **4,791,346** | 3,627,101 |
| **Other income and gains, net** | | |
| Bank interest income | **5,083** | 3,005 |
| Gross rental income with nil outgoings | **3,485** | 5,433 |
| Sale of scrap materials | **7,227** | 5,312 |
| Government grants* | **8,230** | 18,581 |
| Fair value gain on an investment property | **758** | 253 |
| Remeasurement gain on step acquisition from associates to subsidiaries and disposal of an associate | **3,732** | – |
| Release of exchange reserve upon step acquisition from associates to subsidiaries | **4,052** | – |
| Release of exchange reserve upon disposal of an associate | **(133)** | – |
| Foreign exchange differences, net | **(8,703)** | 8,136 |
| Others | **2,776** | 5,863 |
| | **26,507** | 46,583 |

* There are no unfulfilled conditions or contingencies relating to these grants.

## 7. FINANCE COSTS

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Interest expenses on bank and other loans wholly repayable within five years | **39,408** | 31,022 |
| Less: Interest capitalised# | **(2,181)** | – |
| | **37,227** | 31,022 |
| Interest expenses on discounted bills | **19,656** | 20,847 |
| | **56,883** | 51,869 |

\# During the year ended 31 December 2014, interest of HK$2,181,000 arose from certain funds borrowed generally used for the purpose of constructing certain leasehold buildings situated in Mainland China was capitalised and included in the cost of leasehold buildings in Mainland China.

## 8. PROFIT BEFORE TAX

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of inventories sold | **3,647,711** | 2,829,088 |
| Depreciation | **176,119** | 152,925 |
| Amortisation of prepaid land lease payments | **1,612** | 815 |
| Amortisation of prepayments | **1,647** | 1,653 |
| Research and development costs** | **97,468** | 91,840 |
| Impairment of goodwill* | **9,177** | 16,616 |
| Minimum lease payments under operating leases of leasehold land and buildings | **36,551** | 33,010 |
| Employee benefit expense (excluding directors' remuneration): | | |
| Salaries and wages | **892,363** | 684,976 |
| Equity-settled share option expense | **3,975** | – |
| Pension scheme contributions | **31,627** | 27,420 |
| Less: amounts included in research and development costs | **(22,205)** | (19,505) |
| | **905,760** | 692,891 |
| Auditors' remuneration | **2,839** | 2,730 |
| Impairment of trade receivables* | **7,635** | 3,527 |
| Write-back of impairment of trade receivables* | **(470)** | (1,931) |
| Write-off of trade receivables* | **–** | 2,582 |
| Provision against/(write-back of provision against) obsolete inventories | **20,664** | (362) |
| Changes in fair value of an investment property | **(758)** | (253) |
| Loss on disposal of items of property, plant and equipment* | **8,257** | 899 |

* Impairment of goodwill, impairment of trade receivables, write-back of impairment of trade receivables, write-off of trade receivables and loss on disposal of items of property, plant and equipment are included in "Other operating expenses, net" on the face of the consolidated income statement.

** Included in the research and development costs are items of plant and equipment amounted to HK$12,214,000 (2013: HK$13,893,000) which are capitalised under property, plant and equipment in the consolidated statement of financial position and are depreciated over their estimated useful lives.

Cost of inventories sold includes $996,586,000 (2013: HK$757,061,000) relating to staff costs, operating lease rentals of leasehold land and buildings, provision against/(write-back of provision against) obsolete inventories, amortisation of prepayments and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

## 9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | **3,704** | 2,564 |
| Overprovision in prior years | **(1,413)** | (204) |
| | **2,291** | 2,360 |
| Current – Elsewhere | | |
| Charge for the year | **103,788** | 72,039 |
| Overprovision in prior years | **(24,407)** | (14,310) |
| | **79,381** | 57,729 |
| Deferred | **12,515** | (13,948) |
| Total tax charge for the year | **94,187** | 46,141 |

## 10. DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends paid during the year: | | |
| Final in respect of the financial year ended 31 December 2013 – HK1.6 cents per ordinary share (2013: final dividends of HK1.2 cents per ordinary share, in respect of the financial year ended 31 December 2012) | **87,442** | 58,306 |
| Interim – HK1.0 cent (2013: HK0.9 cent) per ordinary share | **54,652** | 43,730 |
| | **142,094** | 102,036 |
| Proposed final dividend: | | |
| Final – HK2.0 cents (2013: HK1.6 cents) per ordinary share | **109,383** | 77,742 |

The proposed final dividend of HK2.0 cents per ordinary share (2013: HK1.6 cents per ordinary share) for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 5,316,267,000 (2013: 4,822,368,000) in issue during the year, as adjusted to reflect the new shares issued during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings: | | |
| Profit for the year attributable to owners of the Company | **501,701** | 360,102 |
| | ***'000*** | *'000* |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **5,316,267** | 4,822,368 |
| Effect of dilutive potential ordinary shares arising from share options | **78,224** | 70,507 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **5,394,491** | 4,892,875 |

## 12. INVENTORIES

| | **Group** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Raw materials | **482,131** | 402,075 |
| Work in progress | **360,711** | 258,555 |
| Finished goods | **558,059** | 427,637 |
| | **1,400,901** | 1,088,267 |

As at 31 December 2014, molds of HK$175,012,000 (2013: HK$145,375,000) are included in the finished goods.

## 13. TRADE AND BILLS RECEIVABLES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **1,998,829** | 1,397,826 |
| Impairment allowances | **(40,013)** | (32,884) |
| | **1,958,816** | 1,364,942 |
| Bills receivable | **207,370** | 220,555 |
| | **2,166,186** | 1,585,497 |

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

An aged analysis of the Group's trade and bills receivables as at 31 December 2014, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **1,907,767** | 1,358,407 |
| 4 to 6 months, inclusive | **216,833** | 210,488 |
| 7 to 9 months, inclusive | **35,902** | 10,085 |
| 10 to 12 months, inclusive | **8,762** | 4,854 |
| More than 1 year | **36,935** | 34,547 |
| | **2,206,199** | 1,618,381 |
| Impairment allowances | **(40,013)** | (32,884) |
| | **2,166,186** | 1,585,497 |

## 14. TRADE AND BILLS PAYABLES

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **959,576** | 715,337 |
| Bills payable | **369,846** | 179,080 |
| | **1,329,422** | 894,417 |

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 31 December 2014, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **993,691** | 642,229 |
| 4 to 6 months, inclusive | **308,268** | 224,202 |
| 7 to 9 months, inclusive | **10,417** | 12,540 |
| 10 to 12 months, inclusive | **776** | 1,586 |
| More than 1 year | **16,270** | 13,860 |
| | **1,329,422** | 894,417 |

## 15. SHARE CAPITAL

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Authorised: | | |
| 20,000,000,000 ordinary shares of HK$0.01 each | **200,000** | 200,000 |
| Issued and fully paid: | | |
| 5,469,150,000 (2013: 4,858,850,000) ordinary shares of HK$0.01 each | **54,692** | 48,589 |

## 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 2014 (the "Year") on behalf of the board of directors (the "Board").

The Group benefited from the development of domestic handset industry towards mid-to-high-end market, and increased production capacity for metal and precison plastic casings during the Year. With further expansion of customer base in handset, electrical appliances and other business, the Group's total revenue increased by 32.1% to HK$4,791.3 million (2013: HK$3,627.1 million), while gross profit increased by 43.3% to HK$1,143.6 million (2013: HK$798.0 million). Profit attributable to shareholders amounted to HK$501.7 million (2013: HK$360.1 million), representing a 39.3% growth year-on-year. Given the effort on enhancing automation and utilisation of production capacity while focusing on high value-added products, gross profit margin surged to 23.9% (2013: 22.0%) with net profit margin lifted to 10.5% (2013: 9.9%). Such encouraging growth is attributable to the hard work of all the staff and the management team over the past year.

The Group has maintained a stable dividend payout history over the years, sharing our returns with shareholders. For the Year, the Board recommends the payment of a final dividend of HK2.0 cents per share (2013: HK1.6 cents). Together with the paid interim dividend of HK1.0 cent per share (2013: HK0.9 cent), the total dividend for the Year will amount to HK3.0 cents per share (2013: HK2.5 cents), representing a dividend payout ratio of 32.7%.

Handset brands in mainland China shifted their focus to mid-to-high-end market. During the Year, they successively launched products with high specification hardware and unique designs. The Group timely met the needs of customers by providing one-stop supply of components that include battery covers, middle frames, display frames and Laser Direct Structuring ("LDS") antenna with diversified solution packages. Riding on the trend of high-end metal casings in the second half of the Year, the Nano Molding Technology ("NMT") adopted by the Group has attracted enormous demand from the market because it not only simplifies the assembly process and increases the product passing rate with its exceptional mechanical performance, but also has an outstanding cost-performance ratio.

For electrical appliance business, the Group pursued excellence by focusing on the high-end market with top priority of improving profitability. With its one-piece shaping IML technology, the Group can produce casing for floor-standing air-conditioners up to 1.8 meter in height. Combining with the components of film switch (Indium tin oxide ("ITO film")), such casings have been widely used by the high-end products in the Mainland. During the Year, the Group secured other international brands as its new customers, such as DYSON, which will help us to further develop both the European and the United States (the "US") markets. For notebook computer business, in the face of a weak market, the Group still recorded steady growth, which was mainly attributable to its precise strategy of putting efforts on strengthening relationship between brands in the PRC, Japan and Taiwan and at the same time actively exploring both the European and US markets.

Looking ahead, the increasing popularity of the fourth generation wireless communication system ("4G") in the coming years will mark the official start of the new era featuring mobile interconnection. The Group will continue to work closely with the domestic brands and monitor the market development. Accordingly, it will actively research and develop diversified applications of decoration technology, with a view to timely boosting the production capacity of metal casings for handset by focusing on the investment in new materials and craftsmanship, eventually enhancing our comprehensive compatibility. As to the electrical appliance and notebook computer business, the Group will increase its competitive strengths by developing peripheral products and new products. We are eager to negotiate with high-end brands in both the European and US markets to expand the Group's customer base. Moreover, the Group has enhanced its production capacity during the Year and facilitated automation process to promote production efficiency. As such, the Group believes that it is well-equipped to cater for strong amount of orders in the coming years and further improve the value-added features, as well as implementing strict cost control, so as to achieve satisfactory margin.

The Group will build on its solid foundation to achieve sustainable development in the long run through strategy optimisation, resolute implementation and effective decision-making, while it will also look to expand into new business with higher margin, such as the interior decorative components for automobile. Meanwhile, we will also uphold our emphasis on product quality and provide technical training to our production personnel. Precision management will be enforced with a view to fully capitalising on the synergy between different business segments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Business and Financial Review

The Group is a world-leading solution provider of high-precision components for consumer electronic products. During the year, the Group benefited from the domestic handset brands' strategic shift to mid-to-high-end products and the wave of product upgrade in the white goods market, resulting in satisfactory growth in each of its business segments. As at 31 December 2014, the Group's revenue increased 32.1% year-on-year to HK$4,791.3 million. Gross profit increased 43.3% to HK$1,143.6 million compared with HK$798.0 million for last year.

The turnover days of inventory was 125 days, increased by 3 days or 2.5% compared with 2013. The turnover days of trade and bills receivables was 143 days, decreased by 10 days or 6.5% compared with 2013. The turnover days of trade and bills payables was 111 days, decreased by 12 days or 9.8% compared with 2013.

During the year, the Group strived to develop mid-to-high-end products, such as metal handset casing. With improved automation in production procedure and utilisation rate of production capacity, the Group's overall gross profit margin increased from 22.0% of last year to 23.9%. Profit attributable to owners of the Company increased 39.3% from HK$360.1 million in 2013 to HK$501.7 million, while the overall net profit margin rose to 10.5% (2013: 9.9%).

### 2. Operational Information by Division

#### a. Electrical Fittings Division

The division, consisting of three departments in handsets, electrical appliances and notebook computers, mainly provides one-stop product solutions for domestic and international clients. Revenue of this division for the Year grew 26.2% from HK$2,882.5 million last year to approximately HK$3,637.0 million, and accounted for 76% of total revenue of the Group.

*Handsets*

The Group enhanced the production capacity of the handset department in the Year. Boosted by surging orders for metal casings which commanded higher unit prices, revenue increased 29.9% from HK$1,859.8 million in 2013 to HK$2,415.0 million, and accounted for 51% of total revenue.

The Group has been progressing alongside with various fast growing domestic and international brands, including Huawei, Xiaomi, OPPO, ZTE, Lenovo, Coolpad and TCL. During the Year, a number of handsets distinguished themselves in the market with exceptional cost-performance ratio. As such, a number of brands successfully drove up their penetration in the international market and were ranked amongst the top 10 handset brands in the world, with significant increase in shipment. Phase I of the Group's new production plant in Xiamen commenced operation in October last year. It focused on production of handset casings and offered a timely boost to meet the orders in the traditional peak season during the fourth quarter, contributing to a significant year-on-year growth in revenue of the handset business in the second half of the year. At the end of the year, the Group added Asus, a Taiwan brand, to our customer base. Providing mass production of new smartphone casings to Asus offers a new source of growth for the Group.

Nowadays, domestic handset brands are focusing more on outstanding specifications and product differentiation, with increasing requirements for appearance, texture and functionality. In respect of its decorating technology, the Group has applied the Nano Molding Technology ("NMT"), which attaches metal and plastic at Nano level, resulting in thinner but stronger products. Production lead time is generally shorter than traditional uni-body metal casing while assembly is easier with higher passing rate. The Group also allocated more resources to Computer Numerical Controlling ("CNC") machines and concentrated on the production of high-end metal casings. Metal Injection Molding ("MIM") technology can produce complicated and precision metal components. These technologies of the Group may cater for the growing demand for precision metal casing.

Furthermore, the applied technology of In-Mold Lamination ("IML") and the latest technology of In-mold Transfer ("IMT") are the core technology of the Group, which can be widely used in precision plastic casings. The Group is also able to produce glass casings and other casings made of composite materials. The one-stop service capability of the Group offers customers with a variety of components such as battery covers, display frames and middle frames. The Group has commenced mass production with Laser Direct Structuring ("LDS") antenna technology. With diversified materials and advanced technologies, it can meet the needs of different customers.

*Electrical Appliances*

As a preferred domestic supplier of casings for high-end white goods, the Group focused on the production of high-end products last year. Revenue of the Group's electrical appliances business increased 26.6% from HK$464.7 million last year to HK$588.4 million, and accounted for 12% of the revenue. Our major customers include well-known domestic electrical appliance brands, such as Haier, Gree and Midea; our overseas customers include Panasonic, Zojirushi, Electrolux and we have also added some new customers, such as DYSON. The underlying products include panels for air-conditioners, refrigerators, washing machines and rice-cookers.

Last year, the Group applied one-piece shaping IML technology to produce large scale casings of 1.8 meter high for floor-standing air-conditioners. This high-profit item was welcomed by our customers. The Group has also integrated the customers' control panels with touch film switch (Indium tin oxide ("ITO film")), which should help to increase the unit price of relevant products. This type of casings with rich functions and texture help to cement the Group's leading position in the high-end electrical appliances market.

*Notebook Computers*

During the year, revenue from notebook computers increased 13.5% to HK$633.6 million and accounted for 13% of the revenue. Last year, the Group upheld the main objectives of reinforcing relationship between brands in China, Japan and Taiwan, as well as actively tapping into the European and the United States ("US") markets. The department's major customers were Lenovo and NEC. Orders from overseas brands such as Toshiba, Fujitsu and HP also remained stable. Major products include precision metal and plastic ultrabook and tablet casings with light, simple and grand design.

b. **Ironware Parts Division**

Revenue for the division increased by 39.7% from HK$492.4 million in last year to HK$687.7 million and accounted for 14% of the revenue. With an aim to providing one-stop component solutions and utilising production capacity efficiently, the Group offered electrical appliance customers a myriad of aluminum components, high-precision metal components and metallic set top boxes with various surface effects through the years. During the year, performance of the division was boosted by the growth in electrical appliances business, as well as an increase in demand for high-resolution set top boxes spurred by the FIFA World Cup.

c. **Communication Facilities Division and Other Business**

The Division posted a 85.0% increase in sales from HK$252.2 million last year to HK$466.6 million, and accounted for 10% of total revenue. Such increase was brought about by production of household durable items and sports gear for new customers, such as IKEA from Sweden, Wagner from the US and Decathlon Group from France. Moreover, the division pivoted on the production of digital satellite TV receivers and plastic set top boxes for long-term customers in the Middle East, Europe and the US.

d. **Percentage of total sales revenue by product for the year ended 31 December 2014 and a comparison with 2013 are as follows:**

| | **2014** | 2013 |
|---|---|---|
| Electrical Fittings Division | **76%** | 79% |
| i. Handsets | **51%** | 51% |
| ii. Electrical Appliances | **12%** | 13% |
| iii. Notebook Computers | **13%** | 15% |
| Ironware Parts Division | **14%** | 14% |
| Communication Facilities and Other Business | **10%** | 7% |

### 3. Prospects

According to market forecasts, the shipment of handsets in the Mainland is likely to post steady growth in the coming year. The focus will be on mid-to-high-end products, which will benefit from the development in differentiated product segments, such as functional components of metal casings and antenna. The Group will closely monitor the market trend and spare no efforts in the research and development ("R&D") for diversified applications of casing decoration technologies. It will also increase production capacity for metal handset casing in a timely manner and will continue working on the R&D of new processes for production through which the Group may offer a greater variety of metal casings for customers, and upgrade its overall integrating capacity for the handset operation.

The construction of networks under the fourth generation wireless communication system ("4G") licenses in the Mainland had made further progress in the second half of the year. With more comprehensive handset hardware supporting system and surging number of users of 4G handsets, it is clearly indicating that the mobile communication in the Mainland had turned to a new page. The Group's Laser Direct Structuring ("LDS") antenna technology, a prevailing core technology for 4G handsets, will benefit from the popularity of 4G handsets. Its LDS antenna components features a vertically integrated supply chain, integrating all-in-one design from antenna to structural components and combining different production procedures. Such one-stop services are the keys to maintaining our strong competitive edges.

For electrical appliances, the high-end segment of intelligent and exquisite appliances featuring efficient, energy-saving and environmentally friendly elements were under the spotlight in both domestic and global markets. With a view to satisfying the demand of customers, the Group will strengthen its R&D of high-end panels and enhance product value by embedment of functional parts. Targeting the enormous demand for high-end panels in European and US markets, the Group will actively approach high-end brands to expand its client base.

As the global notebook computer market is stabilising, we will continue to focus on the Mainland market and at the same time tap into Japan and international markets to attract new customers actively. We will offer ultrabook with refined texture and peripheral products for tablets and mouse casings.

The management is confident about the business development in the coming year. The Group will respond swiftly to changes as always and make utmost effort in the R&D of new technologies and craftsmanship. The Group will actively procure potential international customers and strengthen its competitiveness to maximise its profits. The Group will, as it always does, endeavour to maintain a healthy financial position and stable dividend ratio, and bring greater returns to shareholders and employees with utmost effort.

## 4. 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.

During the year, the Group's primary sources of funding included proceeds from share placement, cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China.

As at 31 December 2014, it has cash and cash equivalents and pledged deposits balance of HK$477.6 million and without holding any structural investment contract.

The Group's cash and bank balances remained at about HK$477.6 million, of which approximately HK$117.5 million (2013: HK$62.8 million) has been pledged to banks as security for trade financing.

As at 31 December 2014, the Group had total assets of HK$6,367.1 million (2013: HK$4,656.9 million), net current assets of HK$1,934.0 million (2013: HK$1,234.1 million) and equity of HK$3,636.5 million (2013: HK$2,549.2 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 the current operational requirements of the Group.

## 5. Capital Expenditure

The total capital expenditure incurred in 2014 was HK$625.8 million (2013: HK$210.1 million), which was mainly used in acquisition of production equipments and construction of production plants.

## 6. Treasury Policy

The Group's sales were principally denominated in Hong Kong dollars, RMB and US dollars while purchases were transacted mainly in Hong Kong dollars, RMB, US dollars and Japanese Yen. As the foreign currency risks generated from the sales and purchases can be set off against each other and the fluctuation of RMB in 2014 did not materially affect the costs and operations of the Group for the year, the Directors do not foresee significant risk in exchange rate fluctuation. Currently, the Group has not entered into any financial instrument for hedging purposes. However, the Group will closely monitor its overall foreign exchange exposures and interest rate exposures, and consider hedging against the exposures should the need arise.

## 7. Charges on Group Assets

Apart from bank deposits amounting to HK$117.5 million (2013: HK$62.8 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK$40.0 million (2013: HK$40.0 million) mortgaged by the Group as at 31 December 2014, the Group had no other pledge of assets to any financial institution.

## 8. Acquisition of a subsidiary

Other than the information disclosed above, the Group acquired the remaining equity interest in Meijitsu Tongda (HK) Company Limited ("Meijitsu HK") and its subsidiaries, being former associates of the Company from the other shareholders of Meijitsu HK in January 2014. Upon the completion of the acquisition, Meijitsu HK and its subsidiaries became the wholly-owned subsidiaries of the Company. There were no contingent liabilities as at 31 December 2014 and the reporting date, and no future plans for material investments nor acquisitions of material capital assets.

## 9. Human Resources

As at 31 December 2014, the Group employed a total of approximately 16,000 employees (31 December 2013: 13,100 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 31 December 2014 amounted to HK$892.4 million (2013: HK$685.0 million).

Employees are remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages are reviewed by its management on a regular basis. In addition to offering competitive salary packages, the Group also grants discretionary bonuses and share options to subscribe shares of the Company to qualified employees based on operation conditions and individual performance.

## GEARING RATIO AND INDEBTEDNESS

As at 31 December 2014, the gearing ratio of the Group (consolidated net borrowings/total equity) was 13.8% (2013: 23.9%).

As at 31 December 2014, other than the non-current portion of bank loans of HK$350,835,000 (2013: HK$257,906,000), the Group had bank and other borrowings of HK$629,143,000 (2013: HK$591,761,000) which will be repayable within one year from the end of the reporting period.

The effective interest rates per annum for the Company's bank loans are Hong Kong Interbank Offered Rate ("HIBOR") plus 1.85% per annum ("p.a.") and 1.75% p.a. and fixed rate of 2.65% p.a.. Other than the Company's bank loans, the effective interest rates for the Group's bank and other borrowings are London Interbank Offered Rate ("LIBOR") plus 2.50% p.a., HIBOR plus 2.0% p.a. and 2.47% p.a. to 7.28% p.a..

In February 2014, the Company entered into three-year unsecured bank loan facilities of US$12,751,000 and HK$937,000, which bear interest at a mixed rate (floating rate at 1-week LIBOR plus 1.75% p.a., a fixed rate of 2.65% p.a. and HIBOR plus 1.75% p.a.) for the period from March 2014 to August 2017 and will be repayable by four half-yearly installments commencing from February 2016. The related funding will be used in normal course of business and to increase fixed assets.

In May 2014, the Company entered into a three-year secured bank loan facility of HK$175,000,000, which bears interest at HIBOR plus 1.85% p.a. for the period from October 2014 to October 2017 and will be repayable by seven quarterly installments commencing from April 2016. The related capital will be used in normal course of business and to increase fixed assets.

In November 2014, the Company entered into a three-year unsecured bank loan facility of HK$350,000,000, which bears interest at HIBOR plus 1.50% p.a. for the period from January 2015 to November 2017 and will be repayable by seven quarterly installments commencing from May 2016. The related capital will be used in normal course of business and to increase fixed assets. The above bank loan was not drawn down as at the end of the reporting period.

## CONTINGENT LIABILITIES

The Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries, which were utilised to the extent of HK$245,056,000 (2013: HK$124,670,000) at the end of the reporting period.

Save as disclosed above, neither the Group, nor the Company, had any significant contingent liabilities at the end of the reporting period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with all code provisions of the Code of the Best Practice (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout 2014 with certain deviation as mentioned below:

The Company has three independent non-executive Directors, namely Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, SBS, JP, and Mr. Ting Leung Huel Stephen respectively.

The three independent non-executive Directors are not appointed for a fixed term of office, but they are subject to the retirement by rotation and re-election of Directors in 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 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 exacting than those set out in the CG Code.

According to A.2.1. of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Wang Ya Nan currently holds both positions. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Also, 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:

– Audit Committee (the "AC") is comprised exclusively of 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 advices 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 Audit Committee comprises all independent non-executive Directors, Mr. Ting Leung Huel Stephen, Mr. Cheung Wah Fung, Christopher and Dr. Yu Sun Say. Mr. Ting takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the 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 auditors and relevant auditing matters. Also, the AC is responsible to review and supervise the internal control system of the Group and transactions with connected persons (if any).

The Group's unaudited interim results for the six months ended 30 June 2014 and annual results for the year ended 31 December 2014 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.

## 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 Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

## AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

## 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 financial year ended 31 December 2014 containing all the information required by appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK2.0 cents per share for the year ended 31 December 2014. The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company as at the close of business on 10 June 2015, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about 19 June 2015.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on 3 June 2015. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or before 30 April 2015.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 June 2015 to 15 June 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2014, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, for registration not later than 10 June 2015.

## 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, 18 March 2015

*As at the date of this announcement, the Board comprises Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yu, Mr. Wong Ah Yeung, Mr. Choi Wai Sang and Mr. Wang Ming Che as executive directors; and Dr. Yu Sun Say, J.P., Mr. Cheung Wah Fung, Christopher, J.P. and Mr. Ting Leung Huel Stephen as independent non-executive directors.*