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TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2015 reached approximately HK\$2,881,201,000, representing an increase of approximately 37.1% as compared with that for the financial period ended 30 June 2014.
- Our net profit attributable to owners of the Company for the financial period ended 30 June 2015 reached approximately HK\$294,232,000 representing an increase of approximately 76.1% as compared with that for the financial period ended 30 June 2014.
- Basic earnings per Share for the financial period ended 30 June 2015 was HK5.38 cents representing an increase of approximately 66.0% as compared with that for the financial period ended 30 June 2014.
- The Directors propose to declare an interim dividend of HK1.6 cent per Share for the financial period ended 30 June 2015.

The board (the “Board”) of directors (the “Directors”) of Tongda Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period”) together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2015	2014
		HK\$'000	HK\$'000
REVENUE	4	2,881,201	2,100,931
Cost of sales		(2,203,645)	(1,618,597)
Gross profit		677,556	482,334
Other income and gains, net		17,706	87
Selling and distribution expenses		(75,283)	(42,949)
Administrative expenses		(175,863)	(177,233)
Other operating expenses, net		(5,989)	174
Finance costs		(26,981)	(27,289)
Share of losses of associates		(365)	(21)
PROFIT BEFORE TAX	5	410,781	235,103
Income tax expense	6	(80,954)	(47,520)
PROFIT FOR THE PERIOD		329,827	187,583
Attributable to:			
Owners of the Company		294,232	167,111
Non-controlling interests		35,595	20,472
		329,827	187,583
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
– Basic		HK5.38 cents	HK3.24 cents
– Diluted		HK5.28 cents	HK3.19 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	329,827	187,583
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	441	432
Income tax effect	(73)	(71)
	368	361
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	(27,642)	(37,441)
– associates	(27)	(62)
	(27,669)	(37,503)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(27,301)	(37,503)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	302,526	150,441
ATTRIBUTABLE TO:		
Owners of the Company	268,481	131,018
Non-controlling interests	34,045	19,423
	302,526	150,441

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,133,411	1,757,234
Investment property		55,318	54,545
Prepaid land lease payments		60,419	61,657
Investments in associates		2,666	3,059
Prepayments		60,178	61,534
Long term deposits		286,195	147,119
Loan to a non-controlling shareholder of a subsidiary		12,610	12,610
Deferred tax assets		3,703	3,703
		2,614,500	2,101,461
Total non-current assets			
CURRENT ASSETS			
Inventories	10	1,613,420	1,400,901
Trade and bills receivables	11	2,420,883	2,166,186
Prepayments, deposits and other receivables		324,721	204,441
Loan to a non-controlling shareholder of a subsidiary		6,305	6,305
Due from a related company		5,860	9,848
Tax recoverable		202	344
Pledged deposits		188,572	117,463
Cash and cash equivalents		335,506	360,161
		4,895,469	4,265,649
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	12	1,599,612	1,329,422
Accrued liabilities and other payables		217,641	195,609
Interest-bearing bank and other borrowings		900,734	629,143
Due to a non-controlling shareholder of a subsidiary		54	54
Tax payable		188,634	177,406
		2,906,675	2,331,634
Total current liabilities			
NET CURRENT ASSETS		1,988,794	1,934,015
TOTAL ASSETS LESS CURRENT LIABILITIES		4,603,294	4,035,476

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Unaudited 30 June 2015 HK\$'000	Audited 31 December 2014 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	706,485	350,835
Deferred tax liabilities	60,010	48,172
	<hr/>	<hr/>
Total non-current liabilities	766,495	399,007
	<hr/>	<hr/>
Net assets	3,836,799	3,636,469
	<hr/>	<hr/>
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	54,692	54,692
Reserves	3,588,787	3,422,502
	<hr/>	<hr/>
	3,643,479	3,477,194
NON-CONTROLLING INTERESTS	193,320	159,275
	<hr/>	<hr/>
Total equity	3,836,799	3,636,469
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 period.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKASs”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

3. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted are consistent with those adopted in the Group’s financial statements for the year ended 31 December 2014 except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs, which are effective for accounting period beginning on 1 January 2015 and as disclosed below.

Amendments to HKAS 19

Annual Improvements

2010-2012 Cycle

Annual Improvements

2011-2013 Cycle

Defined Benefit Plans: Employee Contributions

Amendments to a number of HKFRSs

Amendments to a number of HKFRSs

Adoption of these revised HKFRSs and HKASs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented.

4. OPERATING SEGMENT INFORMATION

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

	Unaudited six months ended 30 June									
	Electrical fittings		Ironware parts		Communication facilities and others		Eliminations		Consolidated	
	2015 HKD'000	2014 HKD'000	2015 HKD'000	2014 HKD'000	2015 HKD'000	2014 HKD'000	2015 HKD'000	2014 HKD'000	2015 HKD'000	2014 HKD'000
Segment revenue:										
Sales to external customers	2,310,752	1,569,312	323,084	313,509	247,365	218,110	-	-	2,881,201	2,100,931
Inter segment sales	14,535	20,168	11,701	9,952	4,205	-	(30,441)	(30,120)	-	-
Total	<u>2,325,287</u>	<u>1,589,480</u>	<u>334,785</u>	<u>323,461</u>	<u>251,570</u>	<u>218,110</u>	<u>(30,441)</u>	<u>(30,120)</u>	<u>2,881,201</u>	<u>2,100,931</u>
Segment results before depreciation and amortisation	464,004	304,817	24,094	27,528	46,304	27,724	-	-	534,402	360,069
Depreciation	(82,765)	(73,614)	(9,533)	(7,731)	(4,723)	(2,618)	-	-	(97,021)	(83,963)
Amortisation	(659)	(361)	(816)	(814)	(41)	(41)	-	-	(1,516)	(1,216)
Segment results	<u>380,580</u>	<u>230,842</u>	<u>13,745</u>	<u>18,983</u>	<u>41,540</u>	<u>25,065</u>	<u>-</u>	<u>-</u>	<u>435,865</u>	<u>274,890</u>
Unallocated income									17,706	87
Corporate and other unallocated expenses									(15,444)	(12,564)
Finance cost									(26,981)	(27,289)
Share of losses of associates									(365)	(21)
Profit before tax									410,781	235,103
Income tax expense									(80,954)	(47,520)
Profit for the period									<u>329,827</u>	<u>187,583</u>

4. OPERATING SEGMENT INFORMATION (Continued)

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

	Unaudited 30 June 2015			Consolidated HK\$'000
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	
Segment assets	<u>6,135,274</u>	<u>582,968</u>	<u>242,163</u>	6,960,405
Unallocated assets				<u>549,564</u>
Total assets				<u>7,509,969</u>
Segment liabilities	<u>1,579,957</u>	<u>169,709</u>	<u>67,641</u>	1,817,307
Unallocated liabilities				<u>1,855,863</u>
Total liabilities				<u>3,673,170</u>
	Audited 31 December 2014			
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	<u>4,942,593</u>	<u>596,229</u>	<u>324,643</u>	5,863,465
Unallocated assets				<u>503,645</u>
Total assets				<u>6,367,110</u>
Segment liabilities	<u>1,155,363</u>	<u>239,164</u>	<u>130,558</u>	1,525,085
Unallocated liabilities				<u>1,205,556</u>
Total liabilities				<u>2,730,641</u>

4. OPERATING SEGMENT INFORMATION (Continued)

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2015 and 2014.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	<u>2,602,801</u>	<u>1,960,016</u>	<u>193,254</u>	<u>71,097</u>	<u>1,512</u>	<u>3,561</u>	<u>83,634</u>	<u>66,257</u>	<u>2,881,201</u>	<u>2,100,931</u>

Information about major customers

For the six months ended 30 June 2015, revenue of approximately HK\$719,512,000 (30 June 2014: HK\$647,424,000) and HK\$579,039,000 (30 June 2014: 62,572,000), representing 25.0% (30 June 2014: 30.8%) and 20.1% (30 June 2014: 3%) of the Group's revenue, respectively, was derived from sales by the electrical fittings segment to two customers, including sales to a group of entities which are known to be under common control of these customers.

5. PROFIT BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	700	402
Amortisation of prepayments	816	814
Depreciation	97,021	83,963
Impairment of trade receivables	50	265
Write-back of impairment of trade receivables	(43)	(101)
Write-off/(written back) of trade receivables	120	(564)
Provision against obsolete inventories	2,500	3,800
Foreign exchange differences, net	2,437	9,974
Loss on disposal of items of property, plant and equipment	1,254	27
Change in fair value of an investment property	(1,252)	(749)
Interest income	(2,140)	(1,401)
Equity-settled share option expense	7,187	5,173
Gain on disposal of associates	–	3,732

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law (the “Corporate Income Tax Law”) being effective on 1 January 2008, the PRC income tax rate is unified at 25% for all enterprises.

福建省石獅市通達電器有限公司(Tongda Electrics Company Limited, Shishi City, Fujian), 深圳通達電子有限公司(Shenzhen Tongda Electronic Company Limited) and 通達(廈門)科技有限公司(Tongda (Xiamen) Technology Limited) are awarded as High New Technology Enterprises and are subject to a preferential tax rate of 15%.

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	2,134	1,782
Underprovision in prior year	597	10
	2,731	1,792
Current – Elsewhere		
Charge for the period	66,365	40,422
Overprovision in prior years	–	(457)
	66,365	39,965
Deferred	11,858	5,763
Total tax charge for the period	80,954	47,520

The share of tax attributable to associates amounting to HK\$18,000 (30 June 2014: HK\$12,000) is included in “share of profits and losses of associates” on the face of the condensed consolidated income statement.

7. DIVIDENDS

Unaudited	
Six months ended 30 June	
2015	2014
<i>HK\$'000</i>	<i>HK\$'000</i>

Dividends paid during the period:

Final dividend declared of HK2.0 cents

per ordinary share in respect of the

financial year ended 31 December 2014 (2014: final dividend

declared and paid in respect of the financial year

ended 31 December 2013 – HK1.6 cents

per ordinary share)

109,383	87,442
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At the board meeting held on 18 August 2015, the board of directors declared and approved an interim dividend of HK1.6 cent per ordinary share (2014: HK1.0 cent) totalling HK\$87,506,400 (2014: HK\$54,651,500).

8. EARNINGS PER SHARE

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

Unaudited	
Six months ended 30 June	
2015	2014
<i>HK\$</i>	<i>HK\$</i>

Earnings:

Profit for the period attributable

to owners of the Company

294,232,000	167,111,000
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Number of shares:

Weighted average number of ordinary

shares for the purpose of calculating

basic earnings per share

5,469,150,000	5,162,773,757
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Effect of dilutive potential ordinary shares:

Share options

105,334,855	76,381,732
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Weighted average number of

ordinary shares for the purpose of

calculating diluted earnings per share

5,574,484,855	5,239,155,489
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9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$489,366,000 (30 June 2014: HK\$238,564,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK\$1,377,000 (30 June 2014: HK\$27,000) for proceeds of approximately HK\$123,000 (30 June 2014: Nil).

At 30 June 2015, the Group's leasehold building situated in Hong Kong was revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$40,000,000 (31 December 2014: HK\$40,000,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong equates to its highest and best use.

A revaluation surplus of HK\$441,000 (30 June 2014: HK\$432,000), resulting from the above valuation, has been credited to other comprehensive income. The resulting deferred tax liability of HK\$73,000 (30 June 2014: HK\$71,000) arising from the revaluation has also been debited to the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong at valuation of HK\$40,000,000 (31 December 2014: HK\$40,000,000) is held under long term leases and was pledged to secure bank loans granted to the Group. The Group's leasehold buildings situated in Mainland China are held under medium term leases.

10. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Raw materials	522,771	482,131
Work in progress	492,131	360,711
Finished goods	598,518	558,059
	<u>1,613,420</u>	<u>1,400,901</u>

As at 30 June 2015, moulds in the amount of HK\$204,561,000 (31 December 2014: HK\$175,012,000) are included in the finished goods.

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Trade receivables	2,170,242	1,998,829
Impairment allowances	(39,937)	(40,013)
	2,130,305	1,958,816
Bills receivables	290,578	207,370
	2,420,883	2,166,186

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The following is an analysis of trade and bills receivables by age, presented based on the invoice date:

	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Within 3 months	2,119,573	1,907,767
4 to 6 months, inclusive	260,376	216,833
7 to 9 months, inclusive	28,817	35,902
10 to 12 months, inclusive	6,620	8,762
More than 1 year	45,434	36,935
	2,460,820	2,206,199
Impairment allowances	(39,937)	(40,013)
	2,420,883	2,166,186

12. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Trade payables	1,031,610	959,576
Bills payable	<u>568,002</u>	<u>369,846</u>
	<u>1,599,612</u>	<u>1,329,422</u>

The trade payables are non-interest bearing and are normally settled on 60 to 90 days terms. The following is an analysis of trade and bills payables by age, presented based on the invoice date is as follows:

	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Within 3 months	1,200,030	993,691
4 to 6 months, inclusive	369,092	308,268
7 to 9 months, inclusive	10,536	10,417
10 to 12 months, inclusive	5,611	776
More than 1 year	<u>14,343</u>	<u>16,270</u>
	<u>1,599,612</u>	<u>1,329,422</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group's turnover grew from HK\$2,100.9 million in the corresponding period of last year by 37.1% to HK\$2,881.2 million. Profit attributable to owners of the Company increased from HK\$167.1 million in the corresponding period of last year by 76.1% to HK\$294.2 million.

Revenue

As a world-leading one-stop solution provider of high-precision components for consumer electronic products, during the Period, the Group benefited from the shift in trend by mid-to-high-end smartphone brands in the PRC towards metallic and ultra-thin casing with large screen, resulting in a 37.1% increase in turnover for the six months ended 30 June 2015 (the "Period under Review" or the "Period").

Gross Profit

The Group's gross profit for the Period increased 40.5% to HK\$677.6 million compared with HK\$482.3 million in the corresponding period of last year, which was mainly attributable to overall increase in gross profit margin from 23.0% last year to 23.5% due to increased proportion of handset business with higher segment margin in general.

Other Income and Gains, net

During the Period under Review, other income and gains, net was HK\$17.7 million, an increase of HK\$17.6 million from the corresponding period of last year, which was mainly attributable to the increase in government grants and decrease in net loss from exchange differences as well as change in fair value gain on an investment property during the Period.

Selling and Distribution Expenses

During the Period under Review, selling and distribution expenses increased by 75.5% from HK\$42.9 million to HK\$75.3 million. The increase was mainly attributable to the increase in freight charges.

Administrative Expenses

During the Period under Review, administrative expenses remained stable at HK\$175.9 million.

Other Operating Expenses, net

During the Period under Review, other operating expenses, net amounted to HK\$6.0 million, an increase of HK\$6.2 million from the corresponding period of last year, which was mainly attributable to the loss on disposal of property, plant and equipment items.

Finance Costs

During the Period under Review, finance costs decreased 1.1% from HK\$27.3 million to HK\$27.0 million as a result of the reduction in factoring expense.

Profit before Tax

For the six months ended 30 June 2015, profit before tax amounted to HK\$410.8 million, representing a period-on-period growth of 74.7% from HK\$235.1 million in line with the growth in net profit of the Group.

Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company increased 76.1% from HK\$167.1 million in the corresponding period of last year to HK\$294.2 million, and the overall net profit margin increased to 10.2% (2014: 8.0%), which was mainly attributable to the improved profit from handset business segment.

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

As at 30 June 2015, it has cash and cash equivalents and pledged deposits balance of HK\$524.1 million (31 December 2014: HK\$477.6 million) and without holding any structural investment contract.

The Group's cash and bank balances remained at about HK\$524.1 million (31 December 2014: HK\$477.6 million), of which approximately HK\$188.6 million (31 December 2014: HK\$117.5 million) has been pledged to banks as security for trade financing.

As at 30 June 2015, the Group had total assets of HK\$7,510.0 million (31 December 2014: HK\$6,367.1 million), net current assets of HK\$1,988.8 million (31 December 2014: HK\$1,934.0 million) and equity of HK\$3,836.8 million (31 December 2014: HK\$3,636.5 million).

Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

CAPITAL EXPENDITURE

The total capital expenditure incurred for the Period was HK\$489.4 million (31 December 2014: HK\$625.8 million), which was mainly used in acquisition of production equipments and construction of new manufacturing plants.

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 2015 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.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK\$188.6 million (31 December 2014: HK\$117.5 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK\$40.0 million (31 December 2014: HK\$40.0 million) mortgaged by the Group as at 30 June 2015, the Group had no other pledge of assets to any financial institutions.

HUMAN RESOURCES

As at 30 June 2015, the Group employed a total of approximately 19,000 employees (30 June 2014: 14,000 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 30 June 2015 amounted to HK\$557.2 million (30 June 2014: HK\$405.7 million).

Employees are remunerated based on their performances, experiences and prevailing industry practices. 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 30 June 2015, the gearing ratio of the Group (consolidated net borrowings/total equity) was 28.2% (31 December 2014: 13.8%).

As at 30 June 2015, other than the non-current portion of bank loans of HK\$706.5 million (31 December 2014: HK\$350.8 million), the Group had bank and other borrowings of HK\$900.7 million (31 December 2014: HK\$629.1 million) 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."), 1.50% 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 HIBOR plus 1.90% p.a. and 1.68% p.a. to 7.28% p.a..

BUSINESS REVIEW

Electrical Fittings Division

The Group primarily engages in the design and production of consumer electronic products, including casings and components for handsets, electrical appliances and notebook computers, and provides one-stop solutions for domestic and international clients. Revenue for the Period grew from HK\$1,569.3 million in the corresponding period of last year by 47.3% to approximately HK\$2,310.8 million, representing 80.2% of the total turnover of the Group.

Handsets

The rising popularity of metal casings for handsets in the second half of last year led to a surge in related orders for the Period. As the unit price and gross profit margin were higher than precision plastic casings, its turnover increased from HK\$958.1 million in the corresponding period of last year by 83.3% to HK\$1,755.9 million. It accounted for 60.9% of total turnover.

The Group has been strategically concentrating on leading handset brands in China and fostering close cooperation with domestic and international brands, including Huawei, Xiaomi, Oppo, Vivo, Asus, ZTE, Lenovo, Coolpad and TCL. As a result, it obtained several high-end flagship handset projects. During the Period, leveraging on its comprehensive strengths and diverse craftsmanship, the Group added Letv, Tecno and Tin no (天嚨), to create extra stability to customer base.

With escalating competition and increased similarity among functional components in the smartphone market, consumers have become more demanding in the quality and specialty of handset casings. Metal casings, with their outstanding mechanical capability and attractive texture, are now a staple component for mid-to-high-end handsets for this year. The Group applied Nano Molding Technology (“NMT”) in the production of its metal casings to attach metal and plastic at Nano level. Production lead time is generally shorter than traditional uni-body metal casing with higher yield. The technology was well-recognised by customers and widely used in mid-to-high-end handset models during the Period. The Group also conducted research and development (“R&D”) on technology for the treatment of metal middle frames, including composite die-casting. At the same time, it had actively enhanced the capacity of Computer Numerical Control (“CNC”) and applied Metal Injection Molding (“MIM”) in the production of metal precision components.

During the Period, the sales of precision plastic casings also improved. The Group’s core technology of In-Mold Lamination (“IML”) and the latest technology of In-mold Transfer (“IMT”) can be widely used in precision plastic casings. In addition, the Group is also capable to produce casings made of glass and other composite materials. As a one-stop provider of handset casings, metal frames, middle frames and Laser Direct Structuring (“LDS”) antenna, the Group rode on its overall comprehensive compatibility, products with outstanding cost-performance ratio and leading position in the industry to become one of the prominent domestic manufacturers of handsets casings despite the increasingly intense competition and industrial integration.

Electrical Appliances

In the latest trend of Internet of Things (IoT), China’s high-end intelligent electrical appliances came under spotlight in the market. During the Period, the electrical appliances business recorded increase in sales of 1.3% from HK\$323.8 million in the corresponding period of last year to HK\$328.0 million. It accounted for 11.4% of total turnover.

The Group maintained close cooperation with both domestic and overseas home appliance customers, including Haier, Gree, Midea, Panasonic, Zojirushi, Electrolux and DYSON. With greater customer attention to high-end market during the Period, there was a significant increase in the production volume of the Group’s 1.8-meter casings for floor-standing air-conditioners by one-piece shaping IML technology. The Group also installed touch film switch (Indium tin oxide (“ITO film”)) in the panel of high-end air-conditioners, refrigerators, washing machines as well as rice cookers. After integration with the Group’s IML casings, the products boast impressive functionality and appearance.

Notebook Computers

During the Period, revenue from notebook computers division decreased from HK\$287.4million by 21.1% to HK\$226.9 million. It accounted for 7.9% of total turnover. Notwithstanding the Group obtained new orders from major partners, such as Lenovo for its high-end product lines, the business segment remained being affected by the continued lackluster in the notebook computers market during the Period. Major products of the operation include precision metal and plastic ultrabook and tablet casings with light, simple and grand design.

Ironware Parts Division

Sales of this division increased by 3.1% from HK\$313.5 million in the corresponding period of last year to HK\$323.1 million, representing 11.2% of the turnover. Over the years, the Group not only produced metal set top boxes casing, but also provided one-stop production services to customers of electrical appliance, products of which included aluminum parts and precision metal structures with different surface effects.

Communication Facilities Division and Other Business

Sales of the division increased by 13.4% from HK\$218.1 million in the corresponding period of last year to HK\$247.3 million, representing 8.6% of the turnover. The division pivoted on the production of digital satellite TV receivers and plastic set top boxes casing for certain customers from the Middle-East, Europe and United States. It also offered durable household goods and sports equipment. Earlier, the Group has also expanded into the automotive interior decorations segment. The operation had secured some orders from domestic and foreign automotive brands for mass production of automotive interior decorations for these customers.

Percentage in total sales by product categories for the six months ended 30 June 2015 and comparison with the corresponding period of last year in 2014 are as follows:

	2015	2014
Electrical Fittings Division	80.2%	74.7%
i. Handsets	60.9%	45.6%
ii. Electrical Appliances	11.4%	15.4%
iii. Notebook Computers	7.9%	13.7%
Ironware Parts Division	11.2%	14.9%
Communication Facilities and Other Business	8.6%	10.4%

Business Prospects

With wider application of IoT that has enabled further integration of computers and mobiles into daily use of consumer electronics, consumers pursue products with more advanced specification. As a supplier with advanced technologies, dominant integrated capabilities and products with outstanding cost-performance ratio, the Group will remain fully focused on improvement of its product portfolio and seize opportunities for development in the future, thereby competing for additional market share amid industry consolidation.

Given the increasing penetration rate of metal casings for smartphones around the world, the Group's metal casings using NMT technology is now a customers' favourite. Furthermore, the Group has successfully developed new technology for processing of metal middle frames. Particularly, the composite die casting technology has further reduced the processing time of CNC and boosted the cost-performance ratio of products. It will facilitate the Group's expansion of the mid-to-high-end market and enhance its earnings. The Group will also strive to enhance the yield rate and efficiency of metal and precision plastic casings. It will also seek to improve the overall comprehensive compatibility by applications of and research on new technologies, materials and craftsmanship in order to confront keen competition in industry.

In the new era of IoT, appliance users are persistently looking for product upgrade, resulting in an increase in demand for efficient, energy-saving, environmental-friendly and exquisite intelligent appliances. The Group will continue its research and development of large-scale electrical appliance casings and actively expand into the U.S. market. The Group's partnerships with international brands like Whirlpool and General Electric will be commenced in this year. Moreover, the Group will actively secure orders from customers in respect of various product lines and provide customised notebook computer and tablet casings with different texture according to customers' requirements. As to the communication facilities and other business division, so far for this year, new customers secured by the Group include Bugaboo (an infant pushchair brand), Carestream (a medical imaging system company) and Domino (a printer manufacturer). With regard to mid-to-long-term strategic plan, while making progress alongside its domestic and international customers, the Group will eagerly seek to tap into new markets such as automotive industry and others.

The Group is as devoted as ever to technology innovation in order to reduce production costs. We will enhance yield rate and machine utilisation rate through automated production processes, with a view to polishing its production process and strengthening its integrated competitiveness. The Group will further expand the customer base for its business so as to thrive in the bright future.

SUPPLEMENTARY INFORMATION

Interim Dividend

The Board declared an interim dividend of HK1.6 cent (2014: HK1.0 cent) per ordinary share for the six months ended 30 June 2015 payable on or about 17 September 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on 8 September 2015.

Closure of Register of Members

The register of members of the Company will be closed from 9 September 2015 to 11 September 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong no later than 4:00 p.m. on 8 September 2015.

Purchases, redemption or sales of listed securities

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

Corporate Governance

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

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

The roles of Chairman and Chief Executive should be separated and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Wang Ya Nan currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The present structure is considered to be most appropriate under the circumstances.

Audit Committee

The Audit Committee (“AC”) comprises three independent non-executive Directors, Mr. Ting Leung Huel Stephen, Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher. 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 code provisions of the Code of Best Practice. 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.

The AC has reviewed the principal accounting policies and internal control adopted by the Group at the meeting held during the Period. The AC had also reviewed the unaudited interim results of the group for the six months ended 30 June 2015 prior to the submission to the Board for approval.

Model Code of Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

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.

On behalf of the Board
Tongda Group Holdings Limited
Wang Ya Nan
Chairman

Hong Kong, 18 August 2015

As at the date of this announcement, the executive Directors include Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu, Wong Ah Yeung, Choi Wai Sang, Wang Ming Che, and the independent non-executive Directors include Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, SBS, JP and Mr. Ting Leung Huel Stephen.