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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2016 reached approximately HK$3,238,765,000, representing an increase of approximately 12.4% as compared with that for the financial period ended 30 June 2015.

- Our net profit attributable to owners of the Company for the financial period ended 30 June 2016 reached approximately HK$380,083,000 representing an increase of approximately 29.2% as compared with that for the financial period ended 30 June 2015.

- Basic earnings per Share for the financial period ended 30 June 2016 was HK6.63 cents representing an increase of approximately 23.2% as compared with that for the financial period ended 30 June 2015.

- The Directors propose to declare an interim dividend of HK2.0 cents per Share for the financial period ended 30 June 2016.

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 2016 (the "Period") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,238,765**	2,881,201
Cost of sales		**(2,448,642)**	(2,203,645)
Gross profit		**790,123**	677,556
Other income and gains, net		**11,107**	17,706
Selling and distribution expenses		**(60,817)**	(75,283)
Administrative expenses		**(256,406)**	(175,863)
Other operating expenses, net		**6,187**	(5,989)
Finance costs		**(34,347)**	(26,981)
Share of profit and losses of associates		**151**	(365)
Share of profit of a jointly-controlled entity		**1,033**	–
PROFIT BEFORE TAX	*5*	**457,031**	410,781
Income tax expense	*6*	**(81,851)**	(80,954)
PROFIT FOR THE PERIOD		**375,180**	329,827
Attributable to:			
Owners of the Company		**380,083**	294,232
Non-controlling interests		**(4,903)**	35,595
		375,180	329,827
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
– Basic		**HK6.63 cents**	HK5.38 cents
– Diluted		**HK6.13 cents**	HK5.28 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2016** ***HK$'000***	 2015 *HK$'000*
PROFIT FOR THE PERIOD	**375,180**	329,827
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
(Loss)/Gain on property revaluation	**(150)**	441
Income tax effect	**25**	(73)
	(125)	368
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(73,115)**	(27,642)
– associates	**(46)**	(27)
	(73,161)	(27,669)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	**(73,286)**	(27,301)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**301,894**	302,526
ATTRIBUTABLE TO:		
Owners of the Company	**297,743**	268,481
Non-controlling interests	**4,151**	34,045
	301,894	302,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2016 *HK$'000***	Audited 31 December 2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**2,816,222**	2,627,744
Investment property		**53,597**	53,902
Prepaid land lease payments		**62,871**	58,198
Investments in associates		**2,771**	2,666
Investments in a jointly-controlled entity		**30,795**	–
Prepayments		**56,089**	57,842
Long term deposits		**390,260**	248,299
Loan to a non-controlling shareholder of a subsidiary		**10,500**	1,500
Deferred tax assets		**3,703**	3,703
Total non-current assets		**3,426,808**	3,053,854
CURRENT ASSETS			
Inventories	*10*	**1,833,040**	1,605,937
Trade and bills receivables	*11*	**2,939,114**	2,682,939
Prepayments, deposits and other receivables		**374,771**	300,950
Due from a related company		**6,506**	8,922
Due from a jointly-controlled entity		**71,942**	–
Tax recoverable		**763**	287
Pledged deposits		**224,002**	173,581
Cash and cash equivalents		**662,522**	762,392
Total current assets		**6,112,660**	5,535,008
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,783,992**	1,572,221
Accrued liabilities and other payables		**367,447**	324,419
Interest-bearing bank and other borrowings		**1,450,090**	976,356
Due to a jointly-controlled entity		**1,964**	–
Due to a non-controlling shareholder of a subsidiary		**54**	54
Tax payable		**179,072**	192,029
Total current liabilities		**3,782,619**	3,065,079
NET CURRENT ASSETS		**2,330,041**	2,469,929
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,756,849**	5,523,783

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited 30 June 2016 *HK$'000*	Audited 31 December 2015 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**551,866**	519,321
Convertible bonds	**873,028**	873,028
Due to a former non-controlling shareholder of a subsidiary	**30,034**	30,034
Deferred tax liabilities	**66,767**	62,082
Total non-current liabilities	**1,521,695**	1,484,465
Net assets	**4,235,154**	4,039,318
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	**57,357**	57,257
Reserves	**4,191,514**	3,999,929
	4,248,871	4,057,186
NON-CONTROLLING INTERESTS	**(13,717)**	(17,868)
Total equity	**4,235,154**	4,039,318

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 2015.

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 2015 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 2016 and as disclosed below.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidated Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**2,619,308**	2,310,752	**196,369**	323,084	**423,088**	247,365	**–**	–	**3,238,765**	2,881,201
Segment results before depreciation and amortisation	**556,303**	464,004	**1,516**	24,094	**67,179**	46,304	**–**	–	**624,998**	534,402
Depreciation	**(117,989)**	(82,765)	**(12,119)**	(9,533)	**(4,223)**	(4,723)	**–**	–	**(134,331)**	(97,021)
Amortisation	**(677)**	(659)	**(782)**	(816)	**(39)**	(41)	**–**	–	**(1,498)**	(1,516)
Segment results	**437,637**	380,580	**(11,385)**	13,745	**62,917**	41,540	**–**	–	**489,169**	435,865
Unallocated income									**11,107**	17,706
Corporate and other unallocated expenses									**(10,082)**	(15,444)
Finance cost									**(34,347)**	(26,981)
Share of profit and losses of:										
Associates									**151**	(365)
Jointly-controlled entity									**1,033**	–
Profit before tax									**457,031**	410,781
Income tax expense									**(81,851)**	(80,954)
Profit for the period									**375,180**	329,827

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 2016			
	Electrical fittings	**Ironware parts**	**Communication facilities and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**7,055,818**	**796,206**	**680,446**	**8,532,470**
Unallocated assets				**1,006,998**
Total assets				**9,539,468**
Segment liabilities	**1,645,332**	**316,779**	**189,382**	**2,151,493**
Unallocated liabilities				**3,152,821**
Total liabilities				**5,304,314**

	Audited 31 December 2015			
	Electrical fittings	Ironware parts	Communication facilities and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	6,336,103	675,920	632,710	7,644,733
Unallocated assets				944,129
Total assets				8,588,862
Segment liabilities	1,499,662	215,514	181,518	1,896,694
Unallocated liabilities				2,652,850
Total liabilities				4,549,544

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

The following table presents unaudited revenue for the Group's geographical information for the periods ended 30 June 2016 and 2015.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	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	**3,000,184**	2,602,801	**139,937**	193,254	**-**	1,512	**98,644**	83,634	**3,238,765**	2,881,201

Information about major customers

For the six months ended 30 June 2016, revenue of approximately HK$733,582,000 (30 June 2015: HK$579,039,000) and HK$694,146,000 (30 June 2015: HK$719,512,000), representing 22.7% (30 June 2015: 20.1%) and 21.4% (30 June 2015: 25.0%) 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	
	2016	2015
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**716**	700
Amortisation of prepayments	**782**	816
Depreciation	**134,331**	97,021
Impairment of trade receivables	**114**	50
Write-back of impairment of trade receivables	**(7,666)**	(43)
Write-off of trade receivables	**253**	120
Provision against obsolete inventories	**6,000**	2,500
Foreign exchange differences, net	**12,097**	2,437
(Gain)/Loss on disposal of items of property, plant and equipment	**(405)**	1,254
Change in fair value of an investment property	**(600)**	(1,252)
Interest income	**(1,697)**	(2,140)
Equity-settled share option expense	**2,240**	7,187

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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(厦門)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	
	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**1,359**	2,134
Underprovision in prior year	**–**	597
	1,359	2,731
Current – Elsewhere		
Charge for the period	**75,839**	66,365
Overprovision in prior years	**(235)**	–
	75,604	66,365
Deferred	**4,888**	11,858
Total tax charge for the period	**81,851**	80,954

The share of tax attributable to associates amounting to HK$25,000 (30 June 2015: HK$18,000) 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	
	2016	2015
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final dividend declared of HK2.1 cents per ordinary share in respect of the financial year ended 31 December 2015 (2015: final dividend declared and paid in respect of the financial year ended 31 December 2014 – HK2.0 cents per ordinary share)	**120,449**	109,383

At the board meeting held on 15 August 2016, the board of directors declared and approved an interim dividend of HK2.0 cents per ordinary share (2015: HK1.6 cents) totalling HK$114,713,000 (2015: HK$91,610,400).

8. EARNINGS PER SHARE

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

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	**380,083**	294,232
Interest on convertible bonds	**4,364**	–
Profit for the year attributable to owners of the Company before interest on convertible bonds	**384,447**	294,232
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,729,606**	5,469,150
Effect of dilutive potential ordinary shares arising from		
– share options	**67,756**	105,335
– convertible bonds	**477,409**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,274,771**	5,574,485

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$368,563,000 (30 June 2015: HK$489,366,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK$2,217,000 (30 June 2015: HK$1,377,000) for proceeds of approximately HK$2,622,000 (30 June 2015: HK$123,000).

At 30 June 2016, 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$39,900,000 (31 December 2015: HK$40,500,000). 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 deficit of HK$150,000 (30 June 2015: surplus of HK$441,000), resulting from the above valuation, has been debited (30 June 2015: credited) to asset revaluation reserve. The resulting decrease in deferred tax liability of HK$25,000 (30 June 2015: HK$73,000) arising from the revaluation has also been included (30 June 2015: debited) in the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong at valuation of HK$39,900,000 (31 December 2015: HK$40,500,000) 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 30 June 2016	Audited 31 December 2015
	HK$'000	*HK$'000*
Raw materials	**431,514**	412,742
Work in progress	**464,992**	421,146
Finished goods	**936,534**	772,049
	1,833,040	1,605,937

As at 30 June 2016, moulds in the amount of HK$283,686,000 (31 December 2015: HK$223,785,000) are included in the finished goods.

11. TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**2,512,354**	2,440,733
Impairment allowances	**(41,062)**	(48,835)
	2,471,292	2,391,898
Bills receivables	**467,822**	291,041
	2,939,114	2,682,939

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-interesting-bearing.

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

	Unaudited	Audited
	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**2,472,299**	2,363,751
4 to 6 months, inclusive	**400,109**	274,776
7 to 9 months, inclusive	**57,126**	25,976
10 to 12 months, inclusive	**10,970**	10,068
More than 1 year	**39,672**	57,203
	2,980,176	2,731,774
Impairment allowances	**(41,062)**	(48,835)
	2,939,114	2,682,939

12. TRADE AND BILLS PAYABLES

	Unaudited **30 June** **2016** ***HK$'000***	Audited 31 December 2015 *HK$'000*
Trade payables	**1,133,701**	1,049,275
Bills payable	**650,291**	522,946
	1,783,992	1,572,221

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** **2016** ***HK$'000***	Audited 31 December 2015 *HK$'000*
Within 3 months	**1,367,537**	1,198,928
4 to 6 months, inclusive	**370,320**	349,159
7 to 9 months, inclusive	**20,596**	7,375
10 to 12 months, inclusive	**7,794**	2,521
More than 1 year	**17,745**	14,238
	1,783,992	1,572,221

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group's turnover grew from HK$2,881.2 million in the corresponding period of last year by 12.4% to HK$3,238.8 million. Profit attributable to owners of the Company increased from HK$294.2 million in the corresponding period of last year by 29.2% to HK$380.1 million.

Revenue

As a world-leading one-stop solution provider of high-precision components for consumer electronic products, during the Period, the Group mainly benefited from the increase in sales of metal handset casings, resulting in an increase in revenue. For the six months ended 30 June 2016 (the "Period under Review" or the "Period"), turnover increased by 12.4%.

Gross Profit

The Group's gross profit for the Period increased by 16.6% to HK$790.1 million compared with HK$677.6 million in the corresponding period of last year, which was mainly attributable to the overall increase in gross profit margin from 23.5% last year to 24.4% due to increased proportion of sales of handset business and handset parts with higher segment margin in general.

Other Income and Gains, net

During the Period under Review, other income and gains, net was HK$11.1 million, a decrease of HK$6.6 million from the corresponding period of last year, which was mainly attributable to the increase in net loss from exchange differences.

Selling and Distribution Expenses

During the Period under Review, selling and distribution expenses decreased by 19.3% from HK$75.3 million to HK$60.8 million. The decrease was mainly attributable to the decrease in air freight charges and sales commission.

Administrative Expenses

During the Period under Review, administrative expenses increased to HK$256.4 million, which was mainly attributable to the increase in research and development ("R&D") expenses and labour costs. The increase in R&D expenses was attributable to the continuous investment in R&D projects and further business development.

Other Operating Expenses, net

During the Period under Review, other operating expenses, net recorded an income of HK$6.2 million, as compared with an expense of HK$6.0 million for the corresponding period of last year, which was mainly attributable to the decrease in bad and doubtful trade and other receivables and the increase in reversal of impairment of trade receivables.

Finance Costs

During the Period under Review, finance costs increased 27.0% from HK$27.0 million to HK$34.3 million, which was mainly attributable to the decrease in interest expenses on discounting, the increase in interest expenses on borrowings and the increase in interests on convertible bonds.

Profit before Tax

For the six months ended 30 June 2016, profit before tax amounted to HK$457.0 million, representing a period-on-period growth of 11.2% from HK$410.8 million in line with the growth in net profit of the Group and the effective control on operating expenses.

Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company increased 29.2% from HK$294.2 million in the corresponding period of last year to HK$380.1 million, and the overall net profit margin increased to 11.7% (2015: 10.2%), 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 2016, the Group has cash and cash equivalents and pledged deposits balance of HK$886.5 million (31 December 2015: HK$936.0 million) without holding any structural investment contract.

The Group's cash and bank balances remained at about HK$886.5 million (31 December 2015: HK$936.0 million), of which approximately HK$224.0 million (31 December 2015: HK$173.6 million) has been pledged to banks as security for trade financing.

As at 30 June 2016, the Group had total assets of HK$9,539.5 million (31 December 2015: HK$8,588.9 million), net current assets of HK$2,330.0 million (31 December 2015: HK$2,469.9 million) and equity of HK$4,235.2 million (31 December 2015: HK$4,039.3 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$368.6 million (31 December 2015: HK$1,133.2 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 2016 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$224.0 million (31 December 2015: HK$173.6 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK$39.9 million (31 December 2015: HK$40.5 million) mortgaged by the Group as at 30 June 2016, the Group had no other pledge of assets to any financial institutions.

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of approximately 24,000 employees (30 June 2015: 19,000 employees) in Hong Kong and the PRC. The total salaries and wages for the year ended 30 June 2016 amounted to HK$671.1 million (30 June 2015: HK$557.2 million).

The Group offers remuneration packages for employees mainly based on their performance and experiences, and with reference to prevailing industry practices. In addition to enrolling our new employees into the mandatory provident fund scheme in Hong Kong and State-managed pension scheme in mainland China and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options and discretionary bonuses to employees based on employees' individual performance and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

GEARING RATIO AND INDEBTEDNESS

As at 30 June 2016, the gearing ratio of the Group (consolidated net borrowings/total equity) was 47.0% (31 December 2015: 35.5%).

As at 30 June 2016, other than the non-current portion of bank loans of HK$551.9 million (31 December 2015: HK$519.3 million), the Group had bank and other borrowings of HK$1,450.1 million (31 December 2015: HK$976.4 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 1.32% p.a., 1.46% p.a., 1.50% p.a. and 1.90% p.a., cost of funding of bank plus 1.60% p.a. and 3.20% p.a. to 5.22% p.a..

BUSINESS REVIEW

The Group is a world-leading solution provider of high-precision components for smart mobile communication and consumer electronic products. During the Period, revenue and net profit maintained a stable growth as in the past. In particular, revenue grew from HK$2,881.2 million in the corresponding period of last year by 12.4% to approximately HK$3,238.8 million, and net profit attributable to owners of the Company grew from HK$294.2 million in the corresponding period of last year by 29.2% to approximately HK$380.1 million.

Electrical Fittings Division

This division primarily engages in design and production of consumer electronic products, including casings and components for handsets, electrical appliances and notebook computers. Revenue for the Period grew from HK$2,310.8 million in the corresponding period of last year by 13.4% to approximately HK$2,619.3 million, representing 80.9% of the total turnover of the Group.

Handsets

Metal casings remained as the mainstream of handset designs. During the Period, such products rapidly penetrated from the high-end handset market to the mid-range market segment. As the unit price of metal casings was higher than precision plastic casings, turnover increased from HK$1,755.9 million in the corresponding period of last year by 19.1% to HK$2,090.5 million, accounting for 64.5% of total turnover.

Domestic handset brands in China are gradually emerging as major players in the market. According to IDC, a market research institute, among the world's top five brands in the first half of the year, three were domestic brands and their market share further increased. This marked a new landscape of the global market. Riding on the trend of increasing focus on major brands in the domestic handset market, the growth of the Group's major handset customers, especially Huawei and OPPO, was far higher than their peers during the Period. To actively capture market shares, all brands pulled off all of their efforts by launching more stylish high-end exquisite handsets while focusing on advanced and cost-effective handsets, which are featured by extraordinary metal casings, for the mid-range market segment. The Group applied Nano Molding Technology ("NMT") as a one-stop solution to produce plastic-metal hybrid casings. Such casings were launched at an affordable price to cater for the demand of mid-range handset market segment, and therefore the handset shipment increased significantly during the Period.

The Group applied NMT to attach metal and plastic at Nano level. As its production lead time is generally shorter than that of traditional uni-body metal casing, such plastic-metal casing is produced at a more competitive cost, resulting in higher cost-performance ratio of products. The Group also integrated its own antenna technology team with its design team to closely cooperate with customers from design, production to packaging. Such one-stop production of metal casings with antenna solutions has been well recognized by customers. At the same time, the Group further expanded the capability of Computer Numerical Control ("CNC") machines during the Period and the metal Stamping/Forging technology can shorten CNC processing time. Composite Die-Casting technology is used in processing metal middle frames, and technologies including Metal Injection Molding ("MIM") are also applied in the production of metal precision components which together with other diverse treatment solutions and innovative technologies, enable customers to be more focused on designing unique handsets.

The precision rubber parts developed by the Group last year has started to be delivered to international leading brands, which further stabilized its customer base. Precision rubber parts have excellent sealing, waterproof and insulating properties, which provide good protection to the electronic components in handsets. During the Period, the Group also developed Liquid Silicone Rubber (LSR) for the customer, which is used in various precision rubber parts in handsets to enhance the supply capacity of compatible components of the Group. The Group expects to provide different customers with one-stop supply of a wide variety of components, including precision rubber handset casings, metal back covers, metal middle frames, rubber parts and Laser Direct Structuring ("LDS") antennas, thereby enhancing its overall competitiveness. Handset upgrade cycle will support the future growth momentum of the business as the sector will emphasize more on the casing design in order to cope with the increasingly high expectations of consumers.

Electrical Appliances

During the Period, the electrical appliances business recorded an increase in sales of 7.3% from HK$328.0 million in the corresponding period of last year to HK$351.9 million, representing 10.9% of the total turnover.

The Group's major customers included Haier, Gree, Midea, Panasonic, Zojirushi, Electrolux, General Electric, Whirlpool and DYSON. The performance of the business was stable during the Period. The recent trend of cross-border acquisition of overseas brand by domestic corporations will help the Group to explore new customers.

Notebook Computers

As affected by the generally poor conditions of the notebook computers market, revenue from notebook computers for the Period decreased from HK$226.9 million by 22.0% to HK$176.9 million, representing 5.5% of the total turnover. Major products of the operation include precision metal and plastic ultrabook and tablet casings with light, simple and stylish design.

Ironware Parts Division

During the Period, revenue of this division decreased by 39.2% from HK$323.1 million in the corresponding period of last year to HK$196.4 million, representing 6.1% of the turnover, which was mainly attributable to the decrease in demand for metal set top boxes due to the preference of customers to order plastic set top boxes during the Period. The Group not only produced metal set top boxes casings, but also provided one-stop production services to customers of electrical appliances, products of which included aluminum handles and precision metal structures with different surface effects.

Communication Facilities and Other Business

Sales of the communication facilities division of the Group increased by 71.1% from HK$247.3 million in the corresponding period of last year to HK$423.1 million, representing 13.0% of the turnover. In addition to the production of plastic set top boxes casings, durable household goods, digital satellite TV receivers and sports equipment, the automotive business also experienced a rapid expansion, and has become a supplier of a bulk amount of automotive interior decorations to Ford, BYD and General Motors. In the coming one to two years, the business will carry out trial and mass production for other new customers. The Group can utilize the technologies and production capacity of electrical appliances, and the automotive business has a high entry barrier, which resulted in a stable amount of orders. A long-term momentum of the business is also expected along with the continuous development of the domestic automotive market.

Percentage of total revenue by types of product for the six months ended 30 June 2016 and a comparison with the corresponding period of last year are as follows:

	2016	2015
Electrical Fittings Division	**80.9%**	80.2%
i. Handsets	**64.5%**	60.9%
ii. Electrical Appliances	**10.9%**	11.4%
iii. Notebook Computers	**5.5%**	7.9%
Ironware Parts Division	**6.1%**	11.2%
Communication Facilities and Other Business	**13.0%**	8.6%

Business Prospects

Leveraging handsets with outstanding cost-performance ratio, the brand awareness of domestic brands continued to increase and metal casings has also become more popular. The Group understands that given the fast-changing market, we have to keep abreast of the market dynamics at all times by researching and mastering different new technologies, new materials, new craftsmanship, especially the application of materials including metal, glass, ceramic, precision plastic and composite materials, and to make new breakthroughs in respect of the overall compatibility of antenna and waterproof parts. As a one-stop solution provider, the Group is confident in capturing further market share in respect of its existing customers with its quality, reliable and highly cost-effective products as well as the Company's full process capability, which allows it to benefit from the wave of handset upgrades in the future.

The Group will also strive to open up the automotive interior decoration components market in China. In view of the high development potential of new energy-driven automotive, "Internet of Vehicles" and connected mobility, it is believed that sales of localized joint venture brands and domestic brands will boom, and the demand of mid-range vehicles for automotive interior decoration components of the Group will increase, which foster the Group's expansion of customer base.

Besides, the Group believes that good corporate governance are increasingly important to the maintenance and strengthening of confidence of the Group's shareholders ("Shareholders"). Therefore, we have always been strictly adhering to highly effective corporate governance practices as our business is growing. In addition to voluntary announcements on quarterly operating position as well as making timely disclosure in a public and comprehensive manner in recent years, the Group will also strengthen its internal control and improve risk prevention and management in all respects in the future. Moreover, the Group will enhance its corporate value, accountability and transparency so as to maintain a high level of corporate governance.

The Group believes that laying a solid foundation for fundamental technologies, enhancing quality of research staff and extensive experience are the keys to succeed. A high technical threshold would not have been established in the long-term without the support of more automated and standardized factories. The Group will continue its in-depth exploration of technologies, emphasis on device products and optimization of quality management. In addition, we will also actively keep ourselves informed of latest products in the market and provide customers with value-added service while enhancing overall competitiveness and strengthening corporate governance, in order to seize future opportunities.

SUPPLEMENTARY INFORMATION

Interim Dividend

The Board declared an interim dividend of HK2.0 cents (2015: HK1.6 cents) per ordinary share for the six months ended 30 June 2016 payable on or about 22 September 2016 to shareholders whose names appear on the register of members of the Company as at the close of business on 9 September 2016.

Closure of Register of Members

The register of members of the Company will be closed from 12 September 2016 to 14 September 2016, 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, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on 9 September 2016.

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 risk management and internal control system of the Group.

The AC had reviewed the unaudited interim results of the group for the six months ended 30 June 2016 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, 15 August 2016

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 and 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.