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 2017

HIGHLIGHTS

- Our turnover for the financial period ended 30 June 2017 reached approximately HK$3,618,238,000, representing an increase of approximately 11.7% as compared with that for the financial period ended 30 June 2016.

- Our net profit attributable to owners of the Company for the financial period ended 30 June 2017 reached approximately HK$290,499,000 representing a decrease of approximately 23.6% as compared with that for the financial period ended 30 June 2016.

- Basic earnings per Share for the financial period ended 30 June 2017 was HK4.92 cents representing a decrease of approximately 25.8% as compared with that for the financial period ended 30 June 2016.

- The Directors propose to declare an interim dividend of HK1.6 cents per Share for the financial period ended 30 June 2017.

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 2017 (the "Period" or the "Period under Review") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,618,238**	3,238,765
Cost of sales		**(2,698,715)**	(2,448,642)
Gross profit		**919,523**	790,123
Other income and gains, net		**50,898**	23,204
Selling and distribution expenses		**(60,353)**	(60,817)
Administrative expenses		**(395,263)**	(256,406)
Other operating expenses, net		**(88,756)**	(5,910)
Finance costs		**(42,713)**	(34,347)
Share of profit and losses of associates		**–**	151
Share of profit of a jointly-controlled entity		**2,483**	1,033
PROFIT BEFORE TAX	*5*	**385,819**	457,031
Income tax expense	*6*	**(86,303)**	(81,851)
PROFIT FOR THE PERIOD		**299,516**	375,180
Attributable to:			
Owners of the Company		**290,499**	380,083
Non-controlling interests		**9,017**	(4,903)
		299,516	375,180
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
– Basic		**HK4.92 cents**	HK6.63 cents
– Diluted		**HK4.64 cents**	HK6.13 cents

Details of the dividends are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**299,516**	375,180
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on property revaluation	**1,614**	(150)
Income tax effect	**(266)**	25
	1,348	(125)
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	**(157,532)**	(73,115)
– associates	**–**	(46)
	(157,532)	(73,161)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	**(156,184)**	(73,286)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**143,332**	301,894
ATTRIBUTABLE TO:		
Owners of the Company	**134,627**	306,743
Non-controlling interests	**8,705**	(4,849)
	143,332	301,894

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2017** *HK$'000*	Audited 31 December 2016 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**3,556,042**	3,287,981
Investment property		**57,080**	57,791
Prepaid land lease payments		**201,317**	208,795
Investments in associates		**134**	134
Investments in a jointly-controlled entity		**66,646**	64,162
Prepayments		**51,382**	53,635
Long term deposits		**406,398**	198,364
Loan to a non-controlling shareholder of a subsidiary		**1,500**	1,500
Deferred tax assets		**3,703**	3,703
Total non-current assets		**4,344,202**	3,876,065
CURRENT ASSETS			
Inventories	*10*	**2,317,389**	1,739,740
Trade and bills receivables	*11*	**2,960,137**	3,361,909
Prepayments, deposits and other receivables		**633,581**	410,533
Due from a jointly-controlled entity		**2,921**	1,694
Loan to a jointly-controlled entity		**93,636**	67,288
Tax recoverable		**1,025**	1,532
Pledged deposits		**364,953**	262,150
Cash and cash equivalents		**602,474**	869,082
Total current assets		**6,976,116**	6,713,928
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,333,759**	2,156,286
Accrued liabilities and other payables		**422,580**	414,646
Interest-bearing bank and other borrowings		**1,899,940**	1,489,958
Due to a jointly-controlled entity		**23,695**	51,197
Tax payable		**184,723**	220,673
Total current liabilities		**4,864,697**	4,332,760
NET CURRENT ASSETS		**2,111,419**	2,381,168
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,455,621**	6,257,233

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**902,695**	609,869
Convertible bonds	**444,676**	876,514
Due to a former non-controlling shareholder of a subsidiary	**30,034**	30,034
Deferred tax liabilities	**77,560**	74,511
Total non-current liabilities	**1,454,965**	1,590,928
Net assets	**5,000,656**	4,666,305
EQUITY		
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	**60,517**	57,805
Reserves	**4,933,027**	4,610,093
	4,993,544	4,667,898
NON-CONTROLLING INTERESTS	**7,112**	(1,593)
Total equity	**5,000,656**	4,666,305

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 2016.

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 2016 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 2017 and as disclosed below.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12 *Disclosure of Interests in Other Entities*

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**2,943,787**	2,619,308	**132,061**	196,369	**542,390**	423,088	**–**	–	**3,618,238**	3,238,765
Segment results before depreciation and amortisation	**556,090**	556,303	**(36,360)**	1,516	**77,931**	67,179	**–**	–	**597,661**	624,998
Depreciation	**(162,834)**	(117,989)	**(13,401)**	(12,119)	**(10,622)**	(4,223)	**–**	–	**(186,857)**	(134,331)
Amortisation	**(581)**	(677)	**(1,706)**	(782)	**(845)**	(39)	**–**	–	**(3,132)**	(1,498)
Segment results	**392,675**	437,637	**(51,467)**	(11,385)	**66,464**	62,917	**–**	–	**407,672**	489,169
Unallocated income									**50,898**	23,204
Corporate and other unallocated expenses									**(32,521)**	(22,179)
Finance cost									**(42,713)**	(34,347)
Share of profit and losses of:										
Associates									**–**	151
Jointly-controlled entity									**2,483**	1,033
Profit before tax									**385,819**	457,031
Income tax expense									**(86,303)**	(81,851)
Profit for the period									**299,516**	375,180

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 2017			
	Electrical fittings	**Ironware parts**	**Communication facilities and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**8,281,961**	**982,104**	**919,262**	**10,183,327**
Unallocated assets				**1,136,991**
Total assets				**11,320,318**
Segment liabilities	**2,161,561**	**247,636**	**347,141**	**2,756,338**
Unallocated liabilities				**3,563,324**
Total liabilities				**6,319,662**

	Audited 31 December 2016			
	Electrical fittings	Ironware parts	Communication facilities and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	7,806,550	839,607	672,591	9,318,748
Unallocated assets				1,271,245
Total assets				10,589,993
Segment liabilities	2,111,419	204,699	254,814	2,570,932
Unallocated liabilities				3,352,756
Total liabilities				5,923,688

4. OPERATING SEGMENT INFORMATION *(Continued)*

The following table presents unaudited revenue for the Group's geographical information for the six months ended 30 June 2017 and 2016.

	Unaudited six months ended 30 June									
	Mainland China		Southeast Asia		Middle East		Others		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**3,258,415**	3,000,184	**142,354**	139,937	**–**	–	**217,469**	98,644	**3,618,238**	3,238,765

Information about major customers

For the six months ended 30 June 2017, revenue of approximately HK$916,656,000 (30 June 2016: HK$733,582,000) and HK$677,728,000 (30 June 2016: HK$694,146,000), representing 25.3% (30 June 2016: 22.7%) and 18.7% (30 June 2016: 21.4%) 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	
	2017	2016
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**2,395**	716
Amortisation of prepayments	**737**	782
Depreciation	**186,857**	134,331
Research and development costs	**167,397**	69,942
Salaries and wages	**754,637**	690,516
Impairment of trade receivables	**43,879**	114
Impairment of other receivables	**9,939**	–
Write-back of impairment of trade receivables	**–**	(7,666)
Write-off of trade receivables	**–**	253
Provision against obsolete inventories	**15,821**	6,000
Foreign exchange differences, net	**22,690**	12,097
Loss/(gain) on disposal of items of property, plant and equipment	**6,555**	(405)
Change in fair value of an investment property	**(938)**	(600)
Interest income	**(2,497)**	(1,697)
Equity-settled share option expense	**4,646**	2,240

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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), 通達(厦門)科技有限公司(Tongda (Xiamen) Technology Limited), 通達宏泰科技(蘇州)有限公司(Tongda HT Technology (Suzhou) Company Limited) and 通達五金(深圳)有限公司(Tongda Ironware (Shenzhen) Company Limited) are awarded as High New Technology Enterprises and are subject to a preferential tax rate of 15%.

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong	**9,996**	1,359
Current – Elsewhere		
Charge for the period	**74,596**	75,839
Overprovision in prior years	**(1,402)**	(235)
	73,194	75,604
Deferred	**3,113**	4,888
Total tax charge for the period	**86,303**	81,851

During the six months ended 30 June 2016, the share of tax attributable to associates amounting to HK$25,000 was 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	
	2017	2016
	HK$'000	*HK$'000*
Dividends paid during the period:		
Final dividend declared of HK3.2 cents per ordinary share in respect of the financial year ended 31 December 2016 (2016: final dividend declared and paid in respect of the financial year ended 31 December 2015 – HK2.1 cents per ordinary share)	**195,565**	120,449

At the board meeting held on 24 August 2017, the board of directors declared and approved an interim dividend of HK1.6 cents per ordinary share (2016: HK2.0 cents) totalling HK$96,828,000 (2016: HK$114,713,000).

8. EARNINGS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company used in the basic earnings per share calculation	**290,499**	380,083
Interest on convertible bonds	**3,366**	4,364
Profit for the period attributable to owners of the Company before interest on convertible bonds	**293,865**	384,447
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,908,663**	5,729,606
Effect of dilutive potential ordinary shares arising from		
– share options	**28,025**	67,756
– convertible bonds	**391,197**	477,409
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,327,885**	6,274,771

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$596,043,000 (30 June 2016: HK$368,563,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of approximately HK$51,221,000 (30 June 2016: HK$2,217,000) for proceeds of approximately HK$44,666,000 (30 June 2016: HK$2,622,000).

At 30 June 2017, 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$45,600,000 (31 December 2016: HK$44,500,000). 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 surplus of HK$1,614,000 (30 June 2016: deficit of HK$150,000), resulting from the above valuation, has been credited (30 June 2016: debited) to asset revaluation reserve. The resulting increase in deferred tax liability of HK$266,000 (30 June 2016: HK$25,000) arising from the revaluation has also been debited (30 June 2016: credited) in the asset revaluation reserve.

The Group's leasehold building situated in Hong Kong at valuation of HK$45,600,000 (31 December 2016: HK$44,500,000) 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 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Raw materials	**679,270**	445,259
Work in progress	**581,638**	426,385
Finished goods	**1,056,481**	868,096
	2,317,389	1,739,740

As at 30 June 2017, moulds in the amount of HK$276,656,000 (31 December 2016: HK$259,333,000) are included in the finished goods.

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Trade receivables	**2,826,836**	3,155,291
Impairment allowances	**(79,287)**	(35,725)
	2,747,549	3,119,566
Bills receivables	**212,588**	242,343
	2,960,137	3,361,909

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. At the end of reporting period, 21.3% (31 December 2016: 17.8%) and 57.5% (31 December 2016: 56.1%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively. 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 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Within 3 months	**2,680,411**	3,144,711
4 to 6 months, inclusive	**272,154**	192,446
7 to 9 months, inclusive	**35,947**	21,696
10 to 12 months, inclusive	**7,695**	8,312
More than 1 year	**43,217**	30,469
	3,039,424	3,397,634
Impairment allowances	**(79,287)**	(35,725)
	2,960,137	3,361,909

12. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Trade payables	**1,260,469**	1,388,933
Bills payable	**1,073,290**	767,353
	2,333,759	2,156,286

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 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Within 3 months	**1,579,087**	1,655,346
4 to 6 months, inclusive	**716,623**	472,074
7 to 9 months, inclusive	**16,470**	7,444
10 to 12 months, inclusive	**2,400**	3,082
More than 1 year	**19,179**	18,340
	2,333,759	2,156,286

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group's turnover grew from HK$3,238.8 million in the corresponding period of last year by 11.7% to HK$3,618.2 million. Profit attributable to owners of the Company decreased from HK$380.1 million in the corresponding period of last year by 23.6% to HK$290.5 million.

Revenue

During the Period, the Group mainly benefited from the increase in sales of metal handset casings, resulting in an increase in revenue by 11.7% as compared with the corresponding period of last year.

Gross Profit

The Group's gross profit for the Period increased by 16.4% to HK$919.5 million compared with HK$790.1 million in the corresponding period of last year, which was mainly attributable to the overall increase in gross profit margin from 24.4% last year to 25.4% 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$50.9 million, an increase of HK$27.7 million from the corresponding period of last year, which was mainly attributable to the increase in government subsidy.

Selling and Distribution Expenses

During the Period under Review, selling and distribution expenses decreased by 0.7% from HK$60.8 million to HK$60.4 million. The decrease was mainly attributable to the decrease in sample fee and travelling expenses.

Administrative Expenses

During the Period under Review, administrative expenses increased to HK$395.3 million, which was mainly attributable to the increase in research and development ("R&D") expenses, labour costs and equity-settled share option expenses. 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 expense of HK$88.8 million, as compared with an expense of HK$5.9 million for the corresponding period of last year, which was mainly attributable to the increase in impairment of trade and other receivables and net loss from exchange differences.

Finance Costs

During the Period under Review, finance costs increased 24.5% from HK$34.3 million to HK$42.7 million, which was mainly attributable to the increase in interest expenses on borrowings and invoice factoring. It was partially offset by the decrease in interest expenses of discounting.

Profit before Tax

For the six months ended 30 June 2017, profit before tax amounted to HK$385.8 million, representing a period-on-period decrease of 15.6% from HK$457.0 million in line with the increase in operating expenses, increase in impairment of trade and other receivables and net loss from exchange differences.

Profit Attributable to Owners of the Company for the Period

Profit attributable to owners of the Company decreased 23.6% from HK$380.1 million in the corresponding period of last year to HK$290.5 million, and the net profit margin attributable to owners of the Company decreased to 8.0% (30 June 2016: 11.7%), which was mainly attributable to the increase in impairment of trade and other receivables and net loss from exchange differences.

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 under Review, 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 2017, the Group has cash and cash equivalents and pledged deposits balance of HK$967.4 million (31 December 2016: HK$1,131.2 million) without holding any structural investment contract.

The Group's cash and bank balances remained at about HK$967.4 million (31 December 2016: HK$1,131.2 million), of which approximately HK$365.0 million (31 December 2016: HK$262.2 million) has been pledged to banks as security for trade financing.

As at 30 June 2017, the Group had total assets of HK$11,320.3 million (31 December 2016: HK$10,590.0 million), net current assets of HK$2,111.4 million (31 December 2016: HK$2,381.2 million) and equity of HK$5,000.7 million (31 December 2016: HK$4,666.3 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$596.9 million (31 December 2016: HK$1,214.8 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 off set against each other and the fluctuation of RMB in 2017 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$365.0 million (31 December 2016: HK$262.2 million) that were pledged to banks and a leasehold building in Hong Kong with a carrying amount of approximately HK$45.6 million (31 December 2016: HK$44.5 million) mortgaged by the Group as at 30 June 2017, the Group had not pledged its assets to any financial institutions.

HUMAN RESOURCES

As at 30 June 2017, the Group employed a total of approximately 20,000 permanent employees (30 June 2016: 19,000 employees) in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2017 amounted to HK$754.6 million (30 June 2016: HK$690.5 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 2017, the gearing ratio of the Group (consolidated net borrowings/total equity) was 45.6% (31 December 2016: 39.5%).

As at 30 June 2017, other than the non-current portion of bank loans of HK$902.7 million (31 December 2016: HK$609.9 million), the Group had bank and other borrowings of HK$1,899.9 million (31 December 2016: HK$1,490.0 million) which will be repayable within one year from the end of the reporting period.

Bank loans carry interest rate ranging from 1.56% per annum ("p.a.") to 6.00% p.a. (31 December 2016: carry interest rate ranging from 1.82% p.a. to 4.99% 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, our business maintained a stable growth. In particular, revenue grew by 11.7% from HK$3,238.8 million in the corresponding period of last year to approximately HK$3,618.2 million, and net profit attributable to owners of the Company decreased from HK$380.1 million in the corresponding period of last year by 23.6% to approximately HK$290.5 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 by 12.4% from HK$2,619.3 million in the corresponding period of last year to approximately HK$2,943.8 million, representing 81.4% of the total turnover of the Group.

Handsets

The global smartphone market is expected to be saturated and the penetration rate of the PRC metal handset casing designs continues to rise. With new casing designs yet to be launched, the Group's product portfolio has changed, presenting a downward pressure on the average unit price. Turnover increased by 12.7% from HK$2,090.5 million in the corresponding period of last year to HK$2,355.5 million, accounting for 65.1% of total turnover.

In its bid to capture a greater proportion of the maturing handset casings market, the Group resorted to cost-effective production programme, which help boost its gross profit. During the Period, the Group has endeavored to expand its coverage in its target market so as to secure more orders from international brands, and maintain a more balanced and stable customer base.

The Group attached great importance on the newly established waterproof, dustproof and shockproof components business. Upon the capacity expansion early this year, the Group actively carried out research and development ("R&D") as well as staff training for our customers in order to be well-prepared for the upcoming mass production projects. In the meantime, the Group actively explored non-metallic casings projects, such as In-mold Transfer ("IMT") precision plastic component, 2.5D/3D glass and back covers made of composite materials; coupled with our metal middle frames, different design requirements from customers could be fulfilled.

Electrical Appliances

During the Period under Review, the electrical appliances business recorded a decrease in sales of 2.3% from HK$351.9 million in the corresponding period of last year to HK$344.0 million, representing 9.5% of the total turnover. This business primarily engages in manufacturing control panels and casings for high-end household white goods, such as intelligent air-conditioning systems, washing machines and refrigerators, for Chinese and international brands.

Notebook Computers

Revenue from notebook computers for the Period under Review increased from HK$176.9 million by 38.1% to HK$244.3 million, representing 6.8% of the total turnover. Major products of the operation include ultrabook and tablet casings made by precision metal and plastic component, as well as computer-related products.

Ironware Parts Division

During the Period under Review, revenue of this division decreased by 32.7% from HK$196.4 million in the corresponding period of last year to HK$132.0 million, representing 3.6% of the turnover. The Group mainly produces metal set top boxes casings for clients in Europe and the U.S., but also provides 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 28.2% from HK$423.1 million in the corresponding period of last year to HK$542.4 million, representing 15.0% of the turnover. The division primarily engages in producing plastic set top boxes casings, durable household goods, sports equipment and automotive interior decorations. The Group secured six new customers in last year, and gradually carried out design and trial production in the first half of this year; together with the stable production from the existing projects, the overall business has been developed rapidly.

Percentage of total revenue by types of product for the six months ended 30 June 2017 and a comparison with the corresponding period of last year are as follows:

	2017	2016
Electrical Fittings Division	**81.4%**	80.9%
i. Handsets	**65.1%**	64.5%
ii. Electrical Appliances	**9.5%**	10.9%
iii. Notebook Computers	**6.8%**	5.5%
Ironware Parts Division	**3.6%**	6.1%
Communication Facilities and Other Business	**15.0%**	13.0%

Prospects

Metal casing has become a standard component for handsets. It is expected that more handsets will use metal casing as its new design. As the second half year is generally the traditional peak season for handset industry, the Group will seize the opportunity to focus on the development of different businesses.

First, manufacturing of metal casings remain the core business of the Group. Various flagship products are expected to be launched in the market in the second half of the year. The Group will continue to strengthen the R&D on the new craftsmanship and improve the production efficiency and the production yield rate so as to meet the demand in the peak seasons.

Second, waterproof components have now become the standard accessories of international high end handset market, and the waterproof level is progressively improved. The market anticipates more Chinese and international brands will adopt waterproof components for their flagship models. Meanwhile, waterproof components has extensive applications in electronic products such as notebook computers, tablet and smart watches, which require a variety of waterproof components for protection. The Group has achieved recognition from international customers, and will be benefit from the huge development potential of the business in the future.

Third, as the AMOLED screen became the mainstream of handsets' display, the design of metal middle frames with non-metallic back casing from international brands is expected to tap into the mainland market. Mid-range-to-high end handset models gradually change to use metal middle frames with non-metallic back casing made of 2.5D/3D glass, IMT precision plastic component, composite materials or ceramic, enhancing the product value of the Group's accessories. Being one of the few suppliers possessing the capacity for craftsmanship of different material in the market, including the use of metal middle frames for different models of handsets, the Group will have more flexibility and competitiveness in the production process, forming a matrix with various craftsmanship and technologies for all types of products.

The automotive business remained a rapid and steady development. Since the Group secured certain new brands in last year, the production of compatible components of the interior decorations will gradually commence in this year and next year. Along with the steady growth of the domestic automotive market and the enhancement of its strategic positioning, the Group will strive to enhance its market share by cooperating with more automotive brands, providing more models for each brand, as well as producing more components of the interior decorations for each model.

The Group will resolve and mitigate the pressure of cost escalation through control of expenditure. Meanwhile, the Group is committed to improving its production efficiency through actively developing new craftsmanship and technology as well as investing in equipment, so as to lay the foundation for grasping the changing market opportunities, and become well-prepared for the new challenges in the future.

SUPPLEMENTARY INFORMATION

Interim Dividend

The Board declared an interim dividend of HK1.6 cents (2016: HK2.0 cents) per ordinary share for the six months ended 30 June 2017 payable on or about 9 October 2017 to shareholders whose names appear on the register of members of the Company as at the close of business on 8 September 2017.

Closure of Register of Members

The record date for the interim dividend will be 13 September 2017. The register of members of the Company will be closed from 11 September 2017 to 13 September 2017, 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 8 September 2017.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2017, the Company repurchased a total of 59,680,000 shares of the Company on the Stock Exchange for enhancing the net asset value and earnings per share of the Company. All the repurchased shares were cancelled. Details of the repurchases of shares are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate purchase price (excluding expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
May	31,220,000	2.46	2.23	72,961,900
June	28,460,000	2.10	1,97	57,805,900
	59,680,000			130,767,800

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2017.

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 2017 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.

Events after the Reporting Period

There were no significant events affecting the Company nor any of its subsidiaries after the end of the financial period requiring disclosure in this announcement.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work during the Period. 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, 24 August 2017

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.