通 達 宏 泰
TONGDA HONG TAI

TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- The Company has successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 March 2018 (the "Listing").

- Revenue of the Group in 2017 reached approximately HK$580.5 million, representing an increase of approximately 25.1% as compared with the sales in 2016.

- The net profit attributable to the equity holders of the Company for 2017 amounted to approximately HK$22.9 million, representing a decrease of approximately 5.0% as compared with the net profit in 2016. If the listing expenses of approximately HK$13.9 million were excluded for the year ended 31 December 2017, the Group would have recorded a profit attributable to the equity holders of the Company for the year of approximately HK$36.8 million, representing an increase of approximately 0.5% as compared with the profit (excluded the listing expenses) in 2016.

- Basic earnings per share for 2017 was approximately HK15.82 cents. If the listing expenses of approximately HK$13.9 million were excluded for the year ended 31 December 2017, the basic earnings per share for 2017 would be approximately HK25.44 cents.

The board of directors (the "Board") of Tongda Hong Tai Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*5*	**580,481**	463,937
Cost of sales		**(470,258)**	(360,692)
Gross profit		**110,223**	103,245
Other income and gains	*5*	**4,757**	1,500
Selling and distribution expenses		**(11,393)**	(9,954)
General and administrative expenses		**(64,229)**	(55,781)
Other operating expenses, net		**(3,349)**	(937)
Finance costs	*6*	**(8,870)**	(6,583)
PROFIT BEFORE TAX	*7*	**27,139**	31,490
Income tax expense	*8*	**(4,276)**	(7,386)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**22,863**	24,104
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*10*	**HK15.82 cents**	HK16.81 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**22,863**	24,104
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	**2,685**	(8,920)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**25,548**	15,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**107,840**	109,360
Long term deposits		**2,387**	2,263
Total non-current assets		**110,227**	111,623
CURRENT ASSETS			
Inventories	*11*	**335,856**	269,712
Trade and bills receivables	*12*	**217,423**	214,959
Prepayments, deposits and other receivables		**25,848**	7,679
Due from the Remaining Group		**853**	180
Restricted bank balances		**5,105**	4,636
Cash and bank balances		**23,199**	31,349
Total current assets		**608,284**	528,515
CURRENT LIABILITIES			
Trade payables	*13*	**106,393**	87,499
Other payables and accruals		**46,753**	56,637
Due to the Remaining Group		**47,023**	61,019
Interest-bearing bank borrowings		**250,165**	192,822
Tax payable		**667**	210
Total current liabilities		**451,001**	398,187
NET CURRENT ASSETS		**157,283**	130,328
TOTAL ASSETS LESS CURRENT LIABILITIES		**267,510**	241,951
Net assets		**267,510**	241,951

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*14*	**1,445**	1,434
Reserves		**266,065**	240,517
Total equity		**267,510**	241,951

NOTES

1. CORPORATE AND GROUP INFORMATION

Tongda Hong Tai Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018 (the "Listing").

The principal activity of the Company consists of investment holding. The Company's subsidiaries are principally involved in notebook and tablet casing manufacturing.

Prior to the Listing, the Company was indirectly wholly owned by Tongda Group Holdings Limited ("TDHL"), a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange.

2. BASIS OF PRESENTATION

To rationalise the corporate structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganisation (the "Reorganisation"), further details of which are set out in the Company's prospectus dated 28 February 2018. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 31 May 2016. As the Reorganisation only involved inserting new holding companies at the top of an existing company (i.e., Tongda HT Technology (Suzhou) Company Limited) and has not resulted in any change of economic substances, the consolidated financial statements for the year ended 31 December 2016 have been presented as a continuation of the existing company using the pooling of interests method. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 have been prepared as if the current group structure had been in existence throughout that year. The consolidated statement of financial position as at 31 December 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date.

3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2016. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture of the casings of notebook and tablet. Almost all of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single reportable operating segment.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customers

Revenue derived from sales to individual customers which contribute over 10% of the total revenue of the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**332,158**	159,410
Customer B	**159,361**	210,354
	491,519	369,764

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

	2017	2016
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**122**	125
Sale of scrap materials	**902**	1,278
Government grants*	**3,733**	76
Others	**–**	21
	4,757	1,500

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

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interests on bank borrowings	**8,870**	6,172
Interest on a loan from the Remaining Group	**–**	411
	8,870	6,583

7. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold[1]	**470,258**	360,692
Depreciation	**21,177**	20,280
Research and development costs[2]	**17,904**	14,267
Minimum lease payments under operating leases	**5,664**	4,505
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**69,636**	66,392
Pension scheme contributions	**3,039**	7,144
	72,675	73,536
Impairment of trade receivables*	**988**	871
Provision/(write-back of provision) for inventories	**4,119**	(409)
Loss on disposal of an item of property, plant and equipment*	**7**	–

* Impairment of trade receivables and loss on disposal of an item of property, plant and equipment are included in "Other operating expenses, net" on the face of the consolidated income statement.

1 Cost of inventories sold includes HK$78,820,000 (2016: HK$75,892,000) relating to employee benefit expense, operating lease rentals, provision/(write-back of provision) for inventories, and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses for the year ended 31 December 2017.

2 Research and development costs include HK$13,977,000 (2016: HK$9,582,000) relating to depreciation of a research and development centre and employee benefit expense for research and development activities, which are also included in the respective total amounts disclosed above for each of these types of expenses for the year ended 31 December 2017.

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016. Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates.

	2017	2016
	HK$'000	*HK$'000*
Current tax – Mainland China		
Charge for the year	**4,276**	6,178
Underprovision in prior years	**–**	1,208
Total tax charge for the year	**4,276**	7,386

9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to the equity holders of the Company of HK$22,863,000 (2016: HK$24,104,000), and the weighted average number of ordinary shares of 144,505,113 (2016: 143,391,250) in issue during the year, on the assumption that the Reorganisation in connection with the Listing of the Company had been completed on 1 January 2016.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2017 included 1 ordinary share of the Company issued upon incorporation, 143,391,249 ordinary shares of the Company issued upon completion of the Reorganisation, and the weighted average number of 1,113,863 ordinary shares of the Company issued to Tong Da Holdings (BVI) Limited ("Tong Da Holdings"), a wholly-owned subsidiary of TDHL, as further detailed in note 14.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2016 included 1 ordinary share of the Company issued upon incorporation and 143,391,249 ordinary shares of the Company issued upon completion of the Reorganisation, on the assumption that these shares had been in issue throughout the year ended 31 December 2016.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

11. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**34,298**	28,608
Work in progress	**132,278**	71,342
Finished goods	**169,280**	169,762
	335,856	269,712

As at 31 December 2017, moulds of HK$1,970,000 (2016: HK$1,950,000) were included in finished goods.

12. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**211,062**	216,468
Impairment	**(2,513)**	(1,509)
	208,549	214,959
Bills receivables	**8,874**	–
	217,423	214,959

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. As at 31 December 2017, 56.3% (2016: 22.9%) of the total trade and bills receivables, and 92.4% (2016: 86.6%) of the total trade and bills receivables, were due from the Group's largest customer and the five largest customers, respectively.

An ageing analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**216,440**	184,392
4 to 6 months, inclusive	**983**	30,567
	217,423	214,959

13. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled on one to four months terms. An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**91,411**	73,753
4 to 6 months, inclusive	**14,982**	13,746
	106,393	87,499

14. ISSUED CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 (2016: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
144,511,250 (2016: 143,391,250) ordinary shares of HK$0.01 each	**1,445**	1,434

14. ISSUED CAPITAL (CONTINUED)

A summary of movements in the Company's authorised and issued share capital is as follows:

	Notes	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares *HK$'000*
Authorised:			
At 21 March 2016 (date of incorporation)	*(a)*	38,000,000	380
Increase in authorised share capital on 27 May 2016	*(b)*	962,000,000	9,620
At 31 December 2016, 1 January 2017 and 31 December 2017		1,000,000,000	10,000
Issued and fully paid:			
At 21 March 2016 (date of incorporation)	*(a)*	1	–
Issue of shares on 31 May 2016	*(c)*	143,391,249	1,434
At 31 December 2016		143,391,250	1,434
Issue of shares on 3 January 2017	*(d)*	1,120,000	11
At 31 December 2017		144,511,250	1,445
Issue of shares on 23 February 2018	*(e)*	6,781,888	68
Issue of shares on 15 March 2018	*(f)*	37,822,500	378
At 15 March 2018		189,115,638	1,891

14. ISSUED CAPITAL (CONTINUED)

Notes:

(a) The Company was incorporated on 21 March 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On 21 March 2016, 1 ordinary share of HK$0.01 each was issued and allotted by the Company at par to its then shareholder.

(b) On 27 May 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 shares of HK$0.01 each.

(c) On 31 May 2016, the Company issued 143,391,249 shares of HK$0.01 each credited as fully paid to its then shareholder.

(d) On 3 January 2017, the Company allotted and issued 1,120,000 shares of HK$0.01 each credited as fully paid to Tong Da Holdings, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$11,200 at that date.

(e) On 23 February 2018, the Company allotted and issued 6,781,888 shares of HK$0.01 each credited as fully paid to Tong Da Holdings, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$45,000,000 at that date.

(f) On 15 March 2018, in connection with the Listing, 37,822,500 shares of HK$0.01 each were issued at a price of HK$2.30 each for a total consideration, before expenses, of approximately HK$86,992,000. 37,822,500 shares comprised of 18,910,000 shares issued pursuant to placing of shares made to certain institutional and professional investors and 18,912,500 shares issued pursuant to public offer.

CHAIRMAN'S STATEMENT

I am pleased to present the annual results for the year ended 31 December 2017 (the "Year") of Tongda Hong Tai Holdings Limited (the "Company") and its subsidiaries (the "Group") on behalf of the Board of Directors (the "Board") of the Company. The Group is a "one-stop" manufacturing solution provider of notebook and tablet casings and other accessories which is engaged in the manufacturing and sales of a variety of casings and components of notebooks and tablets. 2018 is a year of transition for the Group when we successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 March 2018.

High-performance gaming notebooks and commercial notebooks are expected to remain as the two major fast growing markets. The increasing popularity of e-Sports all over the world has raised the demand for gaming dedicated, high-performance notebooks. Global shipment of gaming notebooks is expected to increase at a CAGR of over 10.0% between 2017 and 2021. Besides gaming notebooks, ultrabooks, which have high-performance as well as thinner and lighter designs, have become another growing segment due to consumer's growing demand, and it is expected that ultrabooks will maintain a CAGR of over 5.0% between 2017 and 2021.

As one of the market player of notebook and tablet casings manufacturing industry, the business of the Group is always kept abreast with market trend. The Group will continue to focus on the notebook and tablet casings businesses and grasp the opportunities arising from market improvement to deliver better results. On the other hand, the rapid growth of the e-Sports industry drives the development of the notebook and tablet markets and virtual reality products provide a tailwind to the computer market. While the market demand of commercial notebooks is developing steadily, the internet information technology will inject new momentum to the global notebook and tablet casings markets.

The Group will continue to monitor the market trend and adjust its operational strategies and direction in a timely manner with its sharp market insight to grasp the market opportunities.

ACKNOWLEDGEMENT

The Group's success this year relies on the efforts made by all our staff and the management team during the past year. I would like to express my sincere gratitude on behalf of the Board to the management and staff for their tremendous efforts and valuable contribution in the past year and hope that we will continue to receive all your support in the future. We will continue to join hands with the shareholders and staff members to turn to a new and brighter future!

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a "one-stop" manufacturing solution provider of casings of notebooks, tablets and other accessories. Its customer base comprises the original equipment manufacturers ("OEMs") of international and domestic leading brand owners, such as Quanta Computer Inc., Compal Electronics, Inc., etc. The international and domestic leading brand owners who use the products of the Group include Lenovo and Acer, etc.

The services provided by the Group include design of manufacturing solutions, mould fabrication, plastic injection moulding, surface decoration, metal tooling and stamping, and assembly of notebook and tablet casings. Through the"one-stop" manufacturing solutions, the Group integrates lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity.

The Group has extensive technical experience in the production of notebook and tablet casings and it is able to provide a wide range of decorative methods, including but not limited to IML, IMR, LMF, spray painting and double-shot injection to cater for the specific needs of OEMs, who serve international and domestic leading brand owners. The principal products of the Group include metal or plastic notebook and tablet casings and other accessories and components. Meanwhile, the Group has a strong research and development team which is responsible for the research and development of new production technologies, as well as continuous improvement on product quality and production process. In addition, the Group has also established quality management systems which conform with the international quality standard and was accredited ISO9001:2008 since August 2010.

Notebook Casings

The business of the Group mainly involves the manufacturing of precision metal and precision plastic notebook components. As the core business of the Group, during the Year, the sales of notebook casings contributed to approximately 95.9% (2016: 96.6%) of the Group's total revenue. The Group's products include precision plastic components of IML, IMR and double-shot technologies and anodised, electrophoresed and spray-painted precision metal components, etc. During the Year, the Group continued to make strenuous efforts in improving the technology and utilising production capacity. The Group develops a wide range of technologies, from mould development, in-mould lamination, spray painting, printing to anodisation and drill cutting technologies which are applied to metal casing components as well as precision metal casing manufacturing technology, through internal efforts to enhance the diversity and functionality of the Group's products. Revenue increased by approximately 24.2% from approximately HK$448.1 million in last year to approximately HK$556.6 million during the Year.

Tablet Casings

During the Year, the Group sold over 0.6 million units of tablet casing products, mainly driven by the mass production and sales of new projects. Revenue derived from tablet casings increased by approximately 28.7% from approximately HK$8.7 million in last year to approximately HK$11.2 million during the Year.

Other accessories

During the Year, the Group sold nearly 1.0 million units of other accessories, mainly driven by the mass production and sales of new projects. Revenue derived from other accessories increased by approximately 78.9% from approximately HK$7.1 million in last year to approximately HK$12.7 million during the Year.

As one of the market player of notebook and tablet casings manufacturing industry, the Group will actively and continuously optimise and improve its production technology, enhance automation in production and increase production capacity in order to enhance the profitability and market share of the Group, with an aim to maximise the value of the shareholders.

To enlarge its market share and maintain its competitiveness in the industry in accordance with the future plans, the Group intends to lease a new factory with a total gross floor area of approximately 5,000 square metres for a term of ten years for expanding its business and catering the need for expanding the Group's production capacity in the future. Moreover, the Group also plans to expand its production facilities and upgrade its production equipment. With the utilisation of a higher level of automation, the production volume of quality products would be increased and the Group's labour cost would be reduced, thereby improving its productivity.

The Group will keep focusing on the research and development and devote more efforts to research and development activities, including but not limited to recruitment of additional qualified technical personnel, provision of training to staff of the research and development department and purchase of additional advanced examination equipment. In order to enlarge its market share and maintain the Group's competitiveness in the industry, the Group strives to constantly strengthen its distribution network by improving its relationship with the existing clients and increasing the number of sales and marketing staff in soliciting new clients.

Business Prospects

As there is downward pressure from the popularity of smartphones, the global shipment volume of notebooks will continue to record a slight drop. The users of internet literature and network video experienced steady growth during the past five years in China and are expected to maintain growth in the future five years. At the same time, the robust development of live broadcast industry also rendered it an increasingly popular entertainment genre and the number of users is expected to grow continuously. The development of online content will generate sustainable demand for notebooks.

In addition, it is expected that the gaming notebook market will expand and become a new driver for the notebook market as well as the notebook casing industry due to the relatively high replacement rate of gaming notebooks. During the Reporting Period, three of the existing major brand owners of gaming notebooks are users of the Group's products. It is expected that the Group will benefit from such development in view of the growing popularity of gaming notebooks market in the near future.

Compared with notebooks, tablets are more widely used in professional fields and the special requirements on tablets provide sustainable support to tablet products. On the other hand, tablets are used to display products for customers to preview and choose, which is particularly popular in the retail, food and beverage as well as the real estate agency industries. Meanwhile, detachable 2-in-1 tablets are gradually becoming more popular. However, the continuous development of smartphones still has a negative impact on the overall tablet market. The Group would pay close attention to the development of tablet market constantly so as to benefit from it.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group's total revenue reached approximately HK$580.5 million, representing an increase of approximately HK$116.6 million or approximately 25.1% as compared with the year ended 31 December 2016, mainly due to the strong growth delivered by the notebook casings segment.

During the Year, revenue derived from notebook casings was the Group's major source of revenue, contributing approximately 95.9% (2016: 96.6%) of the Group's total revenue. Revenue derived from notebook casings increased by 24.2% from approximately HK$448.1 million in last year to approximately HK$556.6 million during the Year, mainly attributable to the mass production and sales of several new notebook casing projects during the Year, which led to an increase in both total sales volume and unit price.

The Group's gross profit during the Year amounted to approximately HK$110.2 million, representing an increase of approximately HK$7.0 million or approximately 6.8% as compared to approximately HK$103.2 million in last year, mainly due to the increase in sales during the Year as compared to the same period in last year. Meanwhile, gross profit margin decreased by approximately 3.3 percentage points from approximately 22.3% in last year to approximately 19.0% during the Year. Decrease in gross profit margin was mainly attributable to the lower gross profit margin generated from certain projects during the Year.

The Group's selling and distribution expenses during the Year amounted to approximately HK$11.4 million, representing an increase of approximately HK$1.4 million or approximately 14.0% when comparing to approximately HK$10.0 million in last year, mainly due to the increase in sales to the new clients located farther away from the Group's factory in Suzhou during the Year which resulted in the increase in the related transportation costs.

The Group's general and administrative expenses during the Year amounted to approximately HK$64.2 million, representing an increase of approximately HK$8.4 million or approximately 15.1% when comparing to approximately HK$55.8 million in last year, mainly attributable to the increase in the listing expenses, salaries and research and development expenses.

The Group's finance cost during the Year amounted to approximately HK$8.9 million, representing an increase of approximately HK$2.3 million or approximately 34.8% when comparing to approximately HK$6.6 million in last year, mainly due to the increased bank loans raised for the Group's expansion and development.

The Group's other income and gains during the Year amounted to approximately HK$4.8 million, representing an increase of approximately HK$3.3 million or approximately 220.0% when comparing to approximately HK$1.5 million in last year, mainly attributable to government grants.

The Group's other operating expenses, net during the Year amounted to approximately HK$3.3 million, representing an increase of approximately HK$2.4 million or approximately 266.7% when comparing to approximately HK$0.9 million in last year, mainly attributable to exchange losses.

Basic earnings per share for 2017 was approximately HK15.82 cents, representing an decrease of approximately 5.9% when comparing to approximately HK16.81 cents for 2016, which is in line with the decrease in profit for the year attributable to equity owners of the Company during the Year. If the listing expenses of approximately HK$13.9 million and approximately HK$12.5 million were excluded for the year ended 31 December 2017 and 2016, respectively, basic earnings per share for 2017 would be approximately HK25.44 cents, representing a decrease of approximately 0.3% from 2016.

As for tax, the Group's major operating subsidiaries fall under different tax regimes in the PRC where different laws and regulations applied, and enjoy specific concessionary incentives. In last year, the major operating subsidiary of the Group was awarded as a High New Technology Enterprise and was subjected to a preferential tax rate of 15%. Other than this, there have been no major changes in the taxation laws and regulations which have impacted tax expenses for the Group.

The working capital turnover days improved from approximately 274.7 days for the year ended 31 December 2016 to approximately 265.3 days for the year ended 31 December 2017. The inventory turnover days reduced from approximately 199.3 days to approximately 190.4 days for 2017 and the trade and bills receivables turnover days was approximately 135.9 days, representing 2.3 days shorter when compared with that of 2016 whilst the turnover days of trade payables decreased from 62.8 days for 2016 to 61.0 days for the year ended 31 December 2017. The Group also exerted a more tighten inventory management control which led to the improvement in the working capital cycle.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had cash and bank balances of HK$23.2 million (2016: HK$31.3 million), most of which were denominated in US dollars and Renminbi.

As at 31 December 2017, the Group had restricted bank balances of HK$5.1 million (2016: HK$4.6 million).

As at 31 December 2017, the Group had interest-bearing bank borrowings payable within one year of HK$250.2 million (2016: HK$192.8 million).

As at 31 December 2017, the Group had no interest-bearing bank borrowings payables more than one year (2016: Nil).

Average trade and bills receivable turnover days was 135.9 days (2016: 138.2 days).

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Average inventory turnover days was 190.4 days (2016: 199.3 days). Overall, the Group maintained a current ratio of 1.35 as at 31 December 2017 (2016: 1.33).

As at 31 December 2017, the gearing ratio (consolidated net debt/total equity) was 82.9% (2016: 64.8%).

Following the Listing, the Group's operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, anticipated cash flow from its operating activities and the net proceeds generated from the Listing. The Board believes that the Group's liquidity needs will be satisfied. With strengthened liquidity position, the Group is able to expand in accordance with its business strategy.

LISTING EXPENSES

Listing expenses represented fees to various professional parties in connection with the Listing. Listing expenses for 2016 and 2017 was approximately HK$12.5 million and approximately HK$13.9 million.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of HK$18.5 million during the year ended 31 December 2017 (2016: HK$8.0 million), mainly for the additions and expansions of property, plant and equipment. Management believes that the Group's ability to invest in capital expenditure in timely anticipation of demand is a competitive advantage of the Group. In the foreseeable future, a higher proportion of capital expenditure will likely be focused on resources for moulding machine development, production equipment and automation equipment.

FOREIGN EXCHANGE

Given our operations and presence become more international, the Group faces foreign exchange exposure including transaction and translation exposure. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. The Group has not entered nor will it enter into any derivative transactions for speculative trading purposes at 31 December 2017.

EVENTS AFTER THE REPORTING PERIOD

On 23 February 2018, the Company allotted and issued 6,781,888 shares of HK$0.01 each credited as fully paid to Tong Da Holdings, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$45,000,000 at that date.

On 15 March 2018, in connection with the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 37,822,500 shares of HK$0.01 each were issued at a price of HK$2.30 each for a total consideration, before expenses, of approximately HK$86,992,000. 37,822,500 shares comprised of 18,910,000 shares issued pursuant to placing of shares made to certain institutional and professional investors and 18,912,500 shares issued pursuant to public offer.

On 16 March 2018, the shares of the Company were listed on the Main Board of the Stock Exchange.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

EMPLOYEE INFORMATION

As at 31 December 2017, the Group employed a total of 946 permanent employees, who are mainly employees in production department, up from 808 as at 31 December 2016. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. Our employees in Hong Kong participate in the mandatory provident fund scheme.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this final results announcement are historical in nature and past performance is not a guarantee of future performance. This final results announcement may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the directors of the Company (the "Director(s)"), employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this final results announcement of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, (i) the Group's largest customer and five largest customers accounted for approximately 57.2% and 95.1% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 6.6% and 21.7% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As the Company was not a listed company during the year ended 31 December 2017, the Corporate Governance Code was not applicable to the Company during that period, but has been applicable to it since 16 March 2018 (the "Listing Date").

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period between the Listing Date and date of this announcement except for code provision of A.2.1.

Code Provision A.2.1

The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not at present have any officer with the title "chief executive officer". Nevertheless, the executive Director, Mr. Wong Ming Li carries out the duties of the chief executive officer of the Company since the Listing Date.

AUDIT COMMITTEE ("AC")

According to Rule 3.21 of the Listing Rules and the CG Code contained in Appendix 14 to the Listing Rules, the Group established the Audit Committee on 8 February 2018, which all independent non-executive Directors, Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred. Ms. Leung takes the chair of the AC. The term of reference of the AC are aligned with the recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions as set out in the CG Code. The AC provides accounting and financial advices and recommendations to the Board as well as monitor and safeguard the independence of external auditors and relevant auditing matters. In addition, the AC is responsible to review and supervise the risk management and internal control systems of the Group and transactions with connected persons (if any).

The Group's annual results for the year ended 31 December 2017 have been reviewed by the AC which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the effectiveness of the risk management and the internal control systems of the Company and considers the risk management and internal control systems to be effective and adequate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As the Company's shares were not listed on the Stock Exchange as at 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS ("MODEL CODE")

As the Company's shares were not listed on the Stock Exchange as at 31 December 2017, related rules under the Listing Rules concerning the Model Code that Directors shall observe do not apply to the Company for the year ended 31 December 2017.

The Company has adopted the Model Code by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Code of Conduct regarding securities transaction by the Directors ("Codes of Securities Transaction"). The Company has made specific enquiry to all directors and all directors have confirmed that they have complied with the Model Code and Codes of Securities Transaction from the Listing Date and up to the date of this announcement.

PUBLICATION OF FINAL RESULTS

This announcement will be published on the websites of the Stock Exchange and the Company.

The annual report of the Company for the year ended 31 December 2017 containing all the information required by appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 25 May 2018. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders on or before 23 April 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 25 May 2018, the register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 18 May 2018.

APPRECIATION

Lastly, I would like to thank all the staff and the management team for their hard work in the past year. I would also like to express heartfelt gratitude to all of our customers and suppliers on behalf of the Group, and wish for their continuous supports in the future. We will keep working closely with our shareholders and employees to steer the Group to a more modernised and sophisticated level of operation, through which we aspire to turn to a new chapter in the Group's development.

By Order of the Board
Tongda Hong Tai Holdings Limited
Wang Ya Nan
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Wong Ming Li, Mr. Wong Ah Yu and Mr. Wang Ming Zhi; the non-executive Director of the Company is Mr. Wang Ya Nan; and the independent non-executive Directors of the Company are Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred.