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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 for the six months ended 30 June 2018 reached approximately HK$232.5 million, representing a decrease of approximately 5.3% as compared with the revenue of the Group for the six months ended 30 June 2017.
- The net profit attributable to the equity holders of the Company for the six months ended 30 June 2018 amounted to approximately HK$8.6 million, which remain similar to the net profit of HK$8.5 million for the six months ended 30 June 2017.
- Basic earnings per share for the six months ended 30 June 2018 was HK5.01 cents, representing a decrease of approximately 14.9% as compared with that for the six months ended 30 June 2017.

The board (the "Board") of directors (the "Directors") of Tongda Hong Tai 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 2018 (the "Period") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**232,487**	245,461
Cost of sales		**(185,763)**	(199,339)
Gross profit		**46,724**	46,122
Other income and gains		**3,108**	3,702
Selling and distribution expenses		**(7,621)**	(5,021)
General and administrative expenses		**(35,755)**	(29,432)
Other operating income/(expenses), net		**8,324**	(650)
Finance costs		**(5,821)**	(3,776)
PROFIT BEFORE TAX	*5*	**8,959**	10,945
Income tax expense	*6*	**(342)**	(2,441)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**8,617**	8,504
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**HK5.01 cents**	HK5.89 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**8,617**	8,504
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	**19,649**	(7,188)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**28,266**	1,316

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2018 *HK$'000***	Audited 31 December 2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**107,463**	107,840
Long term deposits		**11,569**	2,387
Total non-current assets		**119,032**	110,227
CURRENT ASSETS			
Inventories	*10*	**389,342**	335,856
Trade and bills receivables	*11*	**182,387**	217,423
Prepayments, deposits and other receivables		**19,301**	25,848
Due from the Remaining Group		**–**	853
Restricted bank balances		**5,037**	5,105
Cash and bank balances		**46,333**	23,199
Total current assets		**642,400**	608,284
CURRENT LIABILITIES			
Trade payables	*12*	**70,599**	106,393
Other payables and accruals		**34,048**	46,753
Due to the Remaining Group		**–**	47,023
Interest-bearing bank borrowings		**238,397**	250,165
Tax payable		**233**	667
Total current liabilities		**343,277**	451,001
NET CURRENT ASSETS		**299,123**	157,283
TOTAL ASSETS LESS CURRENT LIABILITIES		**418,155**	267,510
Net assets		**418,155**	267,510

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited 30 June 2018 *HK$'000***	Audited 31 December 2017 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**1,891**	1,445
Reserves		**416,264**	266,065
Total equity		**418,155**	267,510

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE 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 manufacture and sale of casings of notebook and tablet. There were no significant changes in the nature of the subsidiaries' principal activities during the period.

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

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 2017.

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 2017 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, which are effective for accounting period beginning on 1 January 2018 and as disclosed below.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below, 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.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's condensed consolidated interim financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(a) *Classification and measurement*

To determine their classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of cash and bank balances, restricted bank balances, trade and bills receivables and financial assets included in prepayments, deposits and other receivables have been replaced by debt instruments at amortised cost under HKFRS 9.

The accounting for financial liabilities remains largely the same as it was under HKAS 39.

(b) *Impairment*

The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. The Group applies the general approach and record twelve months expected losses on its financial assets included in prepayments, deposits and other receivables.

All the other amendments and interpretations applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale 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:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**63,967**	73,276
Customer B	**43,998**	141,594
Customer C	**36,780**	N/A*
Customer D	**31,729**	N/A*
	176,474	214,870

* Sales to customer C and customer D were less than 10% of the total revenue for the six months ended 30 June 2017.

5. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**185,763**	199,339
Depreciation	**11,773**	10,234
Research and development costs	**11,353**	7,626
Minimum lease payments under operating leases	**4,421**	2,263
Salaries and wages	**30,132**	28,616
Write-back of impairment of trade receivables	**(1,725)**	(610)
Provision for inventories	**–**	3,961
Foreign exchange differences, net	**(6,599)**	1,260

6. 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 period (six months ended 30 June 2017: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the income tax unified at 25% for all enterprises in Mainland China.

通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited), as a High New Technology Enterprise, is subject to a preferential tax rate of 15% starting from the year ended 31 December 2016 for three years.

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Total current tax charge for the period from Mainland China	**342**	2,441

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the subsidiary in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$111,279,000 as at 30 June 2018 (31 December 2017: HK$94,538,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

7. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the period (six months ended 30 June 2017: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to the equity holders of the Company of HK$8,617,000 (six months ended 30 June 2017: HK$8,504,000), and the weighted average number of ordinary shares of 171,875,403 (six months ended 30 June 2017: 144,498,874) in issue during the period.

The weighted average number of ordinary shares used to calculated the basic earnings per share for the six months ended 30 June 2018 included the weighted average number of 4,796,031 ordinary shares of the Company issued to Tong Da Holdings (BVI) Limited ("Tong Da Holdings"), a wholly-owned subsidiary of TDHL, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$45,000,000, the weighted average number of 22,568,122 ordinary shares of the Company issued in connection with the Listing, and the 144,511,250 ordinary shares of the Company in issue at the beginning of the period.

The weighted average number of ordinary shares used to calculated the basic earnings per share for the six months ended 30 June 2017 included the weighted average number of 1,107,624 ordinary shares of the Company issued to Tong Da Holdings, and the 143,391,250 ordinary shares of the Company in issue at the beginning of the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$4,520,000 (six months ended 30 June 2017: HK$8,381,000).

10. INVENTORIES

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Raw materials	**34,974**	34,298
Work in progress	**185,473**	132,278
Finished goods	**168,895**	169,280
	389,342	335,856

As at 30 June 2018, moulds in the amount of HK$2,095,000 (31 December 2017: HK$1,970,000) are included in the finished goods.

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Trade receivables	**182,834**	211,062
Impairment allowances	**(948)**	(2,513)
	181,886	208,549
Bills receivables	**501**	8,874
	182,387	217,423

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 30 June 2018, 22.7% (31 December 2017: 56.3%) of the total trade and bills receivables, and 82.7% (31 December 2017: 92.4%) 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:

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Within 3 months	**138,779**	216,440
4 to 6 months, inclusive	**43,608**	983
	182,387	217,423

12. TRADE PAYABLES

The trade payables are non-interest bearing and are normally settled on terms of one to four months. 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:

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Within 3 months	**42,375**	91,411
4 to 6 months, inclusive	**28,224**	14,982
	70,599	106,393

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial conditions, results of operations and business of Tongda Hong Tai Holdings Limited (the "Company", and together with its subsidiaries the "Group" or "We"). These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like "potential", "estimated", "expects", "anticipates", "objective", "intends", "plans", "believes", "estimates", and similar expressions or variations on such expressions may be considered "forward-looking statements".

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group's results of operations are described in the section headed "Management Discussion and Analysis" below.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the "Board") of directors ("Directors") of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2018 (the "Period"). The Group is a "one-stop" manufacturing solutions provider of notebook and tablet casings, components and other accessories. The Group manufactures and sells a variety of casings and components of notebook and tablet. The Company's shares have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 March 2018 (the "Listing").

During the Period, sales of notebook casings continued to contribute the largest proportion to the Group's total sales at approximately 96.5% (six months ended 30 June 2017: approximately 98.0%). Compared with the worldwide shipment volume in previous years, although the overall shipment volume of notebook computers has shown signs of stabilisation in the first half of 2018, the competition in the casing manufacturing market is still fierce. The Group has continued to invest in production equipment, enhance automated production, and optimise production processes through investment in research and development during the Period to improve our production yield and achieve competitive production costs. Together with our diverse surface decoration techniques, the Group is able to maintain its competitive advantage in the market. Starting from last year, notebook and tablet computers with metal casings have boosted market penetration, mainly due to their trendy texture, relatively high heat dissipation, and their lighter and thinner properties with other materials have difficulty to compete. During the Period, the Group, in line with the market trend, has engaged in more metal casing projects and in general, the metal casing projects have a higher gross profit margin.

BUSINESS PROSPECTS

Although the market expects the overall shipment volume of notebook computer to be stable in 2018, management anticipates that competition in the casing manufacturing market will continue to be intense. The increasing labor costs and more stringent environmental policies in Mainland China also put pressure on the operations across the industry. In line with its business philosophy of cautious optimism and steady success, the Group will cautiously both formulate its future strategy and utilise its funds. While expanding its production capacity, the Group is continuing to invest in automation and research and development to enhance production stability and yield as well as to maintain competitive production costs. In addition, management expects that the metal casing notebook and tablet computer market still has room to expand in the coming years. The Group thus continues to adjust the product mix, enabled by its wide range of decorative methods, in response to the current market trend with a greater focus on metal casing projects.

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group's total revenue decreased by approximately 5.3%, from approximately HK$245.5 million in the same period last year to approximately HK$232.5 million in the current Period. During the Period, certain major projects of the Group with mass production and delivery starting in the first quarter of 2017 have reached the end of their product life cycle while certain new projects expected to be delivered in the first quarter of 2018 were postponed to the second quarter of 2018.

The Group's gross profit slightly increased by approximately 1.3% from approximately HK$46.1 million in the same period last year to approximately HK$46.7 million during the Period mainly due to the combined effect of the decrease in total revenue when compared with the corresponding period last year and the increase in gross profit margin from around 18.8% in the corresponding period last year to around 20.1% during the Period. The increase in gross profit margin during the Period was mainly due to the higher sales contribution from higher margin metal casing projects.

The Group's selling and distribution expenses increased by 52.0%, from approximately HK$5.0 million in the same period last year to approximately HK$7.6 million during the Period mainly due to the increase in sales to certain customers at a distant location from the Group's production factories which required higher transportation costs.

The Group's general and administrative expenses increased by 21.8%, from approximately HK$29.4 million in the same period last year to approximately HK$35.8 million during the Period mainly due to the combined effect of the increases in research and development cost, staff costs and benefits and legal and professional fees for additional professional services required after Listing.

The Group's finance costs increased by 52.6%, from approximately HK$3.8 million in the same period last year to approximately HK$5.8 million during the Period mainly in line with the increase in average bank loan balance and interest rate during the Period.

The Group's other income and gains decreased by 16.2%, from approximately HK$3.7 million in the same period last year to approximately HK$3.1 million during the Period mainly due to the decrease in government subsidies.

The Group recorded net other operating income of approximately HK$8.3 million during the Period and net other operating expenses of approximately HK$0.7 million in the same period last year mainly due to the net foreign exchange gain of approximately HK$6.6 million recorded during the Period and the net foreign exchange loss of approximately HK$1.3 million recorded in the same period last year.

Profit for the period attributable to equity holders of the Company in the current Period remained similar at HK$8.6 million when compared with the corresponding period last year of HK$8.5 million. Basic earnings per share attributable to equity holders of the Company for the current Period was approximately HK5.01 cents, approximately HK0.88 cents lower than the corresponding period last year of approximately HK5.89 cents, which is primarily due to the issuance of additional ordinary shares in connection to the Listing.

The Group's inventory turnover days increased from approximately 190.4 days for the year ended 31 December 2017 to approximately 280.7 days for the six months ended 30 June 2018, primarily due to (i) two metal casing projects for the same brand and delivery to the same customer, from stock accumulated since the year ended 31 December 2017, initially scheduled the delivery in the first quarter of 2018, being delayed to the second quarter; and (ii) seasonality effect where the Group's products generally have higher demand in the second half-year which leads to a lower revenue in the first half-year but nonetheless requires a higher inventory level at mid-year than at year-end. Thus, the calculation of inventory turnover days at mid-year would therefore be longer than that calculated at year-end.

The Group's trade and bills receivables turnover days was approximately 154.8 days for the six months ended 30 June 2018, representing approximately 18.9 days more than the approximately 135.9 days for the year ended 31 December 2017. The Group's trade payables turnover days increased from approximately 61.0 days for the year ended 31 December 2017 to approximately 68.5 days for the six months ended 30 June 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group had cash and bank balances of HK$51.3 million (31 December 2017: HK$28.3 million), most of which were denominated in US dollars and Renminbi. Included in the cash and bank balances, the Group had restricted bank balances of HK$5.0 million as at 30 June 2018 (31 December 2017: HK$5.1 million).

As at 30 June 2018, total interest-bearing bank borrowings of the Group repayable within one year were approximately HK$238.4 million (31 December 2017: approximately HK$250.2 million). As at 30 June 2018, the Group had no interest-bearing bank borrowings payable more than one year (31 December 2017: Nil).

As at 30 June 2018, the gearing ratio of the Group (consolidated net debt/total equity) was 44.7% (31 December 2017: 82.9%). 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.

EMPLOYEE INFORMATION

As at 30 June 2018, the Group employed a total of 870 permanent employees (30 June 2017: 1,087 permanent employees). Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. The 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 for that jurisdiction.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the period from the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

USE OF NET PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 16 March 2018 (the "Listing"). Net proceeds from the Listing (after deducting underwriting fee and relevant expenses payable by the Group in connection with the Listing) amounted to approximately HK$48.5 million. As at 30 June 2018, a total amount of HK$7.6 million out of the net proceeds had been used by the Group according to the allocation set out in the Company's prospectus dated 28 February 2018.

The following sets forth a summary of the utilisation of the net proceeds:

Purpose	**Percentage to total amount**	**Net proceeds**	**Utilised amount (as at 30 June 2018)**	**Unutilised amount (as at 30 June 2018)**
		HK$ million	*HK$ million*	*HK$ million*
Lease of factory	15.1%	7.3	0.5	6.8
Refurbish the new factory as mentioned above	19.9%	9.6	–	9.6
Capital expenditure for additional production facilities and machineries	46.2%	22.4	6.4	16.0
Capital expenditure on enhancing the automation in the Group's manufacturing process	16.1%	7.8	0.7	7.1
Additional effort in sales and marketing activities	0.3%	0.2	–	0.2
Enhancement of research and development capabilities	2.4%	1.2	–	1.2
Total	100%	48.5	7.6	40.9

CORPORATE GOVERNANCE CODE

During the period from the Listing Date to the date of this announcement, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation as mentioned below.

According to Code Provision A.2.1 of the CG Code, 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 Listing Date.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 8 February 2018 in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely, Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred. Ms. Leung Pik Kwan is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group, the unaudited interim results announcement of the Company for the six months ended 30 June 2018 and the Interim Report, and considered that they were prepared in compliance with the relevant accounting standards and that adequate disclosures have been made.

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 support 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, 21 August 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.