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 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 in 2018 was approximately HK$507.4 million, representing a decrease of approximately 12.6% as compared with the sales in 2017.
- The net profit attributable to the equity holders of the Company for 2018 amounted to approximately HK$4.1 million, representing a decrease of approximately 82.1% as compared with the net profit in 2017.
- Basic earnings per share for 2018 was approximately HK2.25 cents.
- The directors do not recommend the payment of any dividend for the year ended 31 December 2018.

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 2018 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**507,429**	580,481
Cost of sales		**(417,341)**	(470,258)
Gross profit		**90,088**	110,223
Other income	*5*	**5,696**	4,757
Selling and distribution expenses		**(14,120)**	(11,393)
General and administrative expenses		**(69,119)**	(64,229)
Other operating income/(expenses), net		**4,145**	(3,349)
Finance costs	*6*	**(12,617)**	(8,870)
PROFIT BEFORE TAX	*7*	**4,073**	27,139
Income tax expense	*8*	**–**	(4,276)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**4,073**	22,863
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*10*	**HK 2.25 cents**	HK 15.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**4,073**	22,863
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	**(12,498)**	2,685
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(8,425)**	25,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**97,624**	107,840
Long term deposits		**12,454**	2,387
Total non-current assets		**110,078**	110,227
CURRENT ASSETS			
Inventories	*11*	**370,327**	335,856
Trade and bills receivables	*12*	**281,447**	217,423
Prepayments, deposits and other receivables		**21,870**	25,848
Due from the Remaining Group		**–**	853
Tax recoverable		**1,110**	–
Restricted bank balances		**4,774**	5,105
Cash and bank balances		**59,994**	23,199
Total current assets		**739,522**	608,284
CURRENT LIABILITIES			
Trade payables	*13*	**91,446**	106,393
Other payables and accruals		**35,421**	46,753
Due to the Remaining Group		**–**	47,023
Interest-bearing bank borrowings		**341,269**	250,165
Tax payable		**–**	667
Total current liabilities		**468,136**	451,001
NET CURRENT ASSETS		**271,386**	157,283
TOTAL ASSETS LESS CURRENT LIABILITIES		**381,464**	267,510
Net assets		**381,464**	267,510

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*14*	**1,891**	1,445
Reserves		**379,573**	266,065
Total equity		**381,464**	267,510

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 are 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 is investment holding. The Company's subsidiaries are principally involved in manufacture and sale of casings of notebook and tablet.

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. TDHL and its subsidiaries, but excluding the Company and its subsidiaries, are collectively referred to as the "Remaining Group".

2. 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. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 explained below regarding the impact of HKFRS 9 *Financial Instruments*, HKFRS 15 *Revenue from Contracts with Customers* and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) 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.

Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial liabilities. The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
		Category	**Amount**	**Reclassification**	**Remeasurement**	**Amount**	**Category**
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets							
Trade and bills receivables	*Note*	L&R[1]	217,423	(140,092)	–	77,331	AC[2]
Trade and bills receivables	*Note*		-	140,092	–	140,092	FVOCI[3] (Debt)
			217,423	–	–	217,423	
Financial assets included in prepayments, deposits and other receivables		L&R[1]	2,088	–	–	2,088	AC[2]
Due from the Remaining Group		L&R[1]	853	–	–	853	AC[2]
Restricted bank balances		L&R[1]	5,105	–	–	5,105	AC[2]
Cash and bank balances		L&R[1]	23,199	–	–	23,199	AC[2]
			248,668	–	–	248,668	

[1] L&R: Loans and receivables

[2] AC: Financial assets at amortised cost

[3] FVOCI: Financial assets at fair value through other comprehensive income

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Classification and measurement (continued)

Note: The Group has reclassified the trade receivables of certain customers, which are designated in a trade receivable factoring arrangement entered into between the Group and a bank in the PRC, previously classified as loans and receivables as financial assets at fair value through other comprehensive income as these trade receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

HKFRS 9 requires an impairment on debt instruments not held at fair value through profit or loss to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or on a lifetime basis. The Group applied 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. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other financial assets within the next twelve months. The adoption of the ECL model has had no significant impact on the provision for impairment as at 1 January 2018.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group's contracts with customers for the sale of goods include only one single performance obligation. Revenue from the sale of goods is recognised at the point in time when control of goods is transferred to the customer, generally on delivery of the goods. The Group has concluded that the adoption of HKFRS 15 has had no significant impact on these financial statements.

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 contributed over 10% to the total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**99,055**	N/A*
Customer B	**98,920**	N/A*
Customer C	**95,061**	159,361
Customer D	**70,907**	332,158
Customer E	**55,160**	N/A*
	419,103	491,519

* Revenue from sales to each of customer A, customer B and customer E individually accounted for less than 10% of the total revenue of the Group for the year ended 31 December 2017.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**507,429**	580,481

Revenue from contracts with customers

Performance obligation

Sale of goods

The performance obligation is satisfied upon delivery of the goods and the payment is generally due within one to four months from delivery, except for new customers, where payment in advance is normally required.

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

	2018	2017
	HK$'000	*HK$'000*
Other income		
Bank interest income	**552**	122
Sale of scrap materials	**423**	902
Government grants*	**4,721**	3,733
	5,696	4,757

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

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on bank borrowings	**12,617**	8,870

7. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold[1]	**417,341**	470,258
Depreciation	**21,809**	21,177
Research and development costs[2]	**22,776**	17,904
Minimum lease payments under operating leases	**8,272**	5,664
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**59,179**	69,636
Pension scheme contributions	**2,567**	3,039
	61,746	72,675
Impairment/(reversal of impairment) of trade receivables*	**(1,554)**	988
Provision for inventories	**265**	4,119
Loss on disposal of an item of property, plant and equipment*	**–**	7

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

1 Cost of inventories sold includes HK$62,927,000 (2017: HK$78,820,000) relating to employee benefit expense, operating lease rentals, 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 2018.

2 Research and development costs include HK$16,878,000 (2017: HK$13,977,000) 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 2018.

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 year (2017: Nil). No provision for profits tax in Mainland China has been made as the Group did not generate any assessable profits in current year. For the year ended 31 December 2017, taxes on profits assessable in Mainland China have been calculated at the prevailing tax rate during that year.

	2018	2017
	HK$'000	*HK$'000*
Current tax – Mainland China and total tax charge for the year	**–**	4,276

9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to the equity holders of the Company of HK$4,073,000 (2017: HK$22,863,000), and the weighted average number of ordinary shares of 180,566,371 (2017: 144,505,113) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2018 included the weighted average number of 5,797,121 ordinary shares of the Company allotted and issued to Tong Da Holdings (BVI) Limited ("Tong Da Holdings"), a wholly-owned subsidiary of TDHL, the weighted average number of 30,258,000 ordinary shares of the Company issued in connection with the Listing, and 144,511,250 issued ordinary shares of the Company as at the beginning of the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share 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 group reorganisation prior to the Listing, and the weighted average number of 1,113,863 ordinary shares of the Company issued to Tong Da Holdings.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

11. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**43,852**	34,298
Work in progress	**186,780**	132,278
Finished goods	**139,695**	169,280
	370,327	335,856

As at 31 December 2018, moulds of HK$421,000 (2017: HK$1,970,000) were included in finished goods.

12. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**251,775**	211,062
Impairment	**(888)**	(2,513)
	250,887	208,549
Bills receivable	**30,560**	8,874
	281,447	217,423

As at 31 December 2018, gross trade receivables of certain customers of HK$121,827,000, which are designated in a trade receivable factoring arrangement entered into between the Group and a bank in the PRC, and bills receivable of HK$30,560,000 were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 2018, 29.5% (2017: 56.3%) of the total trade and bills receivables, and 80.9% (2017: 92.4%) of the total trade and bills receivables, were due from the Group's largest customer and the five largest customers, respectively.

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 loss allowance, is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Within 3 months	**226,761**	216,440
4 to 6 months, inclusive	**54,670**	983
7 to 9 months, inclusive	**8**	–
10 to 12 months, inclusive	**5**	–
More than 1 year	**3**	–
	281,447	217,423

13. 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:

	2018 *HK$'000*	2017 *HK$'000*
Within 3 months	**81,079**	91,411
4 to 6 months, inclusive	**10,367**	14,982
	91,446	106,393

14. ISSUED CAPITAL

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
1,000,000,000 (2017: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
189,115,638 (2017: 144,511,250) ordinary shares of HK$0.01 each	**1,891**	1,445

14. ISSUED CAPITAL (CONTINUED)

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

	Notes	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
Issued and fully paid:					
At 1 January 2017		143,391,250	1,434	–	1,434
Issue of shares on 3 January 2017	*(a)*	1,120,000	11	–	11
At 31 December 2017 and 1 January 2018		144,511,250	1,445	–	1,445
Issue of shares on 23 February 2018	*(b)*	6,781,888	68	44,932	45,000
Issue of shares on 15 March 2018	*(c)*	37,822,500	378	86,614	86,992
Share issue expenses		–	–	(9,613)	(9,613)
At 31 December 2018		189,115,638	1,891	121,933	123,824

Notes:

(a) On 3 January 2017, the Company allotted and issued 1,120,000 ordinary 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.

(b) On 23 February 2018, the Company allotted and issued 6,781,888 ordinary 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.

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Tongda Hong Tai Holdings Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Year"). The past Year was a challenging period for the Group. The Group successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018 (the "Listing"), which brought new opportunities for the Group's future development. However, the PC industry, which including the sales of desk-based computer and notebook computer, experienced a shortage of processors during the Year. As a result, global PC shipments experienced a modest year-on-year decline. In addition, the global economy was negatively affected by the China-US trade dispute. The aforementioned developments consequently impacted the entire notebook industry and its supply chain, and the Group's sales performance during the Year as well, which declined when compared with last year.

Though the notebook computer and casing production industry faced various challenges during the Year, the ongoing upgrade of commercial notebooks and the replacement of desktop computers by notebook computers, both of which may help stabilising the notebook market. Furthermore, the e-Sports industry continues to undergo rapid development, and the demand for lighter, thinner and high-performance gaming notebooks remains immense.

With extensive technical experience in the production of notebook casings, and excellent research and development capabilities, the Group will keep abreast of market changes and seize market opportunities to overcome the challenges in the market.

ACKNOWLEDGEMENT

The Group's success greatly depends on the efforts made by all staff members and the management team. I would like to hereby express my sincere gratitude on behalf of the Board for their dedication and valuable contributions during the past year, and trust that such support will further strengthen going forward. As always, we will also seek to work with our shareholders in directing the Group towards a new and brighter future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a "one-stop" manufacturing solution provider of casings for notebooks, tablets and other accessories. During the Year, sales of notebook casings continued to account for the largest proportion of the Group's total sales at approximately 97.3% (2017: 95.9%).

In recent years, the upgrade of commercial notebooks and the demand for high-end notebooks have contributed to more stable shipments of such devices. However, the shortage of processors during the Year has brought problems to the overall PC industry and its supply chain. At the same time, the China-US trade disputes became more fierce during the Year, which brought uncertainty to the global economy. Such uncertainty consequently affected the demand for notebooks. As an enterprise that is principally engaged in notebook casing production, the Group's overall sales were inevitably affected by the aforementioned events.

During the Year, the Group's overall average selling price was greatly enhanced due to the acceptance of more metal casing projects. However, because of the shortage of processors, a brand owner readjusted the production and sales schedules of several of its notebook models in relation to certain existing projects that the Group was engaging in for a major OEM customer. Subsequently, this led to a significant decline in sales orders from the major OEM customer during the Year when compared with last year. Although the Group successfully secured several large new projects from other customers and sales derived from these customers significantly improved during the Year, the overall sales for the year ended 31 December 2018 still recorded a decline when compared with last year.

Business Prospects

The management expects the notebook industry to remain affected by the China-US trade disputes and the processor supply shortage will continue in the coming year. However, the demand for commercial notebook upgrades will continue as well, having been affected by the processor supply shortage during the Year, and such demand will remain pent until the processor supply shortage eases, which the market expects to be as early as the first quarter of 2019. With regard to the notebook market segment, the demand for notebooks from the gaming, education, healthcare, finance, and design industries still have room to expand, which is a positive impact to the notebook industry. As at 31 December 2018, the Group has secured a number of large new projects that are scheduled for the commencement of mass production and delivery in the coming year.

The management, at the meantime, also expects competition within the notebook casing manufacturing market to remain fierce. The rising labour costs and more stringent environmental policies in the People's Republic of China (the "PRC") will place pressure on the entire industry as well. Therefore, the Group's primary goal will be to maintain its existing customer base while actively explore other brand manufacturer in order to benefit from greater scale advantages. Furthermore, the Group will continue to invest in automation and research and development to enhance the Group's production stability and profitability. Also, the management will closely monitor the market to identify trends, as well as prudently adjust the Group's product portfolio.

FINANCIAL REVIEW

The Group's total revenue decreased by approximately 12.6%, from approximately HK$580.5 million in 2017 to approximately HK$507.4 million for the Year. During the Year, due to the shortage of processors in the market, a brand owner readjusted the production and sales schedules of several of its notebook models in relation to certain existing projects that the Group was engaging in for a major OEM customer. As a result, the Group's sales from this major OEM customer decreased significantly from approximately HK$332.2 million for the year ended 31 December 2017 to approximately HK$70.9 million for the Year. Although the Group successfully secured several large new projects from other customers and the sales generated from these customers increased significantly during the Year, the Group's overall sales still recorded a year-on-year decline of approximately 12.6%.

The Group's gross profit shrank by approximately 18.2%, from approximately HK$110.2 million in 2017 to approximately HK$90.1 million for the Year, and was mainly due to the decline in sales during the Year. Meanwhile, gross profit margin slipped by approximately 1.2 percentage point from approximately 19.0% last year to approximately 17.8% for the Year, owing to lower economies of scale as a result of the decrease in sales.

The Group's selling and distribution expenses increased by approximately 23.7%, from approximately HK$11.4 million in 2017 to approximately HK$14.1 million for the Year, and was primarily due to an increase in sales from certain customers that are located some distance away from the Group's production factories, hence resulting in higher transportation costs.

The Group's general and administrative expenses increased by approximately 7.6%, from approximately HK$64.2 million in 2017 to approximately HK$69.1 million for the Year, mainly due to greater research and development cost for enhancing the Group's overall production efficiency, higher staff costs and benefits, and higher legal and professional fees for additional professional services required after Listing, which was partially offset by lower listing expenses.

The Group's finance costs increased by approximately 41.6%, from approximately HK$8.9 million in 2017 to approximately HK$12.6 million for the Year, owing to the increase in average bank loan balance and interest rate during the Year.

The Group's other income increased by approximately 18.8%, from approximately HK$4.8 million in 2017 to approximately HK$5.7 million for the Year, due to an increase in government grant as a result of its successful Listing during the Year.

The Group recorded net other operating income of approximately HK$4.1 million during the Year, compared with net other operating expenses of approximately HK$3.3 million in 2017. The upturn was mainly due to the recording of a net foreign exchange gain of approximately HK$2.7 million and reversal of impairment of trade receivables of approximately HK$1.6 million during the Year, versus a net foreign exchange loss of approximately HK$2.4 million and impairment of trade receivables of approximately HK$1.0 million recorded last year.

As a result of the foregoing, the Group's profit for the year attributable to equity holders of the Company decreased by approximately 82.1%, from approximately HK$22.9 million last year to approximately HK$4.1 million for the Year. Basic earnings per share attributable to equity holders of the Company decreased from approximately HK15.82 cents last year to approximately HK2.25 cents for the Year.

In respect of taxation, the Group's major operating subsidiary in the PRC enjoys specific concessionary incentives. In 2018 and 2017, a major subsidiary of the Group was classified as a High New Technology Enterprise and therefore benefited from a preferential tax rate of 15%. There have been no major changes in the taxation laws and regulations that affect the tax expenses of the Group.

The Group's inventory turnover days increased from approximately 190.4 days for the year ended 31 December 2017 to approximately 254.0 days for the Year, mainly due to higher level of stock reserved during the Year to address demand by certain large projects with mass production and delivery starting from the fourth quarter of 2018, and for certain large new projects with mass production and delivery scheduled for the end of the first quarter of 2019.

The Group's trade and bills receivables turnover days increased from approximately 135.9 days for the year ended 31 December 2017 to approximately 179.4 days for the Year, primarily due to (i) increase in sales to several customers with longer credit term and; (ii) increase in sales during the fourth quarter of 2018 when compared with the corresponding period of 2017, while total sales for the Year decreased by 12.6% year-on-year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group had cash and bank balances of HK$60.0 million (2017: HK$23.2 million), most of which were denominated in US dollars, HK dollars and Renminbi.

As at 31 December 2018, the Group had restricted bank balances of HK$4.8 million (2017: HK$5.1 million).

As at 31 December 2018, the Group had interest-bearing bank borrowings payable within one year of HK$341.3 million (2017: HK$250.2 million).

As at 31 December 2018, the Group had no interest-bearing bank borrowings payable more than one year (2017: Nil).

Average trade and bills receivable turnover days was 179.4 days (2017: 135.9 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 254.0 days (2017: 190.4 days). Overall, the Group maintained a current ratio of 1.58 as at 31 December 2018 (2017: 1.35).

As at 31 December 2018, the gearing ratio (consolidated net debt/total equity) was 72.5% (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, cash flow from its operating activities and the net proceeds generated from the Listing and bank borrowings. 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 2017 and 2018 were approximately HK$13.9 million and approximately HK$4.9 million, respectively.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of approximately HK$14.7 million during the year ended 31 December 2018 (2017: HK$18.5 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 the increasingly international nature of our operations and business coverage, 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 as at 31 December 2018.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the year ended 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2018, the Group did not have any material acquisitions and disposal of subsidiaries, associations and joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

EMPLOYEE INFORMATION

As at 31 December 2018, the Group employed a total of 808 permanent employees, who are mainly employees in production department, down from 946 as at 31 December 2017. 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.

PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this annual results announcement are historical in nature and past performance is not a guarantee of future performance. This annual 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 annual 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 19.5% and 82.6% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 6.8% and 24.7% 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.

USE OF NET PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on 16 March 2018. 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 31 December 2018, a total amount of HK$20.6 million out of the net proceeds had been used by the Group and the unutilised amount will be 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 31 December 2018)**	**Unutilised amount (as at 31 December 2018)**
		HK$ million	*HK$ million*	*HK$ million*
Lease of a new factory	15.1%	7.3	0.5	6.8
Refurbishment of the new factory as mentioned above	19.9%	9.6	1.7	7.9
Capital expenditure for additional production facilities and machineries	46.2%	22.4	13.4	9.0
Capital expenditure for enhancing the automation in the Group's manufacturing process	16.1%	7.8	4.8	3.0
Additional effort in sales and marketing activities	0.3%	0.2	–	0.2
Enhancement of research and development capabilities	2.4%	1.2	0.2	1.0
Total	100%	48.5	20.6	27.9

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2018.

AUDIT COMMITTEE (THE "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 AC of the Company 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 terms 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 2018 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

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 2018.

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 (THE "MODEL CODE")

For the year ended 31 December 2018, the Company has adopted the Model Code for Securities Transactions 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 (the "Codes of Securities Transaction"). The Company has made specific enquiries 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 2018 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 2018 (2017: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 24 May 2019. 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 18 April 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the Shareholders to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019, 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 Monday, 20 May 2019.

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, 19 March 2019

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.