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 2019

HIGHLIGHTS

- The Company was successfully listed on the Main Board of the Stock Exchange since 16 March 2018.
- Revenue of the Group increased by approximately 8.9% to approximately HK$253.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$232.5 million).
- The Group recorded a net loss for the six months ended 30 June 2019 of approximately HK$9.4 million (six months ended 30 June 2018: net profit of HK$8.6 million).
- Basic loss per share for the six months ended 30 June 2019 was approximately HK4.97 cents (six months ended 30 June 2018: basic earnings per share of HK5.01 cents).

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" or "We") for the six months ended 30 June 2019 (the "Period") together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**253,076**	232,487
Cost of sales		**(217,051)**	(185,763)
Gross profit		**36,025**	46,724
Other income		**230**	3,108
Selling and distribution expenses		**(5,140)**	(7,621)
General and administrative expenses		**(32,849)**	(35,755)
Other operating income, net		**1,064**	8,324
Finance costs		**(8,724)**	(5,821)
(LOSS)/PROFIT BEFORE TAX	*5*	**(9,394)**	8,959
Income tax expense	*6*	**–**	(342)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(9,394)**	8,617
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**(HK4.97 cents)**	HK5.01 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE PERIOD	**(9,394)**	8,617
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	**9,498**	19,649
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**104**	28,266

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**100,698**	97,624
Right-of-use assets		**17,428**	–
Long term deposits		**6,422**	12,454
Total non-current assets		**124,548**	110,078
CURRENT ASSETS			
Inventories	*10*	**429,936**	370,327
Trade and bills receivables	*11*	**244,230**	281,447
Prepayments, deposits and other receivables		**20,444**	21,870
Tax recoverable		**839**	1,110
Restricted bank balances		**7,969**	4,774
Cash and bank balances		**44,569**	59,994
Total current assets		**747,987**	739,522
CURRENT LIABILITIES			
Trade payables	*12*	**112,857**	91,446
Other payables and accruals		**31,616**	35,421
Interest-bearing bank borrowings		**328,281**	341,269
Lease liabilities		**6,443**	–
Total current liabilities		**479,197**	468,136
NET CURRENT ASSETS		**268,790**	271,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,338**	381,464
NON-CURRENT LIABILITIES			
Lease liabilities		**11,208**	–
Net assets		**382,130**	381,464

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited 30 June 2019**	Audited 31 December 2018
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**1,891**	1,891
Reserves		**380,239**	379,573
Total equity		**382,130**	381,464

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION

These 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 (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 2018.

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 2018 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 2019 and as disclosed below.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12, and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 *Leases*, adoption of these new and 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. The nature and impact of the HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain of its factory, office premises and staff quarters. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	19,875
Decrease in prepayment, deposits and other receivables	(1,087)
Increase in total assets	18,788
Liabilities	
Decrease in other payables	(84)
Increase in lease liabilities	19,397
Increase in total liabilities	19,313
Increase in retained earnings	562

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	22,513
Weighted average incremental borrowing rate as at 1 January 2019	4.84%
Discounted operating lease commitments as at 1 January 2019	20,025
Less: Commitments relating to short-term leases	(628)
Lease liabilities as at 1 January 2019	19,397

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the Period are as follow:

	Right-of-use assets *HK$'000* (Unaudited)	Lease liabilities *HK$'000* (Unaudited)
As at 1 January 2019	**19,875**	**19,397**
Depreciation charge	**(2,974)**	**–**
Interest expense	**–**	**458**
Payments	**–**	**(2,617)**
Exchange realignment	**527**	**413**
As at 30 June 2019	**17,428**	**17,651**

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of the casings of notebook. 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**	
	2019 ***HK$'000***	2018 *HK$'000*
Customer A	**103,648**	43,998
Customer B	**40,210**	36,780
Customer C	**34,163**	63,967
Customer D	**N/A***	31,729
	178,021	176,474

* Revenue from sales to customer D accounted for less than 10% of the total revenue of the Group for the six months ended 30 June 2019.

5. (LOSS)/PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold	**217,051**	185,763
Depreciation of property, plant and equipment	**12,043**	11,773
Depreciation of right-of-use assets	**2,974**	–
Research and development costs	**10,265**	11,353
Minimum lease payments under operating leases	**–**	4,421
Salaries and wages	**32,993**	30,132
Impairment/(write-back) of impairment of trade receivables	**126**	(1,725)
Foreign exchange differences, net	**(1,190)**	(6,599)

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 2018: Nil). No provision for profits tax in Mainland China has been made as the Group did not generate any assessable profits during the Period. For the six months ended 30 June 2018, taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (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	
	2019	2018
	HK$'000	*HK$'000*
Total current tax charge for the period from Mainland China	**–**	342

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is 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$102,758,000 as at 30 June 2019 (31 December 2018: HK$110,013,000).

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 2018: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share (six months ended 30 June 2018: basic earnings per share) is based on the loss for the period attributable to the equity holders of the Company of HK$9,394,000 (six months ended 30 June 2018: profit for the period attributable to the equity holders of the Company of HK$8,617,000), and the weighted average number of ordinary shares of 189,115,638 (six months ended 30 June 2018: 171,875,403) in issue during the Period.

The weighted average number of ordinary shares used to calculate the basic loss per share for the six months ended 30 June 2019 represents 189,115,638 issued ordinary shares of the Company as at the beginning of the Period.

The weighted average number of ordinary shares used to calculate 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 allotted and issued to Tong Da Holdings (BVI) Limited ("Tong Da Holdings"), a wholly-owned subsidiary of TDHL, the weighted average number of 22,568,122 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 six months ended 30 June 2018.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK$12,483,000 (six months ended 30 June 2018: HK$4,520,000).

10. INVENTORIES

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
Raw materials	**50,245**	43,852
Work in progress	**219,693**	186,780
Finished goods	**159,998**	139,695
	429,936	370,327

As at 31 December 2018, moulds in the amount of HK$421,000 are included in the finished goods.

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
Trade receivables	**232,130**	251,775
Impairment	**(1,037)**	(888)
	231,093	250,887
Bills receivable	**13,137**	30,560
	244,230	281,447

As at 30 June 2019, gross trade receivables of certain customers of HK$131,135,000 (31 December 2018: 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$13,137,000 (31 December 2018: 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 30 June 2019, 41.8% (31 December 2018: 29.5%) of the total trade and bills receivables, and 81.8% (31 December 2018: 80.9%) 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	Audited
	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**153,642**	226,761
4 to 6 months, inclusive	**89,776**	54,670
7 to 9 months, inclusive	**744**	8
10 to 12 months, inclusive	**35**	5
More that 1 year	**33**	3
	244,230	281,447

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	Audited
	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**79,661**	81,079
4 to 6 months, inclusive	**25,394**	10,367
7 to 9 months, inclusive	**7,802**	–
	112,857	91,446

CAUTIONARY STATEMENT REGARDING FORWARD- LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial conditions, results of operations and the business of the Group. 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 pertain 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 is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2019. The Group is a "one-stop" manufacturing solutions provider of notebook casings, components and other accessories. The Group is principally engaged in the manufacture and sale of a variety of casings and components of notebooks. The Company's shares have been successfully listed on the Main Board of the Stock Exchange on 16 March 2018.

As of the first half of 2019, the China-US trade dispute has lasted for more than one year. After repeated dialogue and consultations, there was still no sign that trade tensions were easing, and had even deteriorated during the Period. These ongoing trade disputes have brought instability to the global economy as well as a negative impact on the PC sales industry, which include sales of desktop and notebook computers. In addition, the PC sales industry experienced a supply shortage of processors in 2018, which is one of the reasons for the moderate year-on-year decline in global PC shipments last year. This shortage still plagued the PC sales industry in the first half of 2019, and the market expects the shortage will be extended to the third quarter of 2019 before it is alleviated.

Alongside the increasing global economic uncertainty, China's economic growth has gradually slowed down, and the PC sales industry is still plagued by the processor supply shortage in the short term. Despite such an unfavorable business environment, the overall sales of the Group, compared with the same period last year, still recorded an increase of 8.9%. The main reason was that the Group successfully secured several large new projects and started mass production and shipment during the Period. However, due to a number of peripheral economic factors, the competition in the production of notebook casings became more intense. As a result, the Group's gross profit margin has dropped from 20.1% in the same period last year to 14.2% during the Period.

BUSINESS PROSPECTS

The China-US trade dispute has been going on for over one year, and it is not expected to be resolved in the short term. The persistent and repeated trade disputes between the world's two largest economies have had negative impact on the global economy and the PC sales industry. At the same time, China's economic growth has also gradually weakened. Under these peripheral economic conditions, coupled with the rising labor costs and the increasingly stringent environmental policies in mainland China, the operational pressure on the notebook casing manufacturing industry has increased. The management team expects that the fierce competition in the industry will continue and the Group's gross profit margin will remain under pressure in the near term. However, the Group will rely on its own efficient production facilities, comprehensive manufacturing solutions, and strong R&D capabilities to secure more new project orders from existing customers in order to increase the capacity utilisation rate. At the same time, in addition to the notebook brands for which is currently producing casing, the Group is striving for production orders from other major notebook brands to expand the source of projects. The management team believes that this will lay a solid foundation for the future development of the Group. The Group will also allocate internal resources and formulate future strategies with a more prudent attitude.

The management team expects that the demand for commercial notebooks due to system upgrades will continue for a period of time. This demand, which was suppressed last year due to the processor supply shortage, will be released after the situation has improved and will be a support to the notebook shipment volume. At the same time, the strong growth in certain segments of notebook sales, especially gaming notebooks, has also positively affected the notebook sales industry. The management of the Group will closely monitor market trends and adjust its product mix in a timely and prudent manner.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group's total revenue increased by approximately 8.9%, from approximately HK$232.5 million in the same period last year to approximately HK$253.1 million during the Period. The increase in sales was mainly attributable to the increase in sales volume as a result of the mass production and shipment of certain large new projects during the Period. However, due to more intense market competition, the overall unit sales price during the Period decreased compared with the same period last year, which offset some of the growth.

The Group's gross profit decreased by approximately 22.9% from approximately HK$46.7 million in the same period last year to approximately HK$36.0 million during the Period, mainly due to the increase in total revenue compared with the same period last year, but the gross profit margin was under pressure. The gross profit margin decreased from approximately 20.1% in the corresponding period last year to approximately 14.2% during the Period, which was mainly due to greater competition in the notebook casing manufacturing industry.

The Group's selling and distribution expenses decreased by approximately 32.9%, from approximately HK$7.6 million in the same period last year to approximately HK$5.1 million during the Period. This decline was mainly due to the increase in sales to a major customer that was located near the Group's production factories and fewer sales to certain customers located further away from its production factories and therefore required less transportation costs.

The Group's general and administrative expenses decreased by around 8.4%, from approximately HK$35.8 million in the same period last year to approximately HK$32.8 million during the Period, which was mainly due to the combined effects of the decrease in listing expenses and research and development cost and the increase in staff costs and benefits.

The Group's finance costs increased by around 50.0%, from approximately HK$5.8 million in the same period last year to approximately HK$8.7 million during the Period, which was mainly due to the increase in average bank loan balance and average interest rate during the Period.

The Group's other income and gains decreased by around 93.6%, from approximately HK$3.1 million in the same period last year to approximately HK$0.2 million during the Period, which was mainly due to the decrease in government subsidies.

The Group's net other operating income decreased by around 86.8%, from approximately HK$8.3 million in the same period last year to approximately HK$1.1 million during the Period, which was mainly due to the decrease in net foreign exchange gain.

As a result of the foregoing, the Group recorded a loss for the period attributable to equity holders of the Company of approximately HK$9.4 million and basic loss per share attributable to equity holders of the Company of approximately HK4.97 cents during the Period, compared with profit for the period attributable to equity holders of the Company of approximately HK$8.6 million and basic earnings per share attributable to equity holders of the Company of approximately HK5.01 cents in the same period last year.

The Group's inventory turnover days increased from approximately 254.0 days for the year ended 31 December 2018 to approximately 284.6 days for the six months ended 30 June 2019 primarily due to a seasonality effect. This was because the Group's products generally enjoy a 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 were approximately 186.9 days for the six months ended 30 June 2019, representing approximately 7.5 days more than the approximately 179.4 days for the year ended 31 December 2018. The Group's trade payables turnover days increased from approximately 71.2 days for the year ended 31 December 2018 to approximately 72.7 days for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2019, the Group had cash and bank balances of approximately HK$52.5 million (31 December 2018: HK$64.8 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 approximately HK$8.0 million as of 30 June 2019 (31 December 2018: HK$4.8 million).

As of 30 June 2019, total interest-bearing bank borrowings of the Group repayable within one year were approximately HK$328.3 million (31 December 2018: approximately HK$341.3 million). As of 30 June 2019, the Group had no interest-bearing bank borrowings payable more than one year (31 December 2018: Nil).

As of 30 June 2019, the gearing ratio of the Group (consolidated net debt/total equity) was approximately 72.2% (31 December 2018: 72.5%). 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.

EMPLOYEE INFORMATION

As of 30 June 2019, the Group employed a total of 947 permanent employees (30 June 2018: 870 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 team 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 employee in Hong Kong participates in the mandatory provident fund scheme for that jurisdiction.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

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 30 June 2019, a total amount of HK$26.8 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 2019)**	**Unutilised amount (as at 30 June 2019)**
		HK$ million	*HK$ million*	*HK$ million*
Lease of factory	15.1%	7.3	0.7	6.6
Refurbish the new factory as mentioned above	19.9%	9.6	3.2	6.4
Capital expenditure for additional production facilities and machineries	46.2%	22.4	15.0	7.4
Capital expenditure on enhancing the automation in the Group's manufacturing process	16.1%	7.8	6.5	1.3
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	26.8	21.7

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2019 and up to the date of this announcement, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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 throughout the Period.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, including 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 Period 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, 20 August 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.