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 2019

HIGHLIGHTS

- Revenue of the Group in 2019 was approximately HK$532.9 million, representing an increase of approximately 5.0% as compared with the revenue of approximately HK$507.4 million in 2018.

- The net loss attributable to the equity holders of the Company for 2019 amounted to approximately HK$68.1 million as compared with the net profit of HK$4.1 million in 2018.

- Basic loss per share for 2019 was approximately HK36.02 cents (2018: Earnings per share of HK2.25 cents).

- The Board did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

The board (the "Board") of directors (the "Directors") of Tongda Hong Tai Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Year"), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**532,939**	507,429
Cost of sales		**(513,063)**	(417,341)
Gross profit		**19,876**	90,088
Other income	5	**1,834**	5,696
Selling and distribution expenses		**(10,227)**	(14,120)
General and administrative expenses		**(64,875)**	(69,119)
Other operating income, net		**709**	4,145
Finance costs	6	**(15,438)**	(12,617)
PROFIT/(LOSS) BEFORE TAX	7	**(68,121)**	4,073
Income tax expense	8	**–**	–
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(68,121)**	4,073
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	10	**HK (36.02) cents**	HK 2.25 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(68,121)**	4,073
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	**(13,239)**	(12,498)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(81,360)**	(8,425)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**92,633**	97,624
Right-of-use assets		**12,906**	–
Long term deposits		**4,467**	12,454
Total non-current assets		**110,006**	110,078
CURRENT ASSETS			
Inventories	*11*	**341,965**	370,327
Trade and bills receivables	*12*	**259,850**	281,447
Prepayments, deposits and other receivables		**10,914**	21,870
Tax recoverable		**809**	1,110
Restricted bank balances		**6,528**	4,774
Cash and bank balances		**24,718**	59,994
Total current assets		**644,784**	739,522
CURRENT LIABILITIES			
Trade payables	*13*	**129,556**	91,446
Other payables and accruals		**30,106**	35,421
Interest-bearing bank borrowings		**282,309**	341,269
Lease liabilities		**3,750**	–
Total current liabilities		**445,721**	468,136
NET CURRENT ASSETS		**199,063**	271,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,069**	381,464
NON-CURRENT LIABILITIES			
Lease liabilities		**10,008**	–
Net assets		**299,061**	381,464

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*14*	**1,891**	1,891
Reserves		**297,170**	379,573
Total equity		**299,061**	381,464

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, 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)

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of leasehold buildings and machinery and other equipment used in its operations. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases (continued)

Impact 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 recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

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

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	18,492
Decrease in prepayments, deposits and other receivables	(1,087)
Increase in total assets	17,405
Liabilities	
Increase in lease liabilities	18,710
Decrease in other payables and accruals	(262)
Increase in total liabilities	18,448
Decrease in retained profits	1,043

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Financial impact at 1 January 2019 (continued)

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

	HK$'000
Operating lease commitments as at 31 December 2018	22,513
Less: Commitments relating to a lease with a remaining lease term ended on or before 31 December 2019	(739)
	21,774
Weighted average incremental borrowing rate as at 1 January 2019	4.83%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	18,710

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**213,972**	70,907
Customer B	**89,150**	98,920
Customer C	**86,351**	95,061
Customer D	**N/A***	99,055
Customer E	**N/A***	55,160
	389,473	419,103

* Revenue from sales to each of customer D and customer E individually accounted for less than 10% of the total revenue of the Group for the year ended 31 December 2019.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**532,939**	507,429

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:

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**100**	552
Sale of scrap materials	**1,588**	423
Government grants*	**146**	4,721
	1,834	5,696

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

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on bank borrowings	**14,747**	12,617
Interest on lease liabilities	**691**	–
	15,438	12,617

7. PROFIT/(LOSS) BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold[1]	**513,063**	417,341
Depreciation of property, plant and equipment	**21,837**	21,809
Depreciation of right-of-use assets	**4,889**	–
Research and development costs[2]	**21,581**	22,776
Minimum lease payments under operating leases	**–**	8,272
Lease payments not included in the measurement of lease liabilities	**810**	–
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	**63,188**	59,179
Pension scheme contributions	**4,156**	2,567
	67,344	61,746
Impairment/(reversal of impairment) of trade receivables*	**209**	(1,554)
Provision for inventories	**22,730**	265
Loss on write-off of an item of property, plant and equipment*	**479**	–
Foreign exchange differences, net*	**(1,397)**	(2,683)

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

1 Cost of inventories sold includes HK$85,014,000 (2018: HK$62,927,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities (2018: 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 2019.

2 Research and development costs include HK$17,542,000 (2018: HK$16,878,000) 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 2019.

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 (2018: Nil). No provision for profits tax in Mainland China has been made as the Group did not generate any assessable profits for the year (2018: Nil).

	2019	2018
	HK$'000	*HK$'000*
Current tax – Mainland China and total tax charge for the year	**–**	–

9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2019, the calculation of the basic loss per share amount is based on the loss for the year attributable to the equity holders of the Company of HK$68,121,000, and the weighted average number of ordinary shares of 189,115,638 in issue during the year.

For the year ended 31 December 2018, 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, and the weighted average number of ordinary shares of 180,566,371 in issue during that 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 that year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**48,709**	43,852
Work in progress	**160,326**	186,780
Finished goods	**132,930**	139,695
	341,965	370,327

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

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**244,774**	251,775
Impairment	**(1,075)**	(888)
	243,699	250,887
Bills receivable	**16,151**	30,560
	259,850	281,447

As at 31 December 2019, gross trade receivables of certain customers of HK$155,479,000 (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$16,151,000 (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 31 December 2019, 42.8% (2018: 29.5%) of the total trade and bills receivables, and 81.3% (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 loss allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**183,639**	226,761
4 to 6 months, inclusive	**75,116**	54,670
7 to 9 months, inclusive	**598**	8
10 to 12 months, inclusive	**10**	5
More than 1 year	**487**	3
	259,850	281,447

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:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**94,532**	81,079
4 to 6 months, inclusive	**30,948**	10,367
7 to 9 months, inclusive	**3,719**	–
10 to 12 months, inclusive	**271**	–
Over one year	**86**	–
	129,556	91,446

14. ISSUED CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 (2018: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
189,115,638 (2018: 189,115,638) ordinary shares of HK$0.01 each	**1,891**	1,891

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*
1 January 2018		144,511,250	1,445	–	1,445
Issue of shares on 23 February 2018	*(a)*	6,781,888	68	44,932	45,000
Issue of shares on 15 March 2018	*(b)*	37,822,500	378	86,614	86,992
Share issue expenses		–	–	(9,613)	(9,613)
At 31 December 2018, 1 January 2019 and 31 December 2019		189,115,638	1,891	121,933	123,824

Notes:

(a) 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.

(b) 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 2019 (the "Year").

The year of 2019 was a difficult year for the Group for the OEM manufacturing market. Amid a very challenging business environment, the undersupply of processors had hammered the demand of OEM customers and intensified the competition within the industry. The Group faced tremendous pressure in product pricing in order to maintain competitive among other market competitors and the gross profit has declined as a result.

Furthermore, the novel coronavirus outbreak in early 2020 had caused disruptions to the Group's operation. The management of the Group will remain vigilant in monitoring the development of the outbreak while adopting prudent approach in the Group's working capital management, capital expenditure and corporate governance to maintain a strong resilience during the uncertain business environment in the coming year.

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. We will also seek to work with our shareholders and customers in formulating our business plans and business strategies in order to enhance the development and long term growth potential of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a "one-stop" manufacturing solution provider of casings for notebooks 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 98.8% (2018: 97.3%).

During the Year, the Group faced a very challenging business environment due to the following factors: the shortage of processors began in 2018 have persisted through 2019, the continuing undersupply of processors in the notebook and the US-China trade disputes which had dampened OEM customers' demand in PC manufacturing. This had intensified the competition within the entry to mid-level notebook casing manufacturing industry. As the Group is principally engaged in notebook casing production, the Group was subjected to price pressure in order to maintain its competitiveness.

The Group's average sales price significantly plummeted due to a more fierce competition within the industry, and despite the increase in production volume and sales, the Group recorded a substantial decline in gross profit during the Year.

Business Prospects

The management of the Group expects that the prospects of the notebook manufacturing industry in 2020 will be cautious, even though the processor shortage is expected to improve in 2020. Further, given that certain ODM notebook customers have redesigned their products in order to accommodate processor models from alternative processor manufacturers, the management believes the demand for ODM notebook manufacturing will be restored and will contribute towards our overall growth in market share. In addition, the progressive settlement of US-China trade disputes as evidenced by the signing of phase one of the trade deal between the US and China in January 2020 will also gradually eliminate the related risk and uncertainty to the market and its supply chain. However, in view of the challenge posed by novel coronavirus outbreak since early 2020, the management of the Group considers that the Group's performance may subject to pressure during the first half of 2020 but will restore order in the second half of 2020.

FINANCIAL REVIEW

The Group's total revenue increased by approximately 5.0%, from approximately HK$507.4 million in 2018 to approximately HK$532.9 million for the Year. During the Year, due to the fierce competition within the market, the Group faced significant pressure on product pricing in order to maintain its competitiveness within the industry. Nonetheless, the Group had secured more sales order in order to cope with the significant drop in unit selling price.

The Group's gross profit dropped significantly by approximately 77.9%, from approximately HK$90.1 million in 2018 to approximately HK$19.9 million for the Year, and was mainly due to the decline in average sales price and increase in inventory provision of approximately HK$22.7 million. Meanwhile, gross profit margin significantly reduced by approximately 14.1 percentage points from approximately 17.8% last year to approximately 3.7% for the Year.

The Group's selling and distribution expenses decreased by approximately 27.7%, from approximately HK$14.1 million in 2018 to approximately HK$10.2 million for the Year, and was primarily due to the decrease in freight cost as the major customers during the Year were situated in close proximity with the Group's manufacturing plant.

The Group's general and administrative expenses decreased by approximately 6.1%, from approximately HK$69.1 million in 2018 to approximately HK$64.9 million for the Year, the decline was mainly due to the absence of listing expenses for the Year, which amounted to approximately HK$4.9 million in 2018.

The Group's finance costs increased by approximately 22.2%, from approximately HK$12.6 million in 2018 to approximately HK$15.4 million for the Year. The increase was mainly attributable to the finance cost incurred for increased average bank borrowings during the Year and the interest expense on lease liabilities of approximately HK$0.7 million due to the adoption of HKFRS 16 during the Year.

The Group's other income decreased by approximately 68.4%, from approximately HK$5.7 million in 2018 to approximately HK$1.8 million for the Year, the decline was due to the reduction in government grant received by the Group during the Year.

The Group recorded net other operating income of approximately HK$0.7 million during the Year, compared with net other operating income of approximately HK$4.1 million in 2018. The decline was mainly due to the recording of a net foreign exchange gain of approximately HK$1.3 million and the loss on write-off of fixed assets amounted to approximately HK$0.5 million during the Year, versus a net foreign exchange gain of approximately HK$2.7 million and reversal of impairment of trade receivables of approximately HK$1.6 million recorded in 2018.

As a result of the foregoing, the Group's loss for the year attributable to equity holders of the Company amounted to approximately HK$68.1 million, as compared with a profit of approximately HK$4.1 million in 2018. Basic loss per share attributable to equity holders of the Company decreased from earnings per share of approximately HK2.25 cents in 2018 to loss per share of approximately HK36.02 cents for the Year.

In respect of taxation, the Group's major operating subsidiary in the PRC enjoys specific concessionary incentives in 2018. In 2018, 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 remained stable at approximately 251.7 days for the Year as compared to approximately 254.0 days for 2018 after excluding the effects of the inventory provision made during the Year.

The Group's trade and bills receivables turnover days increased from approximately 179.4 days for the year ended 31 December 2018 to approximately 185.3 days for the Year. The increase was attributable to the increase in sales to major customers, which have longer credit terms during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group had cash and bank balances of HK$24.7 million (2018: HK$60.0 million), most of which were denominated in US dollars, HK dollars and Renminbi.

As at 31 December 2019, the Group had restricted bank balances of HK$6.5 million (2018: HK$4.8 million).

As at 31 December 2019, the Group had interest-bearing bank borrowings payable within one year of HK$282.3 million (2018: HK$341.3 million).

As at 31 December 2019, the Group had no interest-bearing bank borrowings payable more than one year (2018: Nil).

Average trade and bills receivable turnover days was 185.3 days (2018: 179.4 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 251.7 days (2018: 254.0 days). Overall, the Group maintained a current ratio of 1.45 as at 31 December 2019 (2018: 1.58).

As at 31 December 2019, the gearing ratio (consolidated net debt/total equity) was 84.0% (2018: 72.5%).

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.

In view of the outbreak of the novel coronavirus since early 2020, the management of the Group will closely monitor the capital structure of the Group and consider any potential solution that may further strengthen the resilience of the Group during the upcoming challenging environment.

LISTING EXPENSES

Listing expenses represented fees to various professional parties in connection with the Listing. Listing expenses for 2018 was approximately HK$4.9 million.

CAPITAL EXPENDITURE

The Group incurred capital expenditure of approximately HK$21.1 million during the Year (2018: HK$14.7 million), which was 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 2019.

SIGNIFICANT INVESTMENTS HELD

The Group had not held any significant investments during the Year.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group did not have any material acquisitions and disposal of subsidiaries, associations and joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

EMPLOYEE INFORMATION

As at 31 December 2019, the Group employed a total of 916 permanent employees, who are mainly employees in production department, up from 808 as at 31 December 2018. 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, 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 42.8% and 81.3% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 9.3% and 30.3% 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 2019, a total amount of HK$34.9 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 2019)**	**Unutilised amount (as at 31 December 2019)**	**Expected timeline of full utilisation of the balance**
		HK$ million	*HK$ million*	*HK$ million*	
Lease of a new factory *(Note 1)*	15.1%	7.3	1.0	6.3	2028-2029
Refurbishment of the new factory as mentioned above *(Note 2)*	19.9%	9.6	6.0	3.6	End of 2021
Capital expenditure for additional production facilities and machineries *(Note 3)*	46.2%	22.4	19.2	3.2	End of 2020
Capital expenditure for enhancing the automation in the Group's manufacturing process *(Note 3)*	16.1%	7.8	7.3	0.5	End of 2020
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	34.9	13.6	

Notes

1. The lease of the factory is for a term of ten years, and therefore the remaining balance of approximately HK$6.3 million is expected to be fully utilised by the year 2028 to 2029.

2. For the year ended 31 December 2019, the ongoing China-US trade dispute has led to instability to the global economy and had a negative impact on the PC industry. Furthermore, the novel coronavirus outbreak during the beginning of 2020 had caused further disturbance to the Group's expansion plan. Given such uncertain economic factors, the Company has postponed the establishment of the cleanroom as part the of Group's expansion plan to the end of 2021.

3. As at the date of this announcement, the Group has entered into contracts for the acquisition of additional production facilities and machineries and for enhancing the automation in the Group's manufacturing process. It is expected that the remaining balance of the consideration for the said capital expenditures will be settled before the end of 2020.

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 2019.

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 comprised of all independent non-executive Directors, namely 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 2019 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.

EVENT AFTER THE REPORTING PERIOD

The novel coronavirus outbreak in early 2020 casted certain degree of uncertainties to the global economy. The overall operations of the PC manufacturing industry were inevitably affected by the quarantine measures and emergency health policies imposed by the PRC government. As of the date of this announcement, the Group's manufacturing facilities were gradually restored to its normal operation capacities, the customers, suppliers and logistics network of the Group were subjected to different degrees of disruptions to their normal operations and the Group's product deliveries and procurement activities have been affected. As a result, the performance of the Group would be impacted during the first half of 2020. Given the rapid development of the novel coronavirus outbreak, the Directors consider it is impractical to estimate the financial impact to the Group. The management of the Group will remain vigilant to the development of novel coronavirus outbreak and maintain close communication with different stakeholders of the Group.

Save as disclosed in this announcement and/or other announcements of the Company, there were no other important events affecting the Group that had occurred after 31 December 2019 and up to the date of this announcement.

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 2019, 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 throughout the year 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 2019 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 2019 (2018: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "Annual General Meeting") will be held on Monday, 18 May 2020. 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 Monday, 20 April 2020.

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 Wednesday, 13 May 2020 to Monday, 18 May 2020, 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 Tuesday, 12 May 2020.

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, 17 March 2020

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.