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**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 2021**

**HIGHLIGHTS**

- Revenue of the Group in 2021 was approximately HK\$370.7 million, representing a decrease of approximately 21.5% as compared with the revenue of approximately HK\$472.4 million in 2020.
- The net loss attributable to the equity holders of the Company for 2021 amounted to approximately HK\$197.0 million as compared with approximately HK\$165.3 million in 2020.
- Basic loss per share for 2021 was approximately HK91.96 cents (2020: HK87.39 cents).
- The Board did not recommend the payment of any dividend for the year ended 31 December 2021 (2020: 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 2021 (the “Year”), together with the comparative figures for the previous year, as follows:

## CONSOLIDATED INCOME STATEMENT

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
REVENUE	5	<b>370,693</b>	472,368
Cost of sales		<b>(481,468)</b>	(489,832)
Gross loss		<b>(110,775)</b>	(17,464)
Other income	5	<b>3,073</b>	1,987
Selling and distribution expenses		<b>(7,976)</b>	(9,064)
General and administrative expenses		<b>(69,357)</b>	(65,527)
Other operating expenses, net		<b>(4,372)</b>	(64,648)
Finance costs	6	<b>(7,553)</b>	(10,558)
LOSS BEFORE TAX	7	<b>(196,960)</b>	(165,274)
Income tax expense	8	—	—
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<b>(196,960)</b>	(165,274)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	10	<b>HK(91.96) cents</b>	HK (87.39) cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(196,960)</u>	<u>(165,274)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income that may be reclassified to income statement in subsequent periods, net of tax:		
Exchange differences on translation of a foreign operation	<u>(1,558)</u>	<u>10,244</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u><b>(198,518)</b></u>	<u>(155,030)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>33,914</b>	34,765
Right-of-use assets		<b>10,140</b>	3,772
Long term deposits		<b>2,299</b>	2,191
		<hr/>	<hr/>
Total non-current assets		<b>46,353</b>	40,728
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>183,582</b>	278,148
Trade and bills receivables	<i>12</i>	<b>174,949</b>	241,613
Prepayments, deposits and other receivables		<b>13,704</b>	13,338
Tax recoverable		<b>893</b>	869
Restricted bank balances		<b>3,327</b>	2,282
Cash and bank balances		<b>11,038</b>	34,917
		<hr/>	<hr/>
Total current assets		<b>387,493</b>	571,167
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>139,135</b>	153,147
Other payables and accruals		<b>32,636</b>	29,811
Interest-bearing bank borrowings		<b>74,859</b>	194,649
Loans from related parties		<b>213,698</b>	78,475
Lease liabilities		<b>5,042</b>	2,639
		<hr/>	<hr/>
Total current liabilities		<b>465,370</b>	458,721
NET CURRENT (LIABILITIES)/ASSETS		<b>(77,877)</b>	112,446
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>(31,524)</b>	153,174
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>11,480</b>	9,143
		<hr/>	<hr/>
Net (liabilities)/assets		<b>(43,004)</b>	144,031
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2021*

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>(DEFICIENCY)/EQUITY</b>			
Equity attributable to equity holders of the Company			
Issued capital	<i>14</i>	<b>2,269</b>	1,891
(Deficit)/reserves		<b>(45,273)</b>	142,140
Total (deficit)/equity		<b>(43,004)</b>	144,031

## 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 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.

### 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.

#### Going concern assumptions

The Group incurred net loss of approximately HK\$196,960,000 (2020: HK\$165,274,000) for the year ended 31 December 2021. As at 31 December 2021, the Group had net current liabilities and net liabilities of HK\$77,877,000 (2020: net current assets of HK\$112,446,000) and HK\$43,004,000 (2020: net assets of HK\$144,031,000) respectively.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2021 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the consolidated financial statements are authorised for issue, but not limited to, the followings:

- (a) On 21 February 2022, the Group has completed the right issue and allotted 453,831,276 new shares with net proceed (after deducting the shareholder loan of HK\$32,000,000 and listing expense of HK\$2,659,000) of HK\$25,700,000 as general working capital of the Group;
- (b) Actively negotiating with banks to renew the banking facilities and the Group has unutilised banking facilities granted by the financial institution of HK\$114,604,000 as at 31 December 2021;

- (c) In light of the coronavirus outbreak in the early of 2020 (the “Outbreak”) and the Outbreak continues to be fluid, the Group is closely monitoring the latest development and will continue to assess the impact of the Outbreak on the Group’s operations from time to time and adjust its sales and marketing strategy for its sales to generate sufficient cash flows from its operations;
- (d) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (e) On the date of this result announcement, the Group has negotiated with Mr. Wang Ya Nan and Mr. Wang Ya Nan agreed not to demand the amount due to him of HK\$105,139,000 as at 31 December 2021 within the next twelve months from the date of this result announcement. Loan agreement for the extension of loan is obtained; and
- (f) Mr. Wang Ya Nan, one of the controlling shareholders of the Company has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due within the next twelve months from the date of this result announcement. Letter of financial support is obtained from Mr. Wang Yan Nan.

The directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2021. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group’s assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRSs for the first time for the current year’s financial statements.

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform Phase 2</i>

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **Impact on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”**

Amendments to HKFRSs issued in October 2020 (Interest Rate Benchmark Reform Phase 2) represents the second phase of the project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of reform. Under these amendments, changes made to a financial instrument that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark.

As at 1 January 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	<b>GBP London Interbank Offered Rate  (“LIBOR”) HK\$’000</b>
<b>Financial liabilities</b>	
Bank borrowings	<u>31,736</u>

During the year, the Group’s LIBOR bank borrowings with carrying amounts of HK\$31,736,000 have been transitioned to the relevant alternative benchmark rates. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

In addition, the Group also adopted an “agenda decision” of the IFRS Interpretations Committee (the “Committee”) in relation to the estimated cost necessary to make the sale. In June 2021, the Committee, through its agenda decision, clarified the costs. The Group should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, the Committee clarified whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that the Group must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and selling and distribution expenses. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.



#### 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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<b>95,538</b>	145,128
Customer B	<b>95,368</b>	159,661
Customer C	<b>49,941</b>	N/A*
	<b>240,847</b>	304,789

\* Revenue from sales to Customer C accounted for less than 10% of the total revenue of the Group for the year ended 31 December 2020.

## 5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of casings of notebook and tablet	<u>370,693</u>	<u>472,368</u>

### Revenue from contracts with customers

#### *Performance obligation*

Sale of casings of notebook and tablet

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	26	68
Sale of scrap materials	2,811	1,398
Government grants*	<u>236</u>	<u>521</u>
	<u>3,073</u>	<u>1,987</u>

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

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on bank borrowings	5,106	9,537
Interest on lease liabilities	771	558
Interest on loans from a shareholder	<u>1,676</u>	<u>463</u>
	<u>7,553</u>	<u>10,558</u>

## 7. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold <sup>1</sup>	481,468	489,832
Depreciation of property, plant and equipment	6,964	17,978
Depreciation of right-of-use assets	4,074	4,739
Research and development costs <sup>2</sup>	23,224	22,253
Lease payments not included in the measurement of lease liabilities	168	–
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	63,247	54,155
Pension scheme contributions	14,975	7,835
	<u>78,222</u>	<u>61,990</u>
(Reversal of impairment of)/impairment of trade receivables*	(68)	662
Write-off prepayment	1,214	–
Provision for inventories	109,111	32,623
Loss on disposal/write-off of items of property, plant and equipment*	1,305	25
Impairment of property, plant and equipment*	–	52,525
Impairment of right-of-use assets*	–	5,699
Foreign exchange differences, net*	<u>2,465</u>	<u>5,795</u>

\* (Reversal of impairment of)/impairment of trade receivables, loss on disposal/write-off of items of property, plant and equipment, impairment of property, plant and equipment, impairment of right-of-use assets and foreign exchange differences, net, are included in "Other operating income/(expenses), net" on the face of the consolidated income statement.

<sup>1</sup> Cost of inventories sold includes HK\$165,736,000 (2020: HK\$85,294,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities, provision for inventories, and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

<sup>2</sup> Research and development costs include HK\$21,718,000 (2020: HK\$18,781,000) 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.

## 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 (2020: Nil). No provision for profits tax in Mainland China has been made as the Group did not generate any assessable profits during the Year (2020: Nil).

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the income tax is 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, was subject to a preferential tax rate of 15% starting from the year ended 31 December 2019 for three years.

## 9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2021, 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\$196,690,000 (2020: HK\$165,274,000), and the weighted average number of ordinary shares of 214,177,556 (2020: 189,115,638) in issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

## 11. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	18,127	48,613
Work in progress	131,129	138,611
Finished goods	34,326	90,924
	<u>183,582</u>	<u>278,148</u>

## 12. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	172,057	236,410
Impairment	<u>(1,838)</u>	<u>(1,857)</u>
	170,219	234,553
Bills receivable	<u>4,730</u>	<u>7,060</u>
	<u><b>174,949</b></u>	<u>241,613</u>

As at 31 December 2021, gross trade receivables of certain customers of HK\$91,088,000 (2020: HK\$173,866,000), which are designated in trade receivable factoring arrangements entered into between the Group and certain banks in the PRC, and bills receivable of HK\$4,730,000 (2020: HK\$7,060,000) 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 2021, 26.8% (2020: 32.0%) of the total trade and bills receivables, and 94.4% (2020: 89.3%) 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 receivables (based on invoice date) and bills receivables (based on bills issue date) as at the end of the reporting period, and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	141,628	157,278
4 to 6 months, inclusive	33,321	82,459
7 to 9 months, inclusive	<u>–</u>	<u>1,876</u>
	<u><b>174,949</b></u>	<u>241,613</u>

### 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	88,358	91,243
4 to 6 months, inclusive	28,781	53,474
7 to 9 months, inclusive	14,965	7,714
10 to 12 months, inclusive	4,219	716
Over one year	2,812	–
	<u>139,135</u>	<u>153,147</u>

### 14. ISSUED CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 and 1 January 2021	189,115,638	1,891
Issuance of shares upon placing ( <i>Note (a)</i> )	<u>37,800,000</u>	<u>378</u>
<b>As at 31 December 2021</b>	<u><b>226,915,638</b></u>	<u><b>2,269</b></u>

*Note:*

- (a) On 9 April 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best basis, up to 37,800,000 placing shares at the placing price at HK\$0.31 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$235,000) from the placing has been used for settlement of outstanding bank loans of the Group. Accordingly, the Group's share capital increased by approximately HK\$378,000 and the remaining balance of approximately HK\$11,105,000 was credited to the share premium account.

## **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 96.3% (2020: 97.5%).

During the Year, the fluctuation of material prices, the continual increase in staff costs, the shortage in the supply of semi-conductors and the continuing increase in competition in the market all put pressures to the operation of the Group. To tackle these challenges, the Group reassessed our projects to maintain a healthy operating cashflow and reform the management team and organisational structure to improve the operation efficiency. The Group believes such measures are on the right track in improving the Group’s coming performance but, during the operation restructuring, the Group’s sales orders and production yield were being impacted negatively by the internal and external challenges and thus the Group’s sales and gross profit margin going declined comparing to the corresponding period last year.

### **Business Prospects**

The market expects that with the gradual easing of the Outbreak, some consumer and education demand on notebooks have gradually diminished, and the over shipment volume is expected to slow down in the coming year. Together with other external challenges such as keen competition in the market, fluctuation of material prices, increase in staff costs and the unstable geopolitics, management of the Group will focus on monitoring and improving the Group’s operating cash flow through continuing reassessing our projects and organisation structure. In addition, management of the Group will remain vigilant to the market changes and adopt a prudent decision-making approach on resources allocation in order to make a timely and efficient responses and achieve the best outcome for the Group.

## FINANCIAL REVIEW

The Group's total revenue decreased by approximately 21.5%, from approximately HK\$472.4 million in 2020 to approximately HK\$370.7 million for the Year. The decrease was mainly due to the Group reassessed the projects to improve the operating cashflow and therefore less sales orders received.

During the Year, the Group recorded an increase in gross loss by approximately 536.8% from approximately HK\$17.5 million in 2020 to approximately HK\$110.8 million for the Year, which was mainly due to mainly because the Group recorded inventory provision of approximately HK\$109.1 million for the Year (2020: approximately HK\$32.6 million). The Group reassessed its projects aiming to maintain a healthy operating cashflow and reformed the management team and organisation structure aiming to improve the operation efficiency during the Year. However, the Group production efficiency and yield were being impacted negatively by the internal and external challenges while the operation restructuring was in progress.

The Group's selling and distribution expenses decreased by approximately 12.1%, from approximately HK\$9.1 million in 2020 to approximately HK\$8.0 million for the Year, and was in line with the decrease in sales during the Year.

The Group's general and administrative expenses increased by approximately 6.0%, from approximately HK\$65.5 million in 2020 to approximately HK\$69.4 million for the Year. The increase was due to the increase in salary and research and development expenses.

The Group's finance costs reduced by approximately 28.3%, from approximately HK\$10.6 million in 2020 to approximately HK\$7.6 million for the Year. The decrease in finance costs was mainly attributable to the decreased average bank borrowings during the Year.

The Group's other income increased by approximately 55.0%, from approximately HK\$2.0 million in 2020 to approximately HK\$3.1 million for the Year. The increase was due to the increase in the sales of scrap materials during the Year.

The Group's other operating expenses, net, decreased by approximately 93.2%, from approximately HK\$64.6 million in 2020 to approximately HK\$4.4 million for the Year. The decrease was mainly because the Group recorded impairment of property, plant and equipment of approximately HK\$52.5 million and impairment of right-of-use assets of approximately HK\$5.7 million respectively in 2020 while there were no such impairments during the Year.



As a result of the foregoing, the Group's loss for the Year attributable to equity holders of the Company amounted to approximately HK\$197.0 million, as compared with a loss of approximately HK\$165.3 million in 2020. Basic loss per share attributable to equity holders of the Company was approximately HK91.96 cents for the Year as compared with basic loss per share attributable to equity holders of the Company of approximately HK87.39 cents in 2020.

The Group's inventory turnover days decreased to approximately 175.0 days for the Year as compared to approximately 260.8 days for 2020.

The Group's trade and bills receivables turnover days increased from approximately 193.7 days for the year ended 31 December 2020 to approximately 205.1 days for the Year. The increase was contributed by the lower sales were recognised during the early phase of COVID-19 outbreak at the beginning of the Year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2021, the Group had cash and bank balances of HK\$11.0 million (2020: HK\$34.9 million), which were denominated in USD, HK\$ and RMB.

As at 31 December 2021, the Group had restricted bank balances of HK\$3.3 million (2020: HK\$ 2.3 million).

As at 31 December 2021, the Group had interest-bearing bank borrowings payable within one year of HK\$74.9 million (2020: HK\$194.6 million).

As at 31 December 2021, the Group had no interest-bearing bank borrowings payable more than one year (2020: Nil).

As at 31 December 2021, the Group had interest-bearing loans from a related party of HK\$105.1 million (2020: HK\$45.4 million).

As at 31 December 2021, the Group had non-interest-bearing loan from a related party of HK\$108.6 million (2020: HK\$33.0 million).

Average trade and bills receivable turnover days was 205.1 days (2020: 193.7 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 175.0 days (2020: 260.8 days). Overall, the current ratio of the Group was 0.83 as at 31 December 2021 (2020: 1.25).

As at 31 December 2021, the gearing ratio was 637.6% (2020: 163.8%).

Gearing ratio is calculated based on total borrowings (i.e. bank borrowings and loans from related parties) less total cash and bank balances (including restricted bank balances) divided by total equity attributable to equity holders of the Company as at year-end date and expressed as a percentage.

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, the net proceeds generated from the Listing, bank borrowings and loan from related parties. The Board believes that the Group's liquidity needs will be satisfied.

## **CAPITAL EXPENDITURE**

The Group incurred capital expenditure of approximately HK\$6.5 million during the Year (2020: HK\$9.6 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 2021.

## **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 2021, the Group did not have any significant contingent liabilities (2020: Nil).

## **EMPLOYEE INFORMATION**

As at 31 December 2021, the Group employed a total of 536 permanent employees, who are mainly employees in production department, down from 719 as at 31 December 2020. 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 25.8% and 77.4% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 8.2% and 25.3% 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 (the "Shareholders") of the Company who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

## **EVENT AFTER THE REPORTING PERIOD**

On 23 November 2021, the Company proposes to implement the right issue on the basis of two right shares for every one ordinary share of the Company at the subscription price of HK\$0.133 per right share. On 21 February 2022, the right issue is completed.

Details of transaction are disclosed in the announcements of the Company dated 24 November 2021, 14 December 2021, 20 December 2021, 22 December 2021, 24 January 2022, 14 February 2022 and 21 February 2022.

## 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 2021, a total amount of HK\$42.9 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 <i>HK\$ million</i>	Utilised	Unutilised	Expected timeline of full utilisation of the balance
			amount (as at 31 December 2021) <i>HK\$ million</i>	amount (as at 31 December 2021) <i>HK\$ million</i>	
Lease of a new factory ( <i>Note 1</i> )	15.1%	7.3	1.7	5.6	2028-2029
Refurbishment of the new factory as mentioned above	19.9%	9.6	9.6	–	–
Capital expenditure for additional production facilities and machineries	46.2%	22.4	22.4	–	–
Capital expenditure for enhancing the automation in the Group's manufacturing process	16.1%	7.8	7.8	–	–
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	42.9	5.6	

### Notes

- The lease of the factory is for a term of ten years, and therefore the remaining balance of approximately HK\$5.6 million is expected to be fully utilised by the year 2028 to 2029.

## **USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE**

On 9 April 2021, the Company entered into a placing agreement (the “Placing Agreement”) with Sinomax Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO (the “Placing Agent”), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure on a best effort basis currently expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 37,800,000 placing shares at the placing price of HK\$0.31 per placing share (the “Placing”).

All the conditions precedent under the Placing Agreement have been fulfilled on 27 April 2021 and completion of the Placing took place on 3 May 2021. For details, please refer to the announcements of the Company dated 9 April 2021 and 3 May 2021.

The net proceeds from the Placing, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements), are approximately HK\$11.0 million. The Company intends to apply the net proceeds in full from the Placing for repayment of outstanding bank loans. As at 31 December 2021, the said net proceeds has been fully utilised as intended.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the “CG 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.

## **AUDIT COMMITTEE**

According to Rule 3.21 of the Listing Rules and the CG Code, the Group established the audit committee of the Company (the “AC”) 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 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 AC has also reviewed the effectiveness of the risk management and the internal control systems of the Company and considered 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.

## **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, 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 transactions by the Directors. The Company has made specific enquiries to all Directors and all Directors have confirmed that they have complied with the Model Code 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 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 (2020: Nil).

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “Annual General Meeting”) will be held on Wednesday, 11 May 2022. 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 Friday, 22 April 2022.

## **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 Thursday, 5 May 2022 to Wednesday, 11 May 2022, 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 Wednesday, 4 May 2022.



## **PRELIMINARY ANNOUNCEMENT OF THE GROUP'S RESULTS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this preliminary announcement.

## **APPRECIATION**

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

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

Hong Kong, 21 March 2022

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