


Interim Report 2023

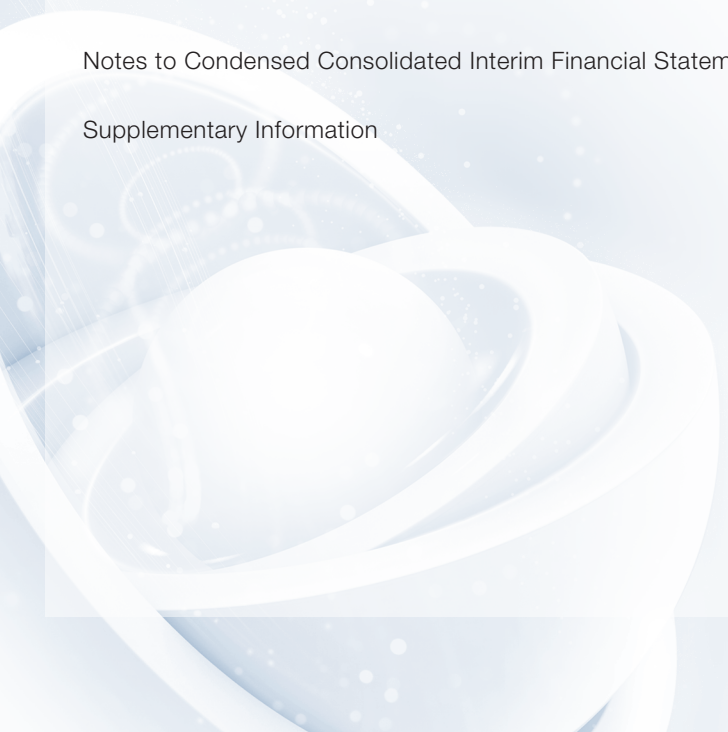
TONGDA HONG TAI HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code: 2363



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Ming Li (*Chief Executive Officer*)

Mr. Lee King On Jeff
(appointed on 2 December 2022)

Mr. Wang Ming Zhi

Mr. Wong Ah Yu
(resigned on 2 December 2022)

Non-executive Director

Mr. Wang Ya Nan (*Chairman*)

Independent Non-executive Directors

Ms. Leung Pik Kwan
Mr. Sun Wai Hong
Mr. Chan Shiu Man
(appointed on 2 December 2022)

Mr. Wu Kin San Alfred
(resigned on 2 December 2022)

AUDIT COMMITTEE

Ms. Leung Pik Kwan (*Chairman*)
Mr. Sun Wai Hong
Mr. Chan Shiu Man
(appointed on 2 December 2022)
Mr. Wu Kin San Alfred
(resigned on 2 December 2022)

REMUNERATION COMMITTEE

Ms. Leung Pik Kwan (*Chairman*)
Mr. Sun Wai Hong
Mr. Chan Shiu Man
(appointed on 2 December 2022)
Mr. Wu Kin San Alfred
(resigned on 2 December 2022)

NOMINATION COMMITTEE

Mr. Wang Ya Nan (*Chairman*)
Ms. Leung Pik Kwan
Mr. Sun Wai Hong
Mr. Chan Shiu Man
(appointed on 2 December 2022)
Mr. Wu Kin San Alfred
(resigned on 2 December 2022)

COMPANY SECRETARY

Mr. Lee King On Jeff
(appointed on 2 December 2022)
Mr. Ho Chun Sing
(resigned on 2 December 2022)

AUDITOR

D & Partners CPA Limited
Registered Public Interest Entity Auditor

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wong Ming Li

PRINCIPAL BANKERS

In Hong Kong:

Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) Limited

In the PRC:

United Overseas Bank (China) Limited
Suzhou Branch
China Construction Bank
Changshu Branch

LEGAL ADVISERS

As to Hong Kong laws:

CFN Lawyers in association
with Broad & Bright

As to PRC laws:

Jiangsu New Talent (Changshu)
Law firm

As to Cayman Islands laws:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong
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LISTING INFORMATION

Listed on the Hong Kong Stock
Exchange (Main Board)
Stock short name: Tongda Hong Tai
Stock code: 2363
Board lot: 2,500 shares
Listing date: 16 March 2018
(the "Listing Date")

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements 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 (the “Board”) of directors (the “Directors”) of the Company hereby presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 (the “Period”). The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories. During the Period, sales of casings for notebook continued to account for the largest proportion of the Group’s total sales.

During the Period, as the government restrictions of COVID-19 pandemic (the “Pandemic”) in various countries already eased, the previous surge in demand for personal computers (“PC”) brought by remote working and online classroom have been digested. Also, the global inflation surge, the increase in staff costs, the continual fluctuation of material prices due to the instability of supply chain, the shortage in the supply of semiconductors, and the continuing increase in competition in the market had all negatively impacted the operations of the Group. The consumer market and the global shipment volume of notebook were still being negatively impacted during the Period.

In last year, the Group had reformed the management team and organisational structure in order to increase the operational efficiency and to achieve a healthy operational cashflow. Such operation restructuring continued during the Period. However, the Group’s sales orders and production yield were negatively impacted by the aforesaid external unfavorable challenges. As a result, the Group’s sales for the Period declined when compared to same period last year. Nevertheless, the Group strongly believes that all the taken reform measures are on the right track to improve the Group’s future performance.

BUSINESS PROSPECTS

During the Period, our world is full of challenges. Increasing geopolitical instability and associated risks, the surge of global inflation tackled by interest rate hike policy in many countries, and the significantly tightened currencies of various major economies, all these caused the international financial situations in more complex and volatile, which keep on restraining individual consumption and corporate spending during the Period. In order to improve the business operations and diverse the risks, the management of the Group will focus on monitoring and improving the Group's operating cash flow through continuing reassessing our projects, and continuously implement the tightened cost controls and adjustments on organization structure. The Group will continue to pay attention to the latest development trend of the market of notebook computers, explore the possibilities of relocating its production facilities to lower-cost areas such as South-East Asia and explore to capture business opportunities in the manufacturing of electric vehicles and their infrastructures as well as research and investment in innovative technology projects by making use of our existing production facilities and production techniques.

Given the tough industry challenges, the Group is confident that the business strategies outlined as aforesaid will set it on the trajectory for preserving and generating value to the shareholders of the Company, and will strive to explore more development opportunities to further improve its profitability and create better returns for its shareholders.

FINANCIAL REVIEW

The Group's total revenue decreased by approximately 42.9%, from approximately HK\$82.0 million for the same period last year to approximately HK\$46.8 million during the Period. The decrease was mainly due to the operation restructuring of the Group commenced last year continued during the Period and the Group had carried on with its reassessment of its projects to improve the operating cashflow which resulted in less sales orders received.

During the Period, the Group recorded a gross loss of approximately HK\$6.6 million, as compared to a gross profit of approximately HK\$4.6 million for the same period last year, which was mainly due to the Group's production efficiency and yield were being impacted negatively by the aforesaid external unfavorable challenges while the operation restructuring commenced last year continued during the Period.

The Group's selling and distribution expenses decreased by approximately 47.0%, from approximately HK\$2.4 million for the same period last year to approximately HK\$1.3 million during the Period and was in line with the decrease in sales during the Period.

The Group's general and administrative expenses decreased by approximately 24.9%, from approximately HK\$25.6 million for the same period last year to approximately HK\$19.2 million during the Period. The decrease was due to the decrease in salary expenses and research and development expenses.

The Group's finance costs reduced by approximately 70.1%, from approximately HK\$1.3 million for the same period last year to approximately HK\$0.4 million for the Period. The decrease in finance costs was mainly attributable to the fully repayment of bank borrowings in last year.

The Group's other expenses recorded approximately HK\$3.1 million, as compared to other income of approximately HK\$0.3 million for the same period last year, which was due to the loss in the sales of scrap materials during the Period.

The Group's other operating expenses, net, increased by approximately 231.5%, from approximately HK\$5.4 million for the same period last year to approximately HK\$17.9 million for the Period, which was due to increase in loss on disposals of property, plant and equipment and increase in exchange loss due to depreciation of Renminbi for the Period.

As a result of the foregoing, the Group's loss for the Period attributable to equity holders of the Company amounted to approximately HK\$48.5 million, as compared with a loss of approximately HK\$29.8 million for the same period last year. Basic loss per share attributable to equity holders of the Company was approximately HK\$7.13 cents for the Period as compared with basic loss per share attributable to equity holders of the Company of approximately HK5.42 cents for the same period last year.

The Group's inventory turnover days decreased from approximately 161.1 days for the year ended 31 December 2022 to approximately 148.6 days for the Period, the decrease reflects the effective of measures to improve operating cash flow.

The Group's trade and bills receivables turnover days decreased from approximately 282.1 days for the year ended 31 December 2022 to approximately 194.4 days for the Period. The decrease reflects the effective of measures to improve operating cash flow.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had cash and bank balances of approximately HK\$2.2 million (31 December 2022: approximately HK\$7.6 million), which were denominated in USD, HK\$ and RMB.

As at 30 June 2023, the Group had restricted bank balances of approximately HK\$1.8 million (31 December 2022: approximately HK\$3.1 million).

As at 30 June 2023, the Group had no interest-bearing bank borrowings payable within one year (31 December 2022: HK\$Nil).

As at 30 June 2023, the Group had no interest-bearing bank borrowings payable more than one year (31 December 2022: HK\$Nil).

As at 30 June 2023, the Group had interest-bearing loans from an independent third party of approximately HK\$184.0 million (31 December 2022: approximately HK\$184.0 million).

As at 30 June 2023, the Group had non-interest bearing loans from a related party and one of the controlling shareholders of approximately HK\$8.0 million (31 December 2022: approximately HK\$8.0 million).

Average trade and bills receivable turnover days as at 30 June 2023 was approximately 194.4 days (31 December 2022: approximately 282.1 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 as at 30 June 2023 was approximately 148.6 days (31 December 2022: approximately 161.1 days). Overall, the current ratio of the Group as at 30 June 2023 was approximately 0.68 (31 December 2022: approximately 0.88).

As at 30 June 2023, the gearing ratio was approximately 78.8% (31 December 2022: approximately 89.1%).

Gearing ratio is calculated based on total borrowings (i.e. bank borrowings, other payable classified as non-current portion 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 Period-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\$1.2 million during the Period (31 December 2022: approximately HK\$1.4 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.

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 30 June 2023 (31 December 2022: Nil).

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

EMPLOYEE INFORMATION

As at 30 June 2023, the Group employed a total of 99 permanent employees, who are mainly employees in production department, down from 358 as at 30 June 2022. Total employee benefit expenses including Directors' remuneration for the Period were approximately HK\$16.9 million, as compared to approximately HK\$25.4 million in the same period last year. 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.

CHARGE ON GROUP ASSETS

As at 30 June 2023, the Group had no charges on Group's assets.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Notes	2023	2022
		HK\$'000	HK\$'000
REVENUE	4	46,836	81,967
Cost of sales		(53,434)	(77,340)
Gross (loss)/profit		(6,598)	4,627
Other (expenses)/income		(3,100)	250
Selling and distribution expenses		(1,258)	(2,374)
General and administrative expenses		(19,218)	(25,589)
Other operating expense, net		(17,944)	(5,413)
Finance costs		(395)	(1,323)
LOSS BEFORE TAX	5	(48,513)	(29,822)
Income tax expense	6	-	-
LOSS FOR THE PERIOD			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY		(48,513)	(29,822)
LOSS PER SHARE ATTRIBUTABLE			
TO EQUITY HOLDERS OF THE			
COMPANY			
Basic and diluted	8	(HK\$7.13 cents)	(HK\$5.42 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(48,513)	(29,822)
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	13,689	5,569
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(34,824)	(24,253)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		30 June	31 December
		2023	2022
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,071	8,271
Right-of-use assets		3,414	6,132
Long term deposits		–	497
Total non-current assets		5,485	14,900
CURRENT ASSETS			
Inventories	10	37,112	49,912
Trade and bills receivables	11	41,989	57,771
Prepayments, deposits and other receivables		13,940	12,236
Tax recoverable		1,255	832
Restricted bank balances		1,795	3,125
Cash and bank balances		2,213	7,603
Total current assets		98,304	131,479
CURRENT LIABILITIES			
Trade payables	12	29,686	47,623
Other payables and accruals		104,871	88,482
Interest-bearing bank borrowings	13	–	–
Loans from related parties	14(a)	7,792	8,041
Amount due to a related party	14(b)	84	–
Lease liabilities		1,798	5,209
Total current liabilities		144,231	149,355

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
NET CURRENT LIABILITIES		(45,927)	(17,876)
TOTAL ASSETS LESS CURRENT LIABILITIES		(40,442)	(2,976)
NON-CURRENT LIABILITIES			
Lease liabilities		13,750	16,430
Other payable		184,051	184,013
Total non-current liabilities		197,801	200,443
Net liabilities		(238,243)	(203,419)
DEFICIENCY			
Equity attributable to equity holders of the Company			
Issued capital	15	6,807	6,807
Deficit		(245,050)	(210,226)
Total deficit		(238,243)	(203,419)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2023
Attributable to equity holders of the Company

	Issued capital HK\$'000 (Note 15)	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated Loss HK\$'000	Total deficit HK\$'000
At 1 January 2023	6,807	186,233	200,706	16,031	(12,919)	(600,277)	(203,419)
Loss for the period	-	-	-	-	-	(48,513)	(48,513)
Other comprehensive income for the period:							
Exchange differences on translation of a foreign operation	-	-	-	-	13,689	-	13,689
Total comprehensive income/(expense) for the period	-	-	-	-	13,689	(48,513)	(34,824)
Issue of new shares under Rights Issue	-	-	-	-	-	-	-
At 30 June 2023	6,807	186,233	200,706	16,031	770	(648,790)	(238,243)

Unaudited six months ended 30 June 2022
Attributable to equity holders of the Company

	Issued capital HK\$'000 (Note 15)	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated Loss HK\$'000	Total deficit HK\$'000
At 1 January 2022	2,269	133,038	198,566	16,031	(24,054)	(368,854)	(43,004)
Loss for the period	-	-	-	-	-	(29,822)	(29,822)
Other comprehensive income/(expense) for the period:							
Exchange differences on translation of a foreign operation	-	-	-	-	5,569	-	5,569
Total comprehensive income/(expense) for the period	-	-	-	-	5,569	(29,822)	(24,253)
Issue of new shares under Rights Issue	4,538	53,195	-	-	-	-	57,733
At 30 June 2022	6,807	186,233*	198,566*	16,031*	(18,485)*	(398,676)*	(9,524)

* These reserve accounts comprise the consolidated deficit of approximately HK\$16,331,000 (six months ended 30 June 2021: reserves of approximately HK\$108,869,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	798	15,636
Interest paid	(394)	(1,323)
Net cash flows generated from operating activities	404	14,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9	13
Proceeds from disposal of items of property, plant and equipment	260	–
Purchases of items of property, plant and equipment	(1,153)	(351)
Decrease/(increase) in long term deposits	514	(247)
Decrease/(increase) in restricted bank balances	1,330	(88)
Exchange realignment	–	(247)
Net cash flows generated from/(used in) investing activities	960	(920)

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	–	65,488
Repayment of bank loans	–	(84,520)
Principal elements of lease payments	(5,350)	(5,998)
Increase/(decrease) in loans from related parties	–	(25,826)
Increase in amount due to a related company	84	–
Proceeds from placing of new shares	–	–
Proceeds from issue of new shares under Rights Issue	–	25,733
Exchange realignment	–	7,460
Net cash flows used in financing activities	(5,266)	(17,663)
NET DECREASE IN CASH AND BANK BALANCES		
	(3,902)	(4,270)
Cash and cash equivalents at beginning of period	7,603	11,038
Effect of foreign exchange rate changes, net	(1,488)	570
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,213	7,338
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES		
Cash and bank balances	4,008	10,753
Less: Restricted bank balances	(1,795)	(3,415)
	2,213	7,338

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 principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in the manufacture and sale of casings and components of notebook. There were no significant changes in the nature of the subsidiaries' principal activities during the Period.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2022.

Going concern assumptions

The Group incurred net loss of approximately HK\$48,513,000 (six months ended 30 June 2022: approximately HK\$29,822,000) for the Period. As at 30 June 2023, the Group had net current liabilities and net liabilities of approximately HK\$45,927,000 (31 December 2022: approximately HK\$17,876,000) and HK\$238,243,000 (31 December 2022: approximately HK\$203,419,000) respectively.

2. BASIS OF PRESENTATION *(continued)*

Going concern assumptions *(continued)*

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 Interim 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 30 June 2023 and subsequently thereto up to the date when the Interim 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 Interim Financial Statements are authorised for issue, including but not limited to, the followings:

- (a) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure; and
- (b) 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 report. Letter of financial support is obtained from this controlling shareholder.

2. BASIS OF PRESENTATION *(continued)*

Going concern assumptions *(continued)*

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 30 June 2023. 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 30 June 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the Interim 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 Interim Financial Statements.

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 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current Period's financial information.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the above revised HKFRSs has had no significant financial effect on the Group's Interim Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and the sales of the casings and components of notebooks. 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	
	2023	2022
	HK\$'000	HK\$'000
Customer A	24,117	31,692
Customer B*	1,993	21,204
Customer C*	54	14,513
Customer D	13,966	–
	40,130	67,409

* Revenue from the sales to Customer B and Customer C accounted for less than 10% to the total revenue of the Group for the six months ended 30 June 2023.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories sold	53,434	77,340
Depreciation of property, plant and equipment	5,978	5,018
Depreciation of right-of-use assets	2,549	2,241
Research and development costs	3,194	9,079
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	13,305	19,063
Pension scheme contributions	3,192	6,252
Impairment of inventories	–	3,483
Foreign exchange differences, net	15,412	5,210

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 2022: Nil). No provision for profits tax in Mainland China has been made as the Group did not generate any assessable profits in Mainland China during the Period.

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

通達宏泰科技(蘇州)有限公司(Tongda HT Technology (Suzhou) Company Limited), as a High New Technology Enterprise, was subject to a preferential tax rate of 15% starting from the year ended 31 December 2022 for three years.

Unaudited
Six months ended 30 June
2023 2022
HK\$'000 HK\$'000

Total current tax charge for the period from
Mainland China

—

—

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.

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 2022: Nil).

8. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Loss:		
Loss for the period attributable to owners of the Company used in the basic and diluted loss per share calculation	48,513	29,822
Weighted average number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	680,746,914	550,364,448

The weighted average number of ordinary shares used in calculation during the Period is the 680,746,914 ordinary shares in issue.

The weighted average number of ordinary shares used in calculation during the six months ended 30 June 2022 includes 453,831,276 newly issued ordinary shares from the issue of shares under the Rights Issue on 21 February 2022 and 226,915,638 ordinary shares issued on 1 January 2022.

The Group had no potentially dilutive ordinary shares in issue during the Period and for the six months ended 30 June 2022.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$1,153,000 (six months ended 30 June 2022: approximately HK\$997,000).

10. INVENTORIES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Raw materials	2,168	5,800
Work in progress	12,803	12,677
Finished goods	22,141	31,435
	37,112	49,912

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables	44,821	59,749
Impairment	(2,832)	(3,068)
	41,989	56,681
Bills receivable	-	1,090
	41,989	57,771

11. TRADE AND BILLS RECEIVABLES *(continued)*

As at 30 June 2023, gross trade receivables of certain customers of approximately HK\$Nil (31 December 2022: approximately HK\$Nil), which are designated in a trade receivable factoring arrangement entered into between the Group and a bank in the PRC, and bills receivable of approximately HK\$Nil (31 December 2022: approximately HK\$1,090,000) 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 2023, approximately 52.9% (31 December 2022: approximately 61.3%) of the total trade and bills receivables, and approximately 94.3% (31 December 2022: approximately 89.7%) of the total trade and bills receivables, were due from the Group's largest customer and the five largest customers, respectively.

11. TRADE AND BILLS RECEIVABLES *(continued)*

An ageing analysis of the Group's trade and bills receivables as at the end of the Period, based on the invoice date and net of provisions, is as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 3 months	31,022	44,375
4 to 6 months, inclusive	9,405	12,838
7 to 9 months, inclusive	1,192	484
10 to 12 months, inclusive	341	74
Over 1 year	29	–
	<hr/> 41,989	<hr/> 57,771

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 Period, based on the invoice date, is as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 3 months	29,855	26,464
4 to 6 months, inclusive	-	8,527
7 to 9 months, inclusive	-	4,196
10 to 12 months, inclusive	-	4,060
Over 1 year	(169)	4,376
	29,686	47,623

13. INTEREST-BEARING BANK BORROWINGS

During the Period, the Group repaid bank borrowings of approximately HK\$Nil (six months ended 30 June 2022: approximately HK\$84,520,000) and raised new bank borrowings of approximately HK\$Nil (six months ended 30 June 2022: approximately HK\$65,488,000).

14(a). LOANS FROM RELATED PARTIES

		Unaudited	Audited
		30 June	31 December
		2023	2022
	Notes	HK\$'000	HK\$'000
Loans from Tongda Shishi			
Investment	(a)	5,641	5,641
Loans from Mr. Wang Ya Nan	(b)	2,400	2,400
Exchange difference		(249)	–
		7,792	8,041

Notes:

- (a) The loans from 通達(石獅)投資諮詢有限公司 (Tongda Shishi Investment Consulting Company Limited (“Tongda Shishi Investment”)), a related company controlled by Mr. Wang Ya Nan, the non-executive director and a shareholder of the Company, are unsecured, interest-free and repayable within one year.
- (b) The loans are unsecured, interest-free and are repayable within one year.

14(b). AMOUNT DUE TO A RELATED PARTY

The amount due to a related party, Tongda Group International Limited, a company which Mr. Wang Ya Nan is a sole director, is unsecured, interest-free and are repayable on demand.

15. ISSUED CAPITAL

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Authorised:		
1,000,000,000 (31 December 2022: 1,000,000,000) ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid:		
680,746,914 (31 December 2022: 680,746,914) ordinary shares of HK\$0.01 each	6,807	2,269

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

	Number of ordinary shares of Notes	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 December 2022, 1 January 2023 and 30 June 2023	1,000,000,000	10,000
At 31 December 2022, 1 January 2023 and 30 June 2023	680,746,914	6,807

16. COMMITMENTS

The Group had the following capital commitments contracted but not provided for as at 30 June 2023:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	170	1,366

17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2023.

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following transactions with related parties during the Period:

		Unaudited Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
	Note		
Interest expense to Mr. Wang Ya Nan	(i)	–	233
Lease payments to Tongda Group	(ii)	84	84

18. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

- (i) The interest expense was charged in accordance with the terms of the respective loan agreements.
- (ii) During the Period, rental payment of HK\$84,000, in relation to a lease with Tongda Group International Limited (“Tongda Group”), of which Mr. Wang Ya Nan is a key management, were charged to the Interim Financial Statements.

(b) Compensation of key management personnel of the Group

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Short term employee benefits	985	1,689
Post-employment benefits	163	319
	<hr/>	
Total compensation paid to key management personnel	1,148	2,008
	<hr/>	

19. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and bank balances, restricted bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, trade payables, interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The estimated fair values of the lease liabilities are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2023.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

20. TRANSFERRED FINANCIAL ASSETS

(i) Transferred financial assets that are not derecognised in their entirety

The following table provides a summary of financial assets that have been transferred in such a way that part of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

(a) Discounting of bills receivable

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Carrying amount of assets that continued to be recognised	Nil	Nil
Carrying amount of associated liabilities	Nil	Nil

As at 30 June 2023, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of approximately HK\$Nil (31 December 2022: approximately HK\$Nil) to a bank in the PRC for cash proceeds on a full recourse basis. In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the respective bank loans. Subsequent to the discounting, the Group does not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the bank loans recognised due to the Discounted Bills was approximately HK\$Nil as at 30 June 2023 (31 December 2022: approximately HK\$Nil).

20. TRANSFERRED FINANCIAL ASSETS *(continued)*

(i) **Transferred financial assets that are not derecognised in their entirety** *(continued)*

(b) Trade receivables factoring

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “Arrangement”) and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 120 to 180 days (31 December 2022: 120 to 180 days). Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 30 June 2023 was approximately HK\$Nil (31 December 2022: approximately HK\$Nil). The carrying amount of the assets that the Group continued to recognise as at 30 June 2023 was approximately HK\$Nil (31 December 2022: approximately HK\$Nil) and that of the associated liabilities as at 30 June 2023 was approximately HK\$Nil (31 December 2022: approximately HK\$Nil).

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by of the Directors on 31 August 2023.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2023: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of The Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") were as follows:

Long positions in shares of the Company

Name of shareholder	Nature of interest	Number of shares interested	Percentage of shareholding in the Company
Mr. Wang Ya Nan	Beneficial owner	0	0.00%
(Note 1)	Interest of controlled corporation	251,044,814	36.88%

Note:

- 251,044,814 shares are beneficially held by Landmark Worldwide Holdings Limited. The issued share capital of Landmark Worldwide Holdings Limited is beneficially owned as to 25% by each Messrs. Wong Ah Yeung, Wang Ya Hua, Wong Ah Yu and Wang Ya Nan.

Save as disclosed above, as at 30 June 2023, there were no other interests or short positions of the Directors in the shares or underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the following persons/entities (other than the Directors or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company were as follows:

Long positions in shares of the Company

Name of shareholder	Nature of interest	Number of shares interested	Percentage of share holding in the Company
Mr. Wong Ah Yeung (Note 1)	Beneficial owner Interest of controlled corporation	0 251,044,814	0.00% 36.88%
Mr. Wong Ah Yu (Note 1)	Beneficial owner Interest of controlled corporation	0 251,044,814	0.00% 36.88%
Mr. Wang Ya Hua (Note 1)	Beneficial owner Interest of controlled corporation	0 251,044,814	0.00% 36.88%
Landmark Worldwide Holdings Limited (Note 1)	Beneficial owner	251,044,814	36.88%

Note:

- 251,044,814 shares are beneficially held by Landmark Worldwide Holdings Limited. The issued share capital of Landmark Worldwide Holdings Limited is beneficially owned as to 25% by each Messrs. Wong Ah Yeung, Wang Ya Hua, Wong Ah Yu and Wang Ya Nan.

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any persons/entities (other than the Directors or the chief executive of the Company) who held an interest or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section headed “Share Option Scheme” below, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The Share Option Scheme has been adopted by the Company on 8 February 2018. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 June 2023 and on the date of this report.

The maximum number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 18,911,563 shares, being 10% of the shares in issue as at the Listing Date. No share options had been granted by the Company under the Share Option Scheme up to the date of this report. Therefore, the number of shares available for issue is 18,911,563 shares, being approximately 2.78% of the shares in issue as at 30 June 2023 and up to the date of this report.

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 2023, a total amount of approximately 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 as 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 HK\$ million	Utilised amount (as at 30 June 2023) HK\$ million	Unutilised amount (as at 30 June 2023) HK\$ million	Expected timeline of full utilisation of the balance
Lease of factory (Note 1)	15.1%	7.3	1.7	5.6	2028-2029
Refurbish the new factory	19.9%	9.6	9.6	-	-
Capital expenditure for additional production facilities and machineries	46.2%	22.4	22.4	-	-
Capital expenditure on 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	

Note:

- 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 PROCEEDS FROM THE RIGHTS ISSUE

On 21 February 2022, the Group completed the rights issue on the basis of two rights shares for every one ordinary share of the Company at the subscription price of HK\$0.133 per rights share, the net proceeds from the rights issue, after deducting the estimated expenses and after the set off of loans from related party of approximately HK\$32.0 million (including but not limited to placing commission, legal expenses and disbursements), are approximately HK\$25.7 million. The Company intends to apply the net proceeds to (i) approximately HK\$7.0 million for staff costs of the Group; (ii) approximately HK\$16.0 million for payment to the Group's suppliers; and (iii) approximately HK\$2.7 million as general working capital of the Group. As of 30 June 2022, the said net proceeds has been fully utilised as intended.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float for the Period and up to the date of this report.

CORPORATE GOVERNANCE CODE

During the Period and up to the date of this report, 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 BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, the Directors have fully complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

As at the date of this report, 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. Chan Shiu Man. 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 this report, and considered that they were prepared in compliance with the relevant accounting standards and that adequate disclosures have been made.

EVENTS AFTER THE PERIOD

There were no significant events affecting the Company nor any of its subsidiaries after the end of the Period requiring disclosure in this report.

PUBLICATION OF INTERIM REPORT

This report is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website at <http://www.tongdahongtai.com>.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Wong Ming Li, Mr. Lee King On Jeff and Mr. Wang Ming Zhi as executive Directors; Mr. Wang Ya Nan as non-executive Director; and Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Chan Shiu Man as independent non-executive Directors.

By order of the Board

Tongda Hong Tai Holdings Limited

Wang Ya Nan

Chairman

Hong Kong, 31 August 2023