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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 2020**

HIGHLIGHTS

- Revenue of the Group in 2020 was approximately HK\$472.4 million, representing a decrease of approximately 11.4% as compared with the revenue of approximately HK\$532.9 million in 2019.
- The net loss attributable to the equity holders of the Company for 2020 amounted to approximately HK\$165.3 million as compared with approximately HK\$68.1 million in 2019.
- Basic loss per share for 2020 was approximately HK87.39 cents (2019: HK36.02 cents).
- The Board did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: 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 2020 (the “Year”), together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	5	472,368	532,939
Cost of sales		(489,832)	(513,063)
Gross profit/(loss)		(17,464)	19,876
Other income	5	1,987	1,834
Selling and distribution expenses		(9,064)	(10,227)
General and administrative expenses		(65,527)	(64,875)
Other operating income/(expenses), net		(64,648)	709
Finance costs	6	(10,558)	(15,438)
LOSS BEFORE TAX	7	(165,274)	(68,121)
Income tax expense	8	—	—
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(165,274)	(68,121)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	10	HK (87.39) cents	HK (36.02) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	<u>(165,274)</u>	<u>(68,121)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	<u>10,244</u>	<u>(13,239)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>(155,030)</u>	<u>(81,360)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		34,765	92,633
Right-of-use assets		3,772	12,906
Long term deposits		2,191	4,467
		<hr/>	<hr/>
Total non-current assets		40,728	110,006
CURRENT ASSETS			
Inventories	<i>11</i>	278,148	341,965
Trade and bills receivables	<i>12</i>	241,613	259,850
Prepayments, deposits and other receivables		13,338	10,914
Tax recoverable		869	809
Restricted bank balances		2,282	6,528
Cash and bank balances		34,917	24,718
		<hr/>	<hr/>
Total current assets		571,167	644,784
CURRENT LIABILITIES			
Trade payables	<i>13</i>	153,147	129,556
Other payables and accruals		29,811	30,106
Interest-bearing bank borrowings		194,649	282,309
Loans from related parties		78,475	–
Lease liabilities		2,639	3,750
		<hr/>	<hr/>
Total current liabilities		458,721	445,721
NET CURRENT ASSETS			
		112,446	199,063
TOTAL ASSETS LESS			
CURRENT LIABILITIES			
		153,174	309,069
NON-CURRENT LIABILITIES			
Lease liabilities		9,143	10,008
		<hr/>	<hr/>
Net assets		144,031	299,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>14</i>	1,891	1,891
Reserves		142,140	297,170
Total equity		144,031	299,061

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the Amendments to HKAS 1 and HKAS 8 are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

The adoption of the revised HKFRSs has had no significant financial impact on the financial position and performance of the Group.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	159,661	213,972
Customer B	145,128	86,351
Customer C	<u>N/A*</u>	<u>89,150</u>
	<u>304,789</u>	<u>389,473</u>

- * 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of casings of notebook and tablet	<u>472,368</u>	<u>532,939</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Bank interest income	68	100
Sale of scrap materials	1,398	1,588
Government grants*	<u>521</u>	<u>146</u>
	<u>1,987</u>	<u>1,834</u>

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

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on bank borrowings	9,537	14,747
Interest on lease liabilities	558	691
Interest on loans from a shareholder	<u>463</u>	<u>–</u>
	<u>10,558</u>	<u>15,438</u>

7. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold ¹	489,832	513,063
Depreciation of property, plant and equipment	17,978	21,837
Depreciation of right-of-use assets	4,739	4,889
Research and development costs ²	22,253	21,581
Lease payments not included in the measurement of lease liabilities	–	810
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	54,155	63,188
Pension scheme contributions	7,835	4,156
	<u>61,990</u>	<u>67,344</u>
Impairment of trade receivables*	662	209
Provision for inventories	32,623	22,730
Loss on disposal/write-off of items of property, plant and equipment*	25	479
Impairment of property, plant and equipment*	52,525	–
Impairment of right-of-use assets*	5,699	–
Foreign exchange differences, net*	<u>5,795</u>	<u>(1,397)</u>

* 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.

¹ Cost of inventories sold includes HK\$85,294,000 (2019: HK\$85,014,000) 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.

² Research and development costs include HK\$18,781,000 (2019: HK\$17,542,000) 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 (2019: Nil). No provision for profits tax in Mainland China has been made as the Group did not generate any assessable profits in current year (2019: 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 2020 (2019: Nil).

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

For the year ended 31 December 2020, 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\$165,274,000 (2019: HK\$68,121,000), and the number of ordinary shares of 189,115,638 (2019: 189,115,638) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

11. INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Raw materials	48,613	48,709
Work in progress	138,611	160,326
Finished goods	90,924	132,930
	<u>278,148</u>	<u>341,965</u>

12. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	236,410	244,774
Impairment	<u>(1,857)</u>	<u>(1,075)</u>
	234,553	243,699
Bills receivable	<u>7,060</u>	<u>16,151</u>
	<u>241,613</u>	<u>259,850</u>

As at 31 December 2020, gross trade receivables of certain customers of HK\$173,866,000 (2019: HK\$155,479,000), which are designated in trade receivable factoring arrangements entered into between the Group and certain banks in the PRC, and bills receivable of HK\$7,060,000 (2019: HK\$16,151,000) 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 2020, 32.0% (2019: 42.8%) of the total trade and bills receivables, and 89.3% (2019: 81.3%) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	157,278	183,639
4 to 6 months, inclusive	82,459	75,116
7 to 9 months, inclusive	1,876	598
10 to 12 months, inclusive	–	10
More than 1 year	<u>–</u>	<u>487</u>
	<u>241,613</u>	<u>259,850</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	91,243	94,532
4 to 6 months, inclusive	53,474	30,948
7 to 9 months, inclusive	7,714	3,719
10 to 12 months, inclusive	716	271
Over one year	–	86
	<u>153,147</u>	<u>129,556</u>

14. ISSUED CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised: 1,000,000,000 (2019: 1,000,000,000) ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid: 189,115,638 (2019: 189,115,638) ordinary shares of HK\$0.01 each	<u>1,891</u>	<u>1,891</u>

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 97.5% (2019: 98.8%).

The Group’s business for the Year was inevitably impacted by the outbreak of the Covid-19 pandemic, the quarantine measures imposed by the Government authorities during the early phase of the Covid-19 outbreak substantially disrupted the operation of the Group. Experienced staffs faced various difficulties and safety concerns in returning to the Group’s manufacturing base in Changshu especially after Chinese New Year which resulted in a temporary labor shortfall.

The Group’s average sales price remained under pressure in comparison to previous year, and sales volume plummeted due to the aforementioned reasons. Furthermore, the appreciation of Renminbi (“RMB”) to United States Dollars (“USD”) during the second half of the year further eroded the gross profit of the Group and the Group’s net loss for the year was further increased as a result.

Business Prospects

In light of the economic recovery and the increasingly popular trends in more comprehensive applications of notebook from remote working, study and household, the management of the Group expects the business will eventually benefit from the surging demand of notebooks and chromebooks. On the other hand, the management of the Group strives to achieve cost reduction and enhance efficiency for the Group by reviewing, innovating and implementing improved policies and optimise the product mix in the coming year.

FINANCIAL REVIEW

The Group's total revenue decreased by approximately 11.4%, from approximately HK\$532.9 million in 2019 to approximately HK\$472.4 million for the Year. During the Year, the outbreak of the Covid-19 pandemic pervasively distorted the Group's operations and resulted in declined sales.

During the Year, the Group recorded a gross loss of approximately HK\$17.5 million, in comparison to gross profit of approximately HK\$19.9 million in previous year. The change was mainly attributable to the inventory provision amounted to approximately HK\$32.6 million (2019: approximately HK\$22.7 million), the average sales price of the Group's product remained similar while facing a decline in sales volume due to the disruption of the manufacturing operations during the first half of 2020 result from the Covid-19 pandemic and the continuing appreciation of RMB against USD also further eroded the gross profit margin of the Group.

The Group's selling and distribution expenses decreased by approximately 10.8%, from approximately HK\$10.2 million in 2019 to approximately HK\$9.1 million for the Year, and was primarily due to the lockdown from the outbreak of Covid-19 pandemic which led to the decline of sales volume and hence reduced the freight logistics activities of the Group's products during the Year.

The Group's general and administrative expenses remained stable at approximately HK\$65.5 million for the Year (2019: approximately HK\$64.9 million).

The Group's finance costs reduced by approximately 31.2%, from approximately HK\$15.4 million in 2019 to approximately HK\$10.6 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 11.1%, from approximately HK\$1.8 million in 2019 to approximately HK\$2.0 million for the Year. The increase was due to the increase in the government grants received during the Year.

The Group recorded net other operating expenses of approximately HK\$64.6 million during the Year, in comparison to net other operating income of approximately HK\$0.7 million in 2019. The change was mainly contributed by the impairment of property, plant and equipment amounted to approximately HK\$52.5 million, the impairment of right-of-use assets amounted to approximately HK\$5.7 million during the Year and the exchange loss recognised for the Year amounted to approximately HK\$5.8 million (2019: gain of HK\$1.4 million).

As a result of the foregoing, the Group's loss for the Year attributable to equity holders of the Company amounted to approximately HK\$165.3 million, as compared with a loss of approximately HK\$68.1 million in 2019. Basic loss per share attributable to equity holders of the Company was approximately HK87.39 cents for the Year as compared with basic loss per share attributable to equity holders of the Company of approximately HK36.02 cents in 2019.

The Group's inventory turnover days increased to approximately 260.8 days for the Year as compared to approximately 251.7 days for 2019.

The Group's trade and bills receivables turnover days increased from approximately 185.3 days for the year ended 31 December 2019 to approximately 193.7 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 2020, the Group had cash and bank balances of HK\$34.9 million (2019: HK\$24.7 million), which were denominated in USD, HK\$ and RMB.

As at 31 December 2020, the Group had restricted bank balances of HK\$2.3 million (2019: HK\$6.5 million).

As at 31 December 2020, the Group had interest-bearing bank borrowings payable within one year of HK\$194.6 million (2019: HK\$282.3 million).

As at 31 December 2020, the Group had no interest-bearing bank borrowings payable more than one year (2019: Nil).

As at 31 December 2020, the Group had interest-bearing loans from a related party of HK\$45.4 million (2019: Nil).

As at 31 December 2020, the Group had non-interest bearing loan from a related party of HK\$33.0 million (2019: Nil).

Average trade and bills receivable turnover days was 193.7 days (2019: 185.3 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 260.8 days (2019: 251.7 days). Overall, the current ratio of the Group was 1.25 as at 31 December 2020 (2019: 1.45).

As at 31 December 2020, the gearing ratio was 163.8% (2019: 84.0%).

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.

Following the listing on the Main Board of The Stock Exchange of Hong Long Limited (the “Stock Exchange”) on 16 March 2018 (the “Listing”), the Group’s operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, cash flow from its operating activities, 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\$9.6 million during the Year (2019: HK\$21.1 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 2020.

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 2020, the Group did not have any significant contingent liabilities (2019: Nil).

EMPLOYEE INFORMATION

As at 31 December 2020, the Group employed a total of 719 permanent employees, who are mainly employees in production department, down from 916 as at 31 December 2019. 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 33.8% and 91.3% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.1% and 22.3% 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.

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 2020, a total amount of HK\$41.3 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 2020) <i>HK\$ million</i>	amount (as at 31 December 2020) <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 (<i>Note 2</i>)	46.2%	22.4	20.8	1.6	End of 2021
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	41.3	7.2	

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.
- As at the date of this announcement, the Group has entered into contracts for the acquisition of additional production facilities and machineries and for enhancing the automation in the Group's manufacturing process. It is expected that the remaining balance of the consideration for the said capital expenditures will be settled before the end of 2021.

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 (2019: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “Annual General Meeting”) will be held at Strategic Financial Relations Limited, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Tuesday, 25 May 2021 at 10:00 a.m. 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 Thursday, 22 April 2021.

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, 20 May 2021 to Tuesday, 25 May 2021, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 18 May 2021.

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, 29 March 2021

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