通達宏泰
TONGDA HONG TAI

TONGDA HONG TAI HOLDINGS LIMITED

Interim Report

2019

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Ming Li *(Chief Executive Officer)*
Mr. Wong Ah Yu
Mr. Wang Ming Zhi

Non-executive Director

Mr. Wang Ya Nan *(Chairman)*

Independent Non-executive Directors

Ms. Leung Pik Kwan
Mr. Sun Wai Hong
Mr. Wu Kin San Alfred

AUDIT COMMITTEE

Ms. Leung Pik Kwan *(Chairman)*
Mr. Sun Wai Hong
Mr. Wu Kin San Alfred

REMUNERATION COMMITTEE

Ms. Leung Pik Kwan *(Chairman)*
Mr. Sun Wai Hong
Mr. Wu Kin San Alfred

NOMINATION COMMITTEE

Mr. Wang Ya Nan *(Chairman)*
Ms. Leung Pik Kwan
Mr. Sun Wai Hong
Mr. Wu Kin San Alfred

COMPANY SECRETARY

Mr. Chan Paan Paan

AUDITORS

Ernst & Young
Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wong Ming Li

PRINCIPAL BANKERS

In Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

In the PRC:
HSBC Bank (China) Company Limited Changshu Sub-Branch
Bank of Tokyo-Mitsubishi UFJ (China), Ltd., Suzhou Branch
United Overseas Bank (China) Limited Suzhou Branch
China Construction Bank Changshu Branch
Shanghai Pudong Development Bank Changshu Branch

LEGAL ADVISERS

As to Hong Kong laws:
Michael Li & Co.

As to PRC laws:
Winhand Law Firm

As to Cayman Islands laws:
Conyers Dill & Pearman, Cayman

INVESTOR RELATIONS

Strategic Financial Relations Limited
Unit A, 24/F, Admiralty Centre I
18 Harcourt Road
Hong Kong

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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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

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 2019 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 ("Directors") of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2019 (the "Period"). The Group is a "one-stop" manufacturing solutions provider of notebook casings, components and other accessories. The Group is principally engaged in the manufacture and sale of a variety of casings and components of notebooks. The Company's shares have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018 (the "Listing").

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

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

BUSINESS PROSPECTS

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

As a result of the foregoing, the Group recorded a loss for the period attributable to equity holders of the Company of approximately HK$9.4 million and basic loss per share attributable to equity holders of the Company of approximately HK$4.97 cents during the Period, compared with profit for the period attributable to equity holders of the Company of approximately HK$8.6 million and basic earnings per share attributable to equity holders of the Company of approximately HK$5.01 cents in the same period last year.

The Group's inventory turnover days increased from approximately 254.0 days for the year ended 31 December 2018 to approximately 284.6 days for the six months ended 30 June 2019 primarily due to a seasonality effect. This was because the Group's products generally enjoy a higher demand in the second half-year which leads to a lower revenue in the first half-year but nonetheless requires a higher inventory level at mid-year than at year-end. Thus, the calculation of inventory turnover days at mid-year would therefore be longer than that calculated at year-end.

The Group's trade and bills receivables turnover days were approximately 186.9 days for the six months ended 30 June 2019, representing approximately 7.5 days more than the approximately 179.4 days for the year ended 31 December 2018. The Group's trade payables turnover days increased from approximately 71.2 days for the year ended 31 December 2018 to approximately 72.7 days for the six months ended 30 June 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 30 June 2019, the Group had cash and bank balances of approximately HK$52.5 million (31 December 2018: HK$64.8 million), most of which were denominated in US dollars and Renminbi. Included in the cash and bank balances, the Group had restricted bank balances of approximately HK$8.0 million as of 30 June 2019 (31 December 2018: HK$4.8 million).

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

As of 30 June 2019, the gearing ratio of the Group (consolidated net debt/total equity) was approximately 72.2% (31 December 2018: 72.5%). The Group's operations were mainly financed by internal resources including but not limited to, existing cash and cash equivalents, cash flow from its operating activities, and the net proceeds generated from the Listing and bank borrowings. The Board believes that the Group's liquidity needs will be satisfied.

EMPLOYEE INFORMATION

As of 30 June 2019, the Group employed a total of 947 permanent employees (30 June 2018: 870 permanent employees). Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. The management team regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. Our employee in Hong Kong participates in the mandatory provident fund scheme for that jurisdiction.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**100,698**	97,624
Right-of-use assets		**17,428**	–
Long term deposits		**6,422**	12,454
Total non-current assets		**124,548**	110,078
CURRENT ASSETS			
Inventories	10	**429,936**	370,327
Trade and bills receivables	11	**244,230**	281,447
Prepayments, deposits and other receivables		**20,444**	21,870
Tax recoverable		**839**	1,110
Restricted bank balances		**7,969**	4,774
Cash and bank balances		**44,569**	59,994
Total current assets		**747,987**	739,522
CURRENT LIABILITIES			
Trade payables	12	**112,857**	91,446
Other payables and accruals		**31,616**	35,421
Interest-bearing bank borrowings	13	**328,281**	341,269
Lease liabilities		**6,443**	–
Total current liabilities		**479,197**	468,136

	Notes	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
NET CURRENT ASSETS		**268,790**	271,386
TOTAL ASSETS LESS CURRENT LIABILITIES		**393,338**	381,464
NON-CURRENT LIABILITIES			
Lease liabilities		**11,208**	–
Net assets		**382,130**	381,464
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	**1,891**	1,891
Reserves		**380,239**	379,573
Total equity		**382,130**	381,464

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30 June 2019 Attributable to equity holders of the Company						
	Issued capital HK$'000 (Note 14)	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 31 December 2018 as originally presented	1,891	121,933	198,566	16,031	(19,501)	62,544	381,464
Effect on adoption of HKFRS 16	–	–	–	–	–	562	562
Restated total equity at 1 January 2019	1,891	121,933	198,566	16,031	(19,501)	63,106	382,026
Loss for the period	–	–	–	–	–	(9,394)	(9,394)
Other comprehensive income for the period:							
Exchange differences on translation of a foreign operation	–	–	–	–	9,498	–	9,498
Total comprehensive income for the period	–	–	–	–	9,498	(9,394)	104
At 30 June 2019	1,891	121,933*	198,566*	16,031*	(10,003)*	53,712*	382,130

	Unaudited six months ended 30 June 2018 Attributable to equity holders of the Company						
	Issued capital HK$'000 (Note 14)	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2018	1,445	–	198,566	15,077	(7,003)	59,425	267,510
Profit for the period	–	–	–	–	–	8,617	8,617
Other comprehensive income for the period:							
Exchange differences on translation of a foreign operation	–	–	–	–	19,649	–	19,649
Total comprehensive income for the period	–	–	–	–	19,649	8,617	28,266
Issue of shares	446	131,546	–	–	–	–	131,992
Share issue expenses	–	(9,613)	–	–	–	–	(9,613)
At 30 June 2018	1,891	121,933*	198,566*	15,077*	12,646*	68,042*	418,155

* These reserve accounts comprise the consolidated reserves of HK$380,239,000 (six months ended 30 June 2018: HK$416,264,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	**25,014**	(6,525)
Interest paid	**(8,724)**	(5,821)
Overseas taxes refund/(paid)	**271**	(776)
Net cash flows generated from/(used in) operating activities	**16,561**	(13,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**66**	520
Purchases of items of property, plant and equipment	**(5,594)**	(4,261)
Increase in long term deposits	**(857)**	(9,441)
(Increase)/decrease in restricted bank balances	**(3,195)**	68
Exchange realignment	**465**	478
Net cash flows used in investing activities	**(9,115)**	(12,636)

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**292,121**	247,111
Repayment of bank loans	**(305,109)**	(258,879)
Principal elements of lease payments	**(1,509)**	–
Net proceeds from issue of shares	**–**	72,535
Exchange realignment	**(9,202)**	(15,948)
Net cash flows (used in)/generated from financing activities	**(23,699)**	44,819
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	**(16,253)**	19,061
Cash and cash equivalents at beginning of period	**59,994**	23,199
Effect of foreign exchange rate changes, net	**828**	4,073
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**44,569**	46,333
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES		
Cash and bank balances	**52,538**	51,370
Less: Restricted bank balances	**(7,969)**	(5,037)
	44,569	46,333

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Tongda Hong Tai Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange on 16 March 2018.

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

Prior to the Listing, the Company was indirectly wholly-owned by Tongda Group Holdings Limited ("TDHL"), a company incorporated in Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKASs") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

3. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted are consistent with those adopted in the Group's financial statements for the year ended 31 December 2018 except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, which are effective for accounting period beginning on 1 January 2019 and as disclosed below.

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, adoption of these new and revised HKFRSs and HKASs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented. The nature and impact of the HKFRS 16 are described below:

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

3. ACCOUNTING POLICIES *(continued)*

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

New definition of a lease

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

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

3. ACCOUNTING POLICIES *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impacts on transition

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

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

3. ACCOUNTING POLICIES *(continued)*

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

Impacts on transition (continued)

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

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

3. ACCOUNTING POLICIES *(continued)*

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

Impacts on transition (continued)

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

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

Summary of new accounting policies

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

3. ACCOUNTING POLICIES *(continued)*

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

Right-of-use assets

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

Lease liabilities

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

3. ACCOUNTING POLICIES *(continued)*

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

Lease liabilities (continued)

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

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

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

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

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of the casings of notebook. Almost all of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single reportable operating segment.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customers

Revenue derived from sales to individual customers which contribute over 10% of the total revenue of the Group is as follows:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Customer A	**103,648**	43,998
Customer B	**40,210**	36,780
Customer C	**34,163**	63,967
Customer D	**N/A***	31,729
	178,021	176,474

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

5. (LOSS)/PROFIT BEFORE TAX

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

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

6. INCOME TAX

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

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

通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited), as a High New Technology Enterprise, is subject to a preferential tax rate of 15% starting from the year ended 31 December 2016 for three years.

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Total current tax charge for the period from Mainland China	**–**	342

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

6. INCOME TAX *(continued)*

Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the subsidiary in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$102,758,000 as at 30 June 2019 (31 December 2018: HK$110,013,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

7. DIVIDENDS

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

8. (LOSS)/EARNINGS PER SHARE

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

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

8. (LOSS)/EARNINGS PER SHARE *(continued)*

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2018 included the weighted average number of 4,796,031 ordinary shares of the Company allotted and issued to Tong Da Holdings (BVI) Limited ("Tong Da Holdings"), a wholly-owned subsidiary of TDHL, the weighted average number of 22,568,122 ordinary shares of the Company issued in connection with the Listing, and 144,511,250 issued ordinary shares of the Company as at the beginning of the six months ended 30 June 2018.

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

9. PROPERTY, PLANT AND EQUIPMENT

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

10. INVENTORIES

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

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

11. TRADE AND BILLS RECEIVABLES

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

As at 30 June 2019, gross trade receivables of certain customers of HK$131,135,000 (31 December 2018: HK$121,827,000), which are designated in a trade receivable factoring arrangement entered into between the Group and a bank in the PRC, and bills receivable of HK$13,137,000 (31 December 2018: HK$30,560,000) were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

11. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. As at 30 June 2019, 41.8% (31 December 2018: 29.5%) of the total trade and bills receivables, and 81.8% (31 December 2018: 80.9%) of the total trade and bills receivables, were due from the Group's largest customer and the five largest customers, respectively.

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

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Within 3 months	**153,642**	226,761
4 to 6 months, inclusive	**89,776**	54,670
7 to 9 months, inclusive	**744**	8
10 to 12 months, inclusive	**35**	5
More that 1 year	**33**	3
	244,230	281,447

12. TRADE PAYABLES

The trade payables are non-interest bearing and are normally settled on terms of one to four months. An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

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

13. INTEREST-BEARING BANK BORROWINGS

During the Period, the Group repaid bank borrowings of approximately HK$305,107,000 (six months ended 30 June 2018: HK$258,879,000) and raised new bank borrowings of approximately HK$292,121,000 (six months ended 30 June 2018: HK$247,111,000).

14. ISSUED CAPITAL

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Authorised:		
1,000,000,000 (31 December 2018: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
189,115,638 (31 December 2018: 189,115,638) ordinary shares of HK$0.01 each	**1,891**	1,891

14. ISSUED CAPITAL *(continued)*

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

	Notes	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:			
At 31 December 2018, 1 January 2019 and 30 June 2019		1,000,000,000	10,000
Issued and fully paid:			
1 January 2018		144,511,250	1,445
Issuance of shares on 23 February 2018	(a)	6,781,888	68
Issuance of shares on 15 March 2018	(b)	37,822,500	378
At 31 December 2018 and 30 June 2019		189,115,638	1,891

14. ISSUED CAPITAL *(continued)*

Notes:

(a) On 23 February 2018, the Company allotted and issued 6,781,888 ordinary shares of HK$0.01 each credited as fully paid to Tong Da Holdings, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$45,000,000 at that date.

(b) On 15 March 2018, in connection with the Listing, 37,822,500 ordinary shares of HK$0.01 each were issued at a price of HK$2.30 per share for a total consideration, before expenses, of approximately HK$86,992,000. 37,822,500 ordinary shares comprised of 18,910,000 ordinary shares issued pursuant to placing of shares made to certain institutional and professional investors and 18,912,500 ordinary shares issued pursuant to public offer.

15. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory, office premises and staff quarters under operating lease arrangements which are negotiated for terms of one to ten years.

From 1 January 2019, the Group has recognised right-of-use assets, except for any short-term and low-value leases following the adoption of HKFRS 16. The Groups had total future minimum lease payments under non-cancellable operating leases falling due as at 31 December 2018 was as follows:

	Audited 31 December 2018 HK$'000
Within one year	5,510
In the second to fifth years, inclusive	10,788
After five years	6,215
	22,513

16. COMMITMENTS

In addition to the operating lease commitments set out in note 15 above, the Group had the following capital commitments contracted but not provided for at the end of the Period:

	Unaudited 30 June 2019 HK$'000	Audited 31 December 2018 HK$'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	**3,068**	10,852

17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at the end of the Period.

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties:

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Remaining Group:		
Purchases of products	**–**	374

The purchases from the Remaining Group were made on mutually agreed terms.

(b) Compensation of key management personnel of the Group

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Short term employee benefits	**2,083**	2,432
Post-employment benefits	**168**	298
Total compensation paid to key management personnel	**2,251**	2,730

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 maturitie 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 2019.

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 six months ended 30 June 2019, 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 2019 HK$'000	Audited 31 December 2018 HK$'000
Carrying amount of assets that continued to be recognised	**13,137**	30,560
Carrying amount of associated liabilities	**13,137**	30,560

As at 30 June 2019, the Group discounted certain bills receivable (the "Discounted Bills") with a carrying amount of HK$13,137,000 (31 December 2018: HK$30,560,000) 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 HK$13,137,000 as at 30 June 2019 (31 December 2018: HK$30,560,000).

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 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 2019 was HK$58,620,000 (31 December 2018: HK$60,686,000). The carrying amount of the assets that the Group continued to recognise as at 30 June 2019 was HK$52,758,000 (31 December 2018: HK$54,618,000) and that of the associated liabilities as at 30 June 2019 was HK$52,758,000 (31 December 2018: HK$54,618,000).

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 20 August 2019.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

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

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

As at 30 June 2019, the interests or short positions of the directors ("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 (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 (the "Model Code") were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares interested	Percentage of shareholding interest
Mr. Wang Ya Nan	Beneficial owner	9,653,000	5.10%
(Notes 1, 2)	Interest of controlled corporation	43,112,250	22.80%
Mr. Wong Ah Yu	Beneficial owner	2,411,500	1.28%
(Note 1)	Interest of controlled corporation	35,712,250	18.88%

Notes:

1. 35,712,250 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the "Wong Brothers").

2. 7,400,000 shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.

Save as disclosed above, as at 30 June 2019, there were no other interests or short positions of the Directors of the Company 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 2019, 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 shareholding in the Company
Mr. Wong Ah Yeung (Note 1)	Beneficial owner Interest of controlled corporation	2,982,500 35,712,250	1.58% 18.88%
Mr. Wang Ya Hua (Note 1)	Beneficial owner Interest of controlled corporation	2,280,500 35,712,250	1.21% 18.88%
Landmark Worldwide Holdings Limited (Note 1)	Beneficial owner	35,712,250	18.88%
Wykeham Capital Asia Value Fund (Note 2)	Beneficial owner	17,078,500	9.03%
Wykeham Capital Limited (Note 2)	Investment manager	17,078,500	9.03%
Mr. Howel Gruffudd Rhys Thomas (Note 2)	Interest of controlled corporation	17,078,500	9.03%

Notes:

1. 35,712,250 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each of the Wong Brothers.

2. Mr. Howel Gruffudd Rhys Thomas was deemed to be interested in the 17,078,500 shares owned by Wykeham Capital Asia Value Fund by virtue of his 100% shareholding interest in Wykeham Capital Limited (which was the investment manager of Wykeham Capital Asia Value Fund).

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 2019 and on 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 2019, a total amount of HK$26.8 million out of the net proceeds had been used by the Group according to the allocation set out in the Company's prospectus dated 28 February 2018.

The following sets forth a summary of the utilisation of the net proceeds:

Purpose	**Percentage to total amount**	**Net proceeds HK$ million**	**Utilised amount (as at 30 June 2019) HK$ million**	**Unutilised amount (as at 30 June 2019) HK$ million**
Lease of factory	15.1%	7.3	0.7	6.6
Refurbish the new factory as mentioned above	19.9%	9.6	3.2	6.4
Capital expenditure for additional production facilities and machineries	46.2%	22.4	15.0	7.4
Capital expenditure on enhancing the automation in the Group's manufacturing process	16.1%	7.8	6.5	1.3
Additional effort in sales and marketing activities	0.3%	0.2	0.2	–
Enhancement of research and development capabilities	2.4%	1.2	1.2	–
Total	100%	48.5	26.8	21.7

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 the date of this interim 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.

AUDIT COMMITTEE

As at the date of this interim report, the audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors inculding Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred. Ms. Leung Pik Kwan is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and policies adopted by the Group, and the financial information of the Group, the unaudited interim results announcement of the Company for the Period and the Interim Report, and considered that they were prepared in compliance with the relevant accounting standards and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code throughout the Period.

EVENTS AFTER THE REPORTING PERIOD

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Wong Ming Li, Mr. Wong Ah Yu 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. Wu Kin San Alfred as independent non-executive Directors.

For and on behalf of the Board
Tongda Hong Tai Holdings Limited
Wang Ya Nan
Chairman

Hong Kong, 20 August 2019