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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

HIGHLIGHTS

- Revenue of the Group decreased by approximately 51.1% to approximately HK\$82.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$167.8 million).
- The Group recorded a net loss for the six months ended 30 June 2022 of approximately HK\$29.8 million (six months ended 30 June 2021: approximately HK\$44.5 million).
- Basic and diluted loss per share for the six months ended 30 June 2022 was approximately HK5.42 cents (six months ended 30 June 2021: approximately HK20.53 cents (restated)).

The board (the “Board”) of directors (the “Directors”) of Tongda Hong Tai Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “Group” or “We”) for the six months ended 30 June 2022 (the “Period”) together with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
REVENUE	4	81,967	167,772
Cost of sales		<u>(77,340)</u>	<u>(165,845)</u>
Gross profit		4,627	1,927
Other income		250	889
Selling and distribution expenses		(2,374)	(4,244)
General and administrative expenses		(25,589)	(35,135)
Other operating expense, net		(5,413)	(5,016)
Finance costs		<u>(1,323)</u>	<u>(2,942)</u>
LOSS BEFORE TAX	5	(29,822)	(44,521)
Income tax expense	6	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(29,822)</u>	<u>(44,521)</u>
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	<u>(HK5.42 cents)</u>	<u>(HK20.53 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(29,822)	(44,521)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense)		
that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of a foreign operation	<u>5,569</u>	<u>(90)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>(24,253)</u>	<u>(44,611)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	28,349	33,914
Right-of-use assets		7,518	10,140
Long term deposits		1,900	2,299
		37,767	46,353
TOTAL non-current assets			
CURRENT ASSETS			
Inventories	10	172,852	183,582
Trade and bills receivables	11	74,014	174,949
Prepayments, deposits and other receivables		18,590	13,704
Tax recoverable		854	893
Restricted bank balances		3,415	3,327
Cash and bank balances		7,338	11,038
		277,063	387,493
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables	12	81,943	139,135
Other payables and accruals		28,549	32,636
Interest-bearing bank borrowings		48,023	74,859
Loans from related parties	13	155,872	213,698
Lease liabilities		4,937	5,042
		319,324	465,370
TOTAL current liabilities			
NET CURRENT LIABILITIES		(42,261)	(77,877)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,494)	(31,524)
NON-CURRENT LIABILITIES			
Lease liabilities		5,030	11,480
Net liabilities		(9,524)	(43,004)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
DEFICIENCY		
Equity attributable to equity holders of the Company		
Issued capital	6,807	2,269
Deficit	(16,331)	(45,273)
	<hr/>	<hr/>
Total deficit	(9,524)	(43,004)
	<hr/>	<hr/>

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 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 2021.

Going concern assumptions

The Group incurred net loss of approximately HK\$29.8 million (six months ended 30 June 2021: approximately HK\$44.5 million) for the Period. As at 30 June 2022, the Group had net current liabilities and net liabilities of approximately HK\$42.3 million (31 December 2021: approximately HK\$77.9 million) and HK\$9.5 million (31 December 2021: approximately HK\$43.0 million) respectively.

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

The 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 2022 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) Actively negotiating with banks to renew the banking facilities and the Group has unutilised banking facilities granted by the financial institution of approximately HK\$112.7 million as at 30 June 2022;
- (b) In light of the coronavirus outbreak in the early 2020 (the "Outbreak") and the Outbreak continues to be fluid, the Group is closely monitoring the latest development and will continue to assess the impact of the Outbreak on the Group's operations from time to time and adjust its sales and marketing strategy for its sales to generate sufficient cash flows from its operations;

- (c) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (d) On the date of this announcement, the Group has negotiated with Mr. Wang Ya Nan, the owner of 通達(石獅)投資諮詢有限公司 (Tongda Shishi Investment Consulting Company Limited (“Tongda Shishi Investment”)), and Mr. Wang Ya Nan agreed not to demand the amount due to Tongda Shishi Investment of approximately HK\$155.9 million as at 30 June 2022 within the next twelve months from the date of report. Loan agreement for the extension of loan is obtained; and
- (e) Mr. Wang Ya Nan, one of the controlling shareholders of the Company has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due within the next twelve months from the date of report. Letter of financial support is obtained from Mr. Wang Ya Nan.

The directors of the Company have reviewed the Group’s cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2022. 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 2022. 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 2021, 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.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Costs of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

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 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	
	2022	2021
	HK\$'000	HK\$'000
Customer A	31,692	39,784
Customer B	21,204	54,956
Customer C*	14,513	N/A*
	<u>67,409</u>	<u>94,740</u>

* Revenue from the sales to Customer C accounted for less than 10% to the total revenue of the Group for the six months ended 30 June 2021.

5. LOSS BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	77,340	165,845
Depreciation of property, plant and equipment	5,018	5,523
Depreciation of right-of-use assets	2,241	918
Research and development costs	9,079	12,188
Salaries and wages	25,315	29,928
Impairment of inventories	3,483	–
Foreign exchange differences, net	<u>5,210</u>	<u>4,799</u>

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 2021: 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.

Unaudited	
Six months ended 30 June	
2022	2021
HK\$'000	HK\$'000

Total current tax charge for the period from
Mainland China

-	-
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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 2021: Nil).

8. LOSS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	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	<u>29,822</u>	<u>44,521</u>
		(Restated)
Weighted average number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>550,364,448</u>	<u>216,817,229</u>

The basic and diluted loss per share for the period ended 30 June 2021 have been restated to reflect the effect of the rights issue announced by the Company on 23 November 2021 (the “Rights Issue”).

The weighted average number of ordinary shares used in calculation during the Period 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 have been 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 2021.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$997,000 (six months ended 30 June 2021: approximately HK\$2,189,000).

10. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Raw materials	10,732	18,127
Work in progress	120,146	131,129
Finished goods	<u>41,974</u>	<u>34,326</u>
	<u>172,852</u>	<u>183,582</u>

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Trade receivables	75,377	172,057
Impairment	<u>(1,758)</u>	<u>(1,838)</u>
	73,619	170,219
Bills receivable	<u>395</u>	<u>4,730</u>
	<u>74,014</u>	<u>174,949</u>

As at 30 June 2022, gross trade receivables of certain customers of approximately HK\$45,113,000 (31 December 2021: approximately HK\$91,088,000), which are designated in a trade receivable factoring arrangement entered into between the Group and a bank in the PRC, and bills receivable of approximately HK\$395,000 (31 December 2021: approximately HK\$4,730,000) 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 2022, approximately 22.2% (31 December 2021: approximately 26.8%) of the total trade and bills receivables, and approximately 72.4% (31 December 2021: approximately 94.4%) 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 Period, based on the invoice date and net of provisions, is as follows:

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Within 3 months	50,650	141,628
4 to 6 months, inclusive	<u>23,364</u>	<u>33,321</u>
	<u>74,014</u>	<u>174,949</u>

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	Audited
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Within 3 months	46,297	88,358
4 to 6 months, inclusive	20,807	28,781
7 to 9 months, inclusive	7,083	14,965
10 to 12 months, inclusive	5,607	4,219
Over 1 year	2,149	2,812
	<hr/> 81,943	<hr/> 139,135

13. LOANS FROM RELATED PARTIES

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Loans from Tongda Shishi Investment	<i>(a)</i>	155,872	108,559
Loans from Mr. Wang Ya Nan	<i>(b)</i>	<hr/> –	<hr/> 105,139
		<hr/> 155,872	<hr/> 213,698

Notes:

- (a) The loans from 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, bear interest at 2% per annum and are repayable within one year.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements with respect to the financial conditions, results of operations and the business of the Group. 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 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.

During the Period, due to the instability of supply chain caused by the pandemic, global geopolitical tensions, high inflation and other unfavorable factors, in addition to the pandemic prevention and control measures adopted by the Mainland China, the consumer market and the global shipment volume of notebook were negatively impacted during the Period. The revenue of the Group recorded a drop from approximately HK\$167.8 million from the same period last year to approximately HK\$82.0 million during the Period. Due to operational restructuring, the Group focused on projects with higher margin to improve its operating cash flow and therefore less sales orders were received. In addition to the successfully execution of operational restructuring, gross profit margin increased from 1.2% for the same period last year to 5.6% during the Period while the gross profit increased from approximately HK\$1.9 million for the same period last year to approximately HK\$4.6 million during the Period. The net loss attributable to the equity holders of the Company had decreased from approximately HK\$44.5 million for the same period last year to approximately HK\$29.8 million during the Period.

BUSINESS PROSPECTS

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

FINANCIAL REVIEW

The Group's total revenue decreased by approximately 51.1%, from approximately HK\$167.8 million for the same period last year to approximately HK\$82.0 million during the Period. The decline was mainly due to the Group's focused on projects with higher margin to improve the operating cash flow and therefore less sales orders were received. In addition to the successfully execution of operational restructuring, the Group's gross profit margin increased from 1.2% for the same period last year to 5.6% during the Period while gross profit increased from approximately HK\$1.9 million for the same period last year to approximately HK\$4.6 million during the Period.

The Group's selling and distribution expenses decreased by approximately 44.1% from approximately HK\$4.2 million for the same period last year to approximately HK\$2.4 million during the Period which is in line with the decrease in the sales of the Group.

The Group's general and administrative expenses decreased by approximately 27.2%, from approximately HK\$35.1 million for the same period last year to approximately HK\$25.6 million during the Period, which was primarily due to the optimisation of the business size of the Group which lead to the decrease in staff costs and research and development costs during the Period.

The Group's finance costs decreased by approximately 55.0%, from approximately HK\$2.9 million for the same period last year to approximately HK\$1.3 million during the Period. The decrease was due to a decline in average loan balances during the Period.

The Group's other income and gains decreased from approximately HK\$0.9 million for the same period last year to approximately HK\$0.3 million during the Period, which was mainly due to an decrease in the sales of scrap materials during the Period.

The Group's net other operating expenses increased from approximately HK\$5.0 million for the same period last year to approximately HK\$5.4 million during the Period, which was mainly attributable to the increase in exchange loss recorded as a result of the depreciation of RMB during the Period.

As a result of the foregoing, the Group's loss for the Period attributable to equity holders of the Company decreased from approximately HK\$44.5 million for the same period last year to approximately HK\$29.8 million during the Period and the weighted basic loss per share attributable to equity holders of the Company decreased from approximately HK20.53 cents (restated) for the same period last year to approximately HK5.42 cents during the Period.

The Group's inventory turnover days increased from approximately 351.5 days for the year ended 31 December 2021 to approximately 417.1 days for the Period, the increase was primarily due to the decline in sales due to the shortages of semi-conductor supply and the seasonal effect as the Group's usually face a higher demand during the second half of the year. Therefore, the inventory turnover days is higher than that for the year ended 31 December 2021.

The Group's trade and bills receivables turnover days were approximately 274.9 days for the Period, representing an increase of approximately 60.3 days from approximately 214.6 days for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had cash and bank balances of approximately HK\$7.3 million (31 December 2021: HK\$11.0 million), most of which were denominated in Hong Kong Dollars, US dollars and Renminbi. Included in the cash and bank balances, the Group had restricted bank balances of approximately HK\$3.4 million as at 30 June 2022 (31 December 2021: approximately HK\$3.3 million).

As at 30 June 2022, total interest-bearing bank borrowings of the Group repayable within one year were approximately HK\$48.0 million (31 December 2021: approximately HK\$74.9 million). As at 30 June 2022, the Group had no interest-bearing bank borrowings payable more than one year (31 December 2021: Nil).

As at 30 June 2022, the gearing ratio of the Group (consolidated net debt/total equity) was approximately 2,028.0% (31 December 2021: approximately 637.6%). 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, loan from related parties and the net proceeds generated from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018 (the "Listing") and bank borrowings. The Board believes that the Group's liquidity needs will be satisfied.

EMPLOYEE INFORMATION

As at 30 June 2022, the Group employed a total of 358 permanent employees (30 June 2021: 707 permanent employees). Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. During the Period, the total employee remuneration of the Group, including the remuneration of the Directors, was approximately HK\$25.4 million (six months ended 30 June 2021: approximately HK\$30.6 million). 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 People's Republic of China (the "PRC"), the Group participates in the social insurance schemes operated by the relevant local government authorities and our employees in Hong Kong participate in the mandatory provident fund scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2021: Nil).

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.

RIGHTS ISSUE IN 2022

To strengthen the financial status and stability of the Group and to enhance the Group's liquidity and lowering the gearing level, the Company has completed the Rights Issue and issued 453,831,276 new shares at the subscription price of HK\$0.133 per rights share (the "Rights Share(s)") on the basis of two Rights Shares for every one existing share of the Company during the Period.

On 23 November 2021, the Company received from Landmark Worldwide Holdings Limited ("Landmark Worldwide") the irrevocable undertaking, pursuant to which, Landmark Worldwide has irrevocably undertaken to the Company, among other things, to: (i) subscribe for 71,424,500 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 35,712,250 shares beneficially owned by it and (ii) ensure that the then 35,712,250 shares beneficially owned by it will remain beneficially owned by it up to and including the record date.

On 23 November 2021, the Company received from E-Growth Resources Limited ("E-Growth") the irrevocable undertaking, pursuant to which, E-Growth has irrevocably undertaken to the Company, among other things, to: (i) subscribe for 14,800,000 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 7,400,000 shares beneficially owned by it and (ii) ensure that the then 7,400,000 shares beneficially owned by it will remain beneficially owned by it up to and including the record date.

On 23 November 2021, the Company received from each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua the irrevocable undertaking, pursuant to which, each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua has irrevocably undertaken to the Company, among other things, to: (i) subscribe for 19,306,000 Rights Shares, 4,822,000 Rights Shares, 5,965,000 Rights Shares and 4,561,000 Rights Shares respectively which comprise the full acceptance of its provisional entitlement in respect of the 9,653,000, 2,411,000, 2,982,500 and 2,280,500 shares beneficially owned by Mr. Wang Ya Nam, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua respectively and (ii) ensured that the then 9,653,000, 2,411,000, 2,982,500 and 2,280,500 shares beneficially owned by Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yenug and Mr. Wang Ya Hua respectively will remain beneficially owned by them up to and including the record date.

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

USE OF PROCEEDS FROM THE RIGHTS ISSUE

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.

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 2022, a total amount of approximately HK\$42.9 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 <i>HK\$ million</i>	Utilised amount (as at 30 June 2022) <i>HK\$ million</i>	Unutilised amount (as at 30 June 2022) <i>HK\$ million</i>	Expected timeline of full utilisation of the balance
Lease of factory	15.1%	7.3	1.7	5.6	2028-2029
Refurbish the new factory as mentioned above	19.9%	9.6	9.6	–	–
Capital expenditure for additional production facilities and machineries	46.2%	22.4	22.4	–	–
Capital expenditure 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	

CORPORATE GOVERNANCE CODE

During the Period and up to the date of this announcement, 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

The Company has adopted the code of conduct regarding director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (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.

AUDIT COMMITTEE

As at the date of this announcement, 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. 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 and the unaudited interim results announcement of the Company for the Period, 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 Period requiring disclosure in this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website at <http://www.tongdahongtai.com>. The full interim report will be made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 August 2022

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