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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 2023**

**HIGHLIGHTS**

- Revenue of the Group in 2023 was approximately HK\$91.3 million, representing a decrease of approximately 39.3% as compared with the revenue of approximately HK\$150.5 million in 2022.
- The net loss attributable to the equity holders of the Company for 2023 amounted to approximately HK\$37.8 million as compared with approximately HK\$231.4 million in 2022.
- Basic loss per share for 2023 was approximately HK55.59 cents (2022: HK374.12 (restated) cents).
- The Board did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: 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 2023 (the “Year”), together with the comparative figures for the previous year, as follows:

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>REVENUE</b>	5	<b>91,259</b>	150,545
<b>Cost of sales</b>		<b>(90,928)</b>	(264,477)
Gross profit/(loss)		<b>331</b>	(113,932)
Other income	5	<b>700</b>	998
Selling and distribution expenses		<b>(1,372)</b>	(4,996)
General and administrative expenses		<b>(19,644)</b>	(52,942)
Other operating expenses, net		<b>(5,996)</b>	(54,700)
Finance costs	6	<b>(11,865)</b>	(5,851)
LOSS BEFORE TAX	7	<b>(37,846)</b>	(231,423)
Income tax expense	8	—	—
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<b>(37,846)</b>	(231,423)
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	10	<b>HK(55.59) cents</b>	HK(374.12) cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(37,846)</u>	<u>(231,423)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to the income statement in subsequent periods, net of tax:		
Exchange differences on translation of a foreign operation	<u>8,066</u>	<u>11,135</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u><u>(29,780)</u></u>	<u><u>(220,288)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,050</b>	8,271
Right-of-use assets		<b>17</b>	6,132
Long term deposits		—	497
		<hr/>	<hr/>
Total non-current assets		<b>1,067</b>	14,900
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>32,409</b>	49,912
Trade and bills receivables	<i>12</i>	<b>32,591</b>	57,771
Prepayments, deposits and other receivables		<b>11,949</b>	12,236
Tax recoverable		<b>808</b>	832
Restricted bank balances		<b>2,594</b>	3,125
Cash and bank balances		<b>6,280</b>	7,603
		<hr/>	<hr/>
Total current assets		<b>86,631</b>	131,479
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>28,709</b>	47,623
Other payables and accruals		<b>218,913</b>	88,482
Loans from and amounts due to related parties		<b>8,250</b>	8,041
Lease liabilities		<b>420</b>	5,209
		<hr/>	<hr/>
Total current liabilities		<b>256,292</b>	149,355
		<hr/>	<hr/>
NET CURRENT LIABILITIES		<b>(169,661)</b>	(17,876)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>(168,594)</b>	(2,976)
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>1,441</b>	16,430
Other payable		<b>63,164</b>	184,013
		<hr/>	<hr/>
Total non-current liabilities		<b>64,605</b>	200,443
		<hr/>	<hr/>
Net liabilities		<b>(233,199)</b>	(203,419)
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***31 December 2023*

		<b>2023</b>	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
DEFICIENCY			
Equity attributable to equity holders of the Company Issued capital	<i>14</i>	<b>6,807</b>	6,807
Deficit		<b><u>(240,006)</u></b>	<u>(210,226)</u>
Total deficit		<b><u><u>(233,199)</u></u></b>	<u><u>(203,419)</u></u>

## 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 the manufacture and sale of casings of notebook and tablet.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Going concern assumptions

The Group incurred net loss of approximately HK\$37,846,000 (2022: HK\$231,423,000) for the year ended 31 December 2023. As at 31 December 2023, the Group had net current liabilities of approximately HK\$169,661,000 (2022: HK\$17,876,000) and net liabilities of approximately HK\$233,199,000 (2022: HK\$203,419,000).

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

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2023 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group’s financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the consolidated financial statements are authorised for issue, but not limited to, the followings:

- (a) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure;
- (b) On the date of report, the Group has negotiated with Mr. Wang Ya Nan, related companies controlled by Mr. Wang Ya Nan and independent third parties and they agreed not to demand repayments of HK\$2,400,000, HK\$5,481,000 and approximately HK\$193,716,000 as at 31 December 2023 within the next twelve months from the date of report. Letter of undertakings are obtained;

- (c) One of the controlling shareholders of the Company has committed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due within the next twelve months from the date of report. Letter of financial support is obtained from this controlling shareholder; and
- (d) Implementation of rights issue subsequent to the reporting period and the directors expect the right issue will be completed within the next twelve months from the date of report.

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 the date of report. 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 the date of report. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to meet its future working capital and financing requirements.

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

### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pilar Two Model Rules

The adoption of the new and amendments to standards did not have any material impact on the Group's results and financial position for the current or prior year.

#### 4. OPERATING SEGMENT INFORMATION

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

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

##### Information about major customers

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	46,750	71,665
Customer B	–	27,973
Customer C	–	24,404
Customer D	<u>24,011</u>	<u>–</u>
	<u><b>70,761</b></u>	<u>124,042</u>

#### 5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of casings of notebook and tablet	<u><b>91,259</b></u>	<u>150,545</u>

## 5. REVENUE AND OTHER INCOME (CONTINUED)

### 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 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	15	25
Sale of scrap materials	301	779
Government grants*	323	194
Others	61	—
	<u>700</u>	<u>998</u>

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

## 6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	—	1,826
Interest on lease liabilities	100	1,067
Interest on loans from independent third parties	11,765	2,958
	<u>11,865</u>	<u>5,851</u>

## 7. LOSS BEFORE TAX

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold <sup>1</sup>	<b>90,928</b>	264,477
Depreciation of property, plant and equipment	<b>136</b>	7,080
Depreciation of right-of-use assets	<b>1,980</b>	5,258
Research and development costs <sup>2</sup>	<b>3,118</b>	16,631
Lease payments not included in the measurement of lease liabilities	<b>168</b>	168
Employee benefit expense (excluding directors' remuneration):		
Salaries and wages	<b>15,019</b>	43,331
Pension scheme contributions <sup>#</sup>	<b>3,514</b>	11,111
	<b>18,533</b>	54,442
Auditor's remuneration		
– Annual audit services	<b>750</b>	1,280
Impairment of trade receivables*	<b>573</b>	2,727
Gain on early termination of leases*	<b>(11,678)</b>	(4,178)
Write-off of prepayments*	<b>–</b>	9,488
Provision for inventories	<b>746</b>	127,321
(Gain)/loss on disposal/write-off of items of property plant and equipment*	<b>(3,372)</b>	1,116
Impairment of property, plant and equipment*	<b>4,586</b>	18,667
Impairment of right-of-use assets*	<b>74</b>	13,840
Foreign exchange differences, net*	<b>10,152</b>	10,385

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

<sup>#</sup> At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).

- <sup>1</sup> Cost of inventories sold includes approximately HK\$12,975,000 (2022: HK\$161,755,000) relating to employee benefit expense, lease payments not included in the measurement of lease liabilities, provision for inventories, and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.
- <sup>2</sup> Research and development costs include approximately HK\$3,118,000 (2022: HK\$14,868,000) 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 (2022: Nil). No provision for corporate income tax in Mainland China has been made as the Group did not generate any assessable profits during the year (2022: Nil).

A reconciliation of the tax credit applicable to loss before tax at the statutory tax rates to the tax position at the Group's effective tax rate is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax	<u>(37,846)</u>	<u>(231,423)</u>
Tax at the statutory tax rates	(7,527)	(56,321)
Lower applicable tax rate	1,508	22,212
Expenses not deductible for tax	5,201	22,924
Income not subject to tax	(351)	(1,871)
Tax losses not recognised	<u>1,169</u>	<u>13,056</u>
Tax position at the Group's effective rate	<u>—</u>	<u>—</u>

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 2022 for three years.

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

The Group has estimated tax losses arising in Mainland China of approximately HK\$353,957,000 (2022: HK\$346,167,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as directors consider that it is uncertain that whether sufficient taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

## 9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

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

For the year ended 31 December 2023, 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 approximately HK\$37,846,000 (2022: HK\$231,423,000), and the weighted average number of ordinary shares of 68,074,691 (2022: 61,858,424 (restated)).

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares used for the purpose of calculating basic loss per share for both years has been adjusted for the issue of shares pursuant to the Share Consolidation as if the Share Consolidation had occurred on 1 January 2022. Accordingly, the basic loss per share for the year ended 31 December 2022 have been restated.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

## 11. INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials	790	5,800
Work in progress	14,175	12,677
Finished goods	17,444	31,435
	<u>32,409</u>	<u>49,912</u>

## 12. TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	35,324	59,749
Impairment	(3,439)	(3,068)
	<u>31,885</u>	<u>56,681</u>
Bills receivable	706	1,090
	<u>32,591</u>	<u>57,771</u>

As at 31 December 2023, the Group has bills receivable of approximately HK\$706,000 (2022: HK\$1,090,000) were measured at fair value through other comprehensive income as these trade and bills receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. As at 31 December 2023, 46.7% (2022: 61.3%) and 96.3% (2022: 89.7%) of the total trade and bills receivables were due from the Group's largest customer and five largest customers, respectively.

An ageing analysis of the Group's trade receivables (based on the invoice date) and bills receivable (based on the issue date) as at the end of the reporting period, and net of loss allowance, is as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 3 months	<b>27,555</b>	44,375
4 to 6 months, inclusive	<b>4,014</b>	12,838
7 to 9 months, inclusive	<b>578</b>	484
10 to 12 months, inclusive	<b>444</b>	74
	<b>32,591</b>	57,771

### 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:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 3 months	<b>20,179</b>	26,464
4 to 6 months, inclusive	<b>1,276</b>	8,527
7 to 9 months, inclusive	<b>2,501</b>	4,196
10 to 12 months, inclusive	<b>1,461</b>	4,060
Over 1 year	<b>3,292</b>	4,376
	<b>28,709</b>	47,623

## 14. ISSUED CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 1 January 2022	226,915,638	2,269
Issuance of shares upon rights issue ( <i>Note (a)</i> )	<u>453,831,276</u>	<u>4,538</u>
As at 31 December 2022, 1 January 2023 and 31 December 2023	<u>680,746,914</u>	<u>6,807</u>

*Note:*

- (a) On 23 November 2021, the Board of the Company proposed to implement the rights issue on the basis of two rights shares for every 1 share at the subscription price of HK\$0.133 per rights share, to raise gross proceeds of approximately HK\$60,360,000 before share issue expenses of approximately HK\$2,627,000 by way of rights issue of 453,831,276 rights shares, to the qualifying shareholders of the Company. The rights issue was completed on 21 February 2022.

## 15. EVENT AFTER THE REPORTING PERIOD

On 12 January 2024, the Board of the Company (1) proposed to implement a share consolidation, pursuant to which every ten (10) issued and unissued existing shares of HK\$0.01 each will be consolidated into one (1) consolidated share of HK\$0.10 each; (2) the existing shares are traded on the Stock Exchange of Hong Kong Limited in board lot size of 2,500 existing Shares. The Board proposed to change the board lot size for trading on the Stock Exchange of Hong Kong Limited from 2,500 existing Shares to 5,000 consolidated shares conditional upon the share consolidation becoming effective; (3) proposed to increase the authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 existing shares to HK\$60,000,000 divided into 6,000,000,000 existing Shares (or 3,000,000,000 consolidated shares after the share consolidation becoming effective); and (4) proposed to implement the rights Issue on the basis of two rights shares for every one consolidated share at the subscription price of HK\$0.58 per rights share, to raise approximately HK\$79.0 million by issuing 136,149,382 rights shares to the qualifying shareholders. Assuming full subscription under the rights issue, the gross proceeds from the rights issue are expected to be approximately HK\$79.0 million. The net proceeds from the rights issue (after deducting the estimated expenses of approximately HK\$3.0 million) are estimated to be approximately HK\$76.0 million. The Company intends to apply the net proceeds from the proposed rights issue of approximately HK\$76.0 million as follows: as to (i) approximately HK\$70.0 million for repayment of loans and other payables of the Group; and (ii) approximately HK\$6.0 million as general working capital of the Group. In the event that there is an under-subscription of the rights issue, the net proceeds of the rights issue will be utilised in proportion to the above uses.

Details of the aforesaid events after the reporting period are set out in the announcement of the Company dated 12 January 2024, 24 January 2024, 21 February 2024, 29 February 2024, 1 March 2024, 15 March 2024 and 28 March 2024.

## **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.

During the Year, with increased geopolitical risks, the US interest rate hike policy, the high inflation rate, and the significantly tightened currencies of various major economies, all these caused the international financial situations in more complex and volatile, which restrained individual consumption and corporate spending. The global demand for consumer goods slowed down, resulting in a challenging business environment. In order to improve the business operations and diverse the risks, the Group will continuously implement the tightened cost controls and adjustments on organization structure. The Group will continue to pay attention to the latest development trend of the market of notebook computers, explore the possibilities of relocating its production facilities to lower-cost areas such as South-East Asia and explore to capture business opportunities in the manufacturing of electric vehicles and their infrastructures as well as research and investment in Deep Technology and other innovative technology projects by making use of our existing production facilities and production techniques.

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

### **FINANCIAL REVIEW**

The Group’s total revenue decreased by approximately 39.3%, from approximately HK\$150.5 million in 2022 to approximately HK\$91.3 million for the Year. The decrease was mainly due to the operation restructuring of the Group commenced last year continued during the Year and the Group had carried on with its reassessment of its projects to improve the operating cashflow under the negative impact by the internal and external challenges which resulted in less sales orders received.

During the Year, the Group recorded a gross profit approximately HK\$0.4 million for the Year, as compared to a gross loss of approximately HK\$113.9 million in 2022. The Group reassessed its projects aiming to maintain a healthy operating cashflow under the negative impact by the internal and external challenges and operation restructuring of the Group commenced last year continued during the Year which has improved the operation efficiency during the Year.

The Group’s selling and distribution expenses decreased by approximately 72.0%, from approximately HK\$5.0 million in 2022 to approximately HK\$1.4 million for the Year, and was in line with the decrease in sales during the Year.

The Group's general and administrative expenses decreased by approximately 62.9%, from approximately HK\$52.9 million in 2022 to approximately HK\$19.6 million for the Year. The decrease was due to the decrease in salary expenses and research and development expenses.

The Group's finance costs increased by approximately 101.7%, from approximately HK\$5.9 million in 2022 to approximately HK\$11.9 million for the Year. The increase was mainly attributable to the increase in finance costs paid for interests on loans from independent third parties but offset with the decrease in interest on lease liabilities due to the early termination of lease in 2023.

The Group's other income recorded approximately HK\$0.7 million for the Year, as compared to approximately HK\$1.0 million in 2022, which was due to the reduction in the sales of scrap materials during the Year.

The Group's other operating expenses, net, decreased by approximately 89.0%, from approximately HK\$54.7 million in 2022 to approximately HK\$6.0 million for the Year. The decrease was mainly attributable to the Group recorded an increase in gain on early termination of lease during the Year approximately HK\$11.7 million, a reduction of compensation approximately HK\$6.5 million during the Year as well as the decrease in impairment of property, plant and equipment and impairment of right-of-use assets during the Year of approximately HK\$4.7 million while there were such impairments in 2022 approximately HK\$32.5 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\$37.8 million, as compared with a loss of approximately HK\$231.4 million in 2022. Basic loss per share attributable to equity holders of the Company was approximately HK55.59 cents for the Year as compared with basic loss per share attributable to equity holders of the Company of approximately HK374.12 (restated) cents in 2022.

The Group's inventory turnover days increased to approximately 165.2 days for the Year as compared to approximately 161.1 days for 2022.

The Group's trade and bills receivables turnover days decreased from approximately 282.1 days for 2022 to approximately 180.7 days for the Year. The decrease reflects the effective of measures to improve operating cash flow.

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

As at 31 December 2023, the Group had cash and bank balances of approximately HK\$6.3 million (2022: HK\$7.6 million), which were denominated in USD, HK\$ and RMB.

As at 31 December 2023, the Group had restricted bank balances of approximately HK\$2.6 million (2022: HK\$3.1 million).

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

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

As at 31 December 2023, the Group had interest-bearing loans from independent third parties of approximately HK\$255.8 million (2022: HK\$184.0 million).

As at 31 December 2023, the Group had interest bearing loans from a related party and one of the controlling shareholders of approximately HK\$7.9 million (2022: HK\$8.0 million).

Average trade and bills receivable turnover days was approximately 180.7 days (2022: 282.1 days).

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Average inventory turnover days was approximately 165.2 days (2022: 161.1 days). Overall, the current ratio of the Group was approximately 0.34 as at 31 December 2023 (2022: 0.88).

As at 31 December 2023, the gearing ratio was approximately 109.4% (2022: 89.1%).

Gearing ratio is calculated based on total borrowings (i.e. certain other payable with interest-bearing classified as current and non-current portion and loans from and amounts due to related parties) less total cash and bank balances (including restricted bank balances) divided by total equity attributable to equity holders of the Company as at year-end date and expressed as a percentage.

The Group's operations were mainly financed by internal resources including but not limited to existing cash and cash equivalents, cash flow from its operating activities, the net proceeds generated from the Listing and loans from and amounts due to related parties. The Board believes that the Group's liquidity needs will be satisfied.

## **CAPITAL EXPENDITURE**

The Group incurred capital expenditure of approximately HK\$1.2 million during the Year (2022: HK\$1.4 million), which was mainly for the additions and expansions of property, plant and equipment. Management believes that the Group's ability to invest in capital expenditure in timely anticipation of demand is a competitive advantage of the Group.

## **FOREIGN EXCHANGE**

Given the increasingly international nature of our operations and business coverage, the Group faces foreign exchange exposure including transaction and translation exposure. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts. The Group has not entered nor will it enter into any derivative transactions for speculative trading purposes as at 31 December 2023 (31 December 2022: Nil).

## **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, associates and joint ventures.

## **CONTINGENT LIABILITIES**

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

## **EMPLOYEE INFORMATION**

As at 31 December 2023, the Group employed a total of 26 permanent employees, who are mainly employees in production department, down from 312 as at 31 December 2022. Total employee benefit expenses including Directors' remuneration for the Year were approximately HK\$20.4 million, as compared to approximately HK\$56.4 million last year. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. The management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. Our employees in Hong Kong participate in the mandatory provident fund scheme. Details of employee's remuneration are disclosed in note 7 to this announcement.

## **PAST PERFORMANCE AND FORWARD LOOKING STATEMENTS**

The performance and the results of operation of the Group as set out in this announcement are historical in nature and past performance is not a guarantee of future performance. This annual report 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 report 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 52.0% and 92.7% respectively of the Group's total revenue; and (ii) the Group's largest supplier and five largest suppliers accounted for approximately 38.9% and 64.5% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders (the "Shareholders") of the Company who owned more than 5% of the Company's share capital had any interest in the five largest customers or suppliers of the Group.

## **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement and/or other announcements of the Company, there were no other important events affecting the Group that had occurred after 31 December 2023 and up to the date of this announcement.

## 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 2023, a total amount of HK\$42.9 million out of the net proceeds had been used by the Group and the unutilised amount will be used by the Group according to the allocation set out in the Prospectus.

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 31 December 2023) <i>HK\$ million</i>	Unutilised amount (as at 31 December 2023) <i>HK\$ million</i>	Expected timeline of full utilisation of the balance
Lease of a new factory ( <i>Note 1</i> )	15.1%	7.3	1.7	5.6	2024-2026
Refurbishment of the new factory as mentioned above	19.9%	9.6	9.6	–	–
Capital expenditure for additional production facilities and machineries	46.2%	22.4	22.4	–	–
Capital expenditure for enhancing the automation in the Group's manufacturing process	16.1%	7.8	7.8	–	–
Additional effort in sales and marketing activities	0.3%	0.2	0.2	–	–
Enhancement of research and development capabilities	2.4%	1.2	1.2	–	–
Total	100%	48.5	42.9	5.6	

*Note:*

- The lease of the factory is for a term of three years, and therefore the remaining balance of approximately HK\$5.6 million is expected to be fully utilised by the year 2024 to 2026.

## **USE OF PROCEEDS FROM THE RIGHTS ISSUE**

On 21 February 2022, the Group completed the rights issue on the basis of two rights shares for every one ordinary share of the Company at the subscription price of HK\$0.133 per rights share, the net proceeds from the rights issue, after deducting the estimated expenses and after the set off of loans from related party of approximately HK\$32.0 million (including but not limited to placing commission, legal expenses and disbursements), are approximately HK\$25.7 million. The Company intends to apply the net proceeds to (i) approximately HK\$7.0 million for staff costs of the Group; (ii) approximately HK\$16.0 million for payment to the Group's suppliers; and (iii) approximately HK\$2.7 million as general working capital of the Group. As of 31 December 2023, the said net proceeds has been fully utilised as intended.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the Year.

## **AUDIT COMMITTEE**

According to Rule 3.21 of the Listing Rules and the CG Code, the Group established the audit committee of the Company (the "AC") on 8 February 2018. The AC comprised of all independent non-executive Directors, namely Mr. Chan Shiu Man, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On. Mr. Chan Shiu Man 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 (2022: Nil).

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the "Annual General Meeting") will be held on Friday, 26 April 2024. 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 Wednesday, 03 April 2024.

## **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 Tuesday, 23rd April, 2024 to Friday, 26th April 2024, 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 Monday, 22nd April, 2024.

## **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**  
**Lee King On Jeff**  
*Executive director*

Hong Kong, 28 March 2024

*As at the date of this announcement, the executive Directors are Mr. Wong Ming Li, Mr. Lee King On Jeff, and Mr. Wang Ming Zhi; and the independent non-executive Directors are Mr. Chan Shiu Man, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On.*