

Interim Report

TONGDA HONG TAI HOLDINGS LIMITED

2021



CONTENTS

Corporate Information	2
Cautionary Statement Regarding Forward-Looking Statements	4
Management Discussion and Analysis	5
Condensed Consolidated Income Statement	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	15
Notes to Condensed Consolidated Interim Financial Statements	17
Supplementary Information	34

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. Tam Hei Lap, Hedley

AUDITORS

Ernst & Young

Certified Public Accountants

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan

Mr. Wong Ming Li

PRINCIPAL BANKERS

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

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

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

Room 1203, 12th Floor

Shui On Centre

6-8 Harbour Road

Wanchai, Hong Kong

Tel: (852) 3188 1681

Fax: (852) 3585 2822

Website: <http://www.tongdahongtai.com>

Email: info@tongdahongtai.com

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

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements pertain only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group’s results of operations are described in the section headed “Management Discussion and Analysis” below.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) of the Company hereby presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (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.

During the Period, the Group faced various challenges including the shortage in the supply of semi-conductors, increase in raw material price and the appreciation of Renminbi (“RMB”) against the United States Dollar (“USD”), which as a result have eroded the revenue and the gross profit margin of the Group. During the Period, the revenue of the Group recorded a drop from approximately HK\$188.0 million during the six months ended 30 June 2020 to approximately HK\$167.8 million. Due to the shortages in the supply of semi-conductors, the Group recorded a decrease in placed orders from customers. The increase in the price of raw materials and the appreciation of RMB against USD have created pressure on the Group’s gross profit margin and the gross profit reduced from approximately HK\$9.4 million for the six months ended 30 June 2020 to approximately HK\$1.9 million for the Period. The net loss attributable to the equity holders of the Company had increased from approximately HK\$31.4 million during the six months ended 30 June 2020 to approximately HK\$44.5 million for the Period.

BUSINESS PROSPECTS

The shortage in the supply of semi-conductors and COVID-19 pandemic will remain as the major challenges to the Group as it is uncertain as to when the Group will restore its supply of semi-conductors and when the COVID-19 pandemic will end. As such, it is anticipated that the gross profit margin will remain under pressure.

Nevertheless, the Group expects the demand of PC manufacturing will gradually restore its order in the second half of 2021 as the Group anticipates the supply in semi-conductors will gradually improve. The Group's efficient production facilities, comprehensive manufacturing solutions and strong research and development capabilities have provided a solid foundation for the Group to face the headwind amid the challenging times. The management of the Group will remain vigilant to the 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

For the Period, the Group's total revenue decreased by approximately 10.7%, from approximately HK\$188.0 million for the six months ended 30 June 2020 to approximately HK\$167.8 million. The decline was mainly attributable to the shortage in the supply of semi-conductors during the Period which led to a decline in placed orders from customers.

As a result, the Group's gross profit was subject to pressure and decreased by approximately 79.8% from approximately HK\$9.4 million for the six months ended 30 June 2020 to approximately HK\$1.9 million during the Period.

The Group's selling and distribution expenses remained stable at approximately HK\$4.2 million for the Period (2020: HK\$ 4.3 million).

The Group's general and administrative expenses increased by approximately 20.2%, from approximately HK\$29.2 million for the six months ended 30 June 2020 to approximately HK\$35.1 million during the Period, which was primarily due to the increase in staff costs during the Period.

The Group's finance costs decreased by approximately 47.3%, from approximately HK\$5.5 million for the six months ended 30 June 2020 to approximately HK\$2.9 million during the Period. The decrease was due to a decline in both average loan balances and interest rates during the Period.

The Group's other income and gains decreased from approximately HK\$1.0 million for the six months ended 30 June 2020 to approximately HK\$0.9 million during the Period, which was mainly due to an decrease in government grants during the Period.

The Group's net other operating loss increased approximately HK\$2.7 million for the six months ended 30 June 2020 to approximately HK\$5.0 million during the Period. It was mainly contributed by an increase in exchange loss from approximately HK\$2.7 million for the six months ended 30 June 2020 to approximately HK\$4.8 million during the Period.

As a result of the foregoing, the Group recorded a loss for the Period attributable to equity holders of the Company of approximately HK\$44.5 million and the weighted basic loss per share attributable to equity holders of the Company of approximately HK22.12 cents for the Period, compared with loss attributable to equity holders of the Company of approximately HK\$31.4 million and the weighted basic loss per share attributable to equity holders of the Company of approximately HK16.59 cents for the six months ended 30 June 2020.

The Group's inventory turnover days increased from approximately 260.8 days for the year ended 31 December 2020 to approximately 351.5 days for the Period, the increase was primarily due to the decline in sales as the shortages of semi-conductor supply and the seasonal effect as the Group's products usually face a higher demand during the second half of the year. Therefore, the inventory turnover days is higher than that as at 31 December 2020.

The Group's trade and bills receivables turnover days were approximately 214.6 days for the Period, representing an increase of approximately 20.9 days from approximately 193.7 days for the year ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$10.5 million (31 December 2020: HK\$34.9 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\$3.5 million as at 30 June 2021 (31 December 2020: approximately HK\$2.3 million).

As at 30 June 2021, total interest-bearing bank borrowings of the Group repayable within one year were approximately HK\$72.2 million (31 December 2020: approximately HK\$194.6 million). As at 30 June 2021, the Group had no interest-bearing bank borrowings payable more than one year (31 December 2020: Nil).

As at 30 June 2021, the gearing ratio of the Group (consolidated net debt/total equity) was approximately 200.4% (31 December 2020: approximately 163.8%). 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 2021, the Group employed a total of 707 permanent employees (31 December 2020: 719 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\$30.6 million (six months ended 30 June 2020: approximately HK\$27.8 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
REVENUE	4	167,772	188,011
Cost of sales		(165,845)	(178,624)
Gross profit		1,927	9,387
Other income		889	1,026
Selling and distribution expenses		(4,244)	(4,284)
General and administrative expenses		(35,135)	(29,231)
Other operating expense, net		(5,016)	(2,734)
Finance costs		(2,942)	(5,535)
LOSS BEFORE TAX	5	(44,521)	(31,371)
Income tax expense	6	-	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(44,521)	(31,371)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	8	(HK22.12 cents)	(HK16.59 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(44,521)	(31,371)
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	(90)	2,229
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(44,611)	(29,142)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited	Audited
		30 June	31 December
		2021	2020
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	31,273	34,765
Right-of-use assets		3,022	3,772
Long term deposits		1,668	2,191
Total non-current assets		35,963	40,728
CURRENT ASSETS			
Inventories	10	306,595	278,148
Trade and bills receivables	11	152,874	241,613
Prepayments, deposits and other receivables		20,967	13,338
Tax recoverable		876	869
Restricted bank balances		3,529	2,282
Cash and bank balances		10,520	34,917
Total current assets		495,361	571,167
CURRENT LIABILITIES			
Trade payables	12	138,578	153,147
Other payables and accruals		36,531	29,811
Interest-bearing bank borrowings	13	72,153	194,649
Loans from related parties	14	164,516	78,475
Lease liabilities		1,578	2,639
Total current liabilities		413,356	458,721

		Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
NET CURRENT ASSETS		82,005	112,446
TOTAL ASSETS LESS CURRENT LIABILITIES		117,968	153,174
NON-CURRENT LIABILITIES			
Lease liabilities		6,830	9,143
Net assets		111,138	144,031
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	2,269	1,891
Reserves		108,869	142,140
Total equity		111,138	144,031

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2021
Attributable to equity holders of the Company

	Issued capital HK\$'000 (Note 15)	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated Loss HK\$'000	Total equity HK\$'000
At 1 January 2021	1,891	121,933	198,566	16,031	(22,496)	(171,894)	144,031
Loss for the period	-	-	-	-	-	(44,521)	(44,521)
Other comprehensive expense for the period:							
Exchange differences on translation of a foreign operation	-	-	-	-	(90)	-	(90)
Total comprehensive expense the period	-	-	-	-	(90)	(44,521)	(44,611)
Placing of new shares under General Mandate	378	11,340	-	-	-	-	11,718
At 30 June 2021	2,269	133,273*	198,566*	16,031*	(22,586)*	(216,415)*	111,138

Unaudited six months ended 30 June 2020
Attributable to equity holders of the Company

	Issued capital HK\$'000 (Note 15)	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2020	1,891	121,933	198,566	16,031	(32,740)	(6,620)	299,061
Loss for the period	-	-	-	-	-	(31,371)	(31,371)
Other comprehensive income for the period:							
Exchange differences on translation of a foreign operation	-	-	-	-	2,229	-	2,229
Total comprehensive expense the period	-	-	-	-	2,229	(31,371)	(29,142)
At 30 June 2020	1,891	121,933*	198,566*	16,031*	(30,511)*	(37,991)*	269,919

* These reserve accounts comprise the consolidated reserves of approximately HK\$108,869,000 (six months ended 30 June 2020: approximately HK\$268,028,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	8,652	293
Interest paid	(2,718)	(5,535)
Overseas taxes refund	–	259
Net cash flows generated from/(used in) operating activities	5,934	(4,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12	45
Purchases of items of property, plant and equipment	(1,393)	(1,645)
(Increase)/decrease in long term deposits	(1,668)	230
(Increase)/decrease in restricted bank balances	(1,247)	2,945
Exchange realignment	214	(5)
Net cash flows generated from/(used in) investing activities	(4,082)	1,570

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	122,160	225,890
Repayment of bank loans	(243,742)	(264,086)
Principal elements of lease payments	(4,739)	(1,986)
Increase in loans from related parties	85,127	31,265
Proceeds from placing of new shares	11,718	–
Exchange realignment	(454)	120
	(29,930)	(8,797)
NET DECREASE IN CASH AND BANK BALANCES		
	(28,078)	(12,210)
Cash and cash equivalents at beginning of period	34,917	24,718
Effect of foreign exchange rate changes, net	3,681	622
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	10,520	13,130
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES		
Cash and bank balances	14,049	16,713
Less: Restricted bank balances	(3,529)	(3,583)
	10,520	13,130

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standards ("HKASs") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

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 2020, 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 9, *Interest Rate Benchmark Reform – Phase 2*
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

The adoption of the above revised HKFRSs has had no significant financial effect on the Group's condensed consolidated interim financial information.

4. OPERATING SEGMENT INFORMATION

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

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

Information about major customers

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Customer A	54,956	65,133
Customer B	39,784	52,951
Customer C*	–	25,512
	94,740	143,596

* Revenue from the sales to Customer C accounted for less than 10% to the total revenue of the Group for the Period.

5. LOSS BEFORE TAX

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	165,845	178,624
Depreciation of property, plant and equipment	5,523	10,070
Depreciation of right-of-use assets	918	2,387
Research and development costs	12,188	9,182
Salaries and wages	29,928	24,943
Foreign exchange differences, net	4,799	2,734

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 2020: 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.

6. INCOME TAX (continued)

Unaudited
Six months ended 30 June
2021 2020
HK\$'000 HK\$'000

Total current tax charge for the period from		
Mainland China	-	-

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

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

7. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: Nil).

8. LOSS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	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	44,521	31,371
Weighted average number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	201,295,638	189,115,638

The weighted average number of ordinary shares used in calculation includes 37,800,000 newly issued ordinary shares from the placing of shares under the general mandate on 3 May 2021 and 189,115,638 ordinary shares have been issued on 1 January 2021.

The Group had no potentially dilutive ordinary shares in issue during the Period and for the six months ended 30 June 2020.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$2,189,000 (six months ended 30 June 2020: approximately HK\$1,646,000).

10. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Raw materials	34,094	48,613
Work in progress	201,193	138,611
Finished goods	71,308	90,924
	306,595	278,148

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Trade receivables	153,596	236,410
Impairment	(1,871)	(1,857)
	151,725	234,553
Bills receivable	1,149	7,060
	152,874	241,613

As at 30 June 2021, gross trade receivables of certain customers of approximately HK\$92,259,000 (31 December 2020: approximately HK\$173,866,000), 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\$1,149,000 (31 December 2020: approximately HK\$7,060,000) 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 2021, approximately 33.9% (31 December 2020: approximately 32.0%) of the total trade and bills receivables, and approximately 83.6% (31 December 2020: approximately 89.3%) of the total trade and bills receivables, were due from the Group's largest customer and the five largest customers, respectively.

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

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Within 3 months	121,624	157,278
4 to 6 months, inclusive	31,247	82,459
7 to 9 months, inclusive	3	1,876
	152,874	241,613

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
	2021	2020
	HK\$'000	HK\$'000
Within 3 months	93,251	91,243
4 to 6 months, inclusive	33,706	53,474
7 to 9 months, inclusive	6,512	7,714
10 to 12 months, inclusive	1,395	716
Over 1 year	3,714	–
	138,578	153,147

13. INTEREST-BEARING BANK BORROWINGS

During the Period, the Group repaid bank borrowings of approximately HK\$243,742,000 (six months ended 30 June 2020: approximately HK\$264,086,000) and raised new bank borrowings of approximately HK\$122,160,000 (six months ended 30 June 2020: approximately HK\$225,890,000).

14. LOANS FROM RELATED PARTIES

		Unaudited	Audited
		30 June	31 December
		2021	2020
	Notes	HK\$'000	HK\$'000
Loans from Tongda Shishi			
Investment	(a)	60,603	33,012
Loans from Mr. Wang Ya Nan	(b)	103,913	45,463
		164,516	78,475

Notes:

- (a) The loans from 通達(石獅)投資諮詢有限公司 (Tongda Shishi Investment Consulting Company Limited (“Tongda Shishi Investment”)), a related company controlled by Mr. Wang Ya Nan, the non-executive director and a shareholder of the Company, are unsecured, interest-free and repayable within one year.
- (b) The loans are unsecured, bear interest at 2% per annum and are repayable within one year.

15. ISSUED CAPITAL

	Unaudited	Audited
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 (31 December 2020: 1,000,000,000) ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid:		
226,915,638 (31 December 2020: 189,115,638) ordinary shares of HK\$0.01 each	2,269	1,891

15. ISSUED CAPITAL *(continued)*

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

	Number of ordinary shares of	Nominal value of ordinary shares
Notes	HK\$0.01 each	HK\$'000
Authorised:		
At 31 December 2020, 1 January 2021 and 30 June 2021	10,000	10,000
At 31 December 2020	189,115,638	1,891
Placing of shares under General Mandate on 3 May 2021	37,800,000	378
At 30 June 2021	226,915,638	2,269

16. COMMITMENTS

The Group had the following capital commitments contracted but not provided for as at 30 June 2021:

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Contracted, but not provided for:		
Purchases of items of property, plant and equipment	6,831	3,808

17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2021.

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Unaudited Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Short term employee benefits	2,568	1,619
Post-employment benefits	140	126
Total compensation paid to key management personnel	2,708	1,745

19. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

The estimated fair values of the lease liabilities are estimated based on discounting future cash flows at currently available interest rates with comparable terms as at 30 June 2021.

Fair value hierarchy

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

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

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

20. TRANSFERRED FINANCIAL ASSETS

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

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

(a) Discounting of bills receivable

	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
Carrying amount of assets that continued to be recognised	1,149	7,060
Carrying amount of associated liabilities	1,149	7,060

As at 30 June 2021, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of approximately HK\$1,149,000 (31 December 2020: approximately HK\$7,060,000) 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 approximately HK\$1,149,000 as at 30 June 2021 (31 December 2020: approximately HK\$7,060,000).

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 2021 was approximately HK\$37,188,000 (31 December 2020: approximately HK\$104,362,000). The carrying amount of the assets that the Group continued to recognise as at 30 June 2021 was approximately HK\$32,609,000 (31 December 2020: approximately HK\$92,202,000) and that of the associated liabilities as at 30 June 2021 was approximately HK\$32,609,000 (31 December 2020: approximately HK\$92,202,000).

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by of the Directors on 25 August 2021.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2020: Nil).

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

As at 30 June 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of The Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the "Model Code") were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares interested	Percentage of shareholding interest
Mr. Wang Ya Nan (Notes 1 & 2)	Beneficial owner	9,653,000	4.25%
	Interest of controlled corporation	43,112,250	19.00%
Mr. Wong Ah Yu (Note 1)	Beneficial owner	2,411,000	1.06%
	Interest of controlled corporation	35,712,250	15.74%

Notes:

- 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").
- 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 2021, there were no other interests or short positions of the Directors in the shares or underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, 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	1.31% 15.74%
Mr. Wang Ya Hua (Note 1)	Beneficial owner Interest of controlled corporation	2,280,500 35,712,250	1.00% 15.74%
Landmark Worldwide Holdings Limited (Note 1)	Beneficial owner	35,712,250	15.74%

Notes:

- 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.

Save as disclosed above, as at 30 June 2021, the Company has not been notified by any persons/entities (other than the Directors or the chief executive of the Company) who held an interest or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The Share Option Scheme has been adopted by the Company on 8 February 2018. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 June 2021 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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 9 April 2021, the Company entered into a placing agreement (the "Placing Agreement") with Sinomax Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure on a best effort basis currently expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 37,800,000 placing shares at the placing price of HK\$0.31 per placing share (the "Placing").

All the conditions precedent under the Placing Agreement have been fulfilled on 27 April 2021 and completion of the Placing took place on 3 May 2021. For details, please refer to the announcements of the Company dated 9 April 2021 and 3 May 2021.

USE OF PROCEEDS FROM THE PLACING

The net proceeds from the Placing, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements), are approximately HK\$11.0 million. The Company intends to apply the net proceeds in full from the Placing for repayment of outstanding bank loans. As of 30 June 2021, 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 2021, a total amount of approximately HK\$41.4 million out of the net proceeds had been used by the Group according to the allocation as set out in the Company's prospectus dated 28 February 2018.

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

Purpose	Percentage to total amount	Net proceeds HK\$ million	Utilised	Unutilised	Expected
			amount (as at 30 June 2021) HK\$ million	amount (as at 30 June 2021) HK\$ million	timeline of full utilisation of the balance
Lease of factory	15.1%	7.3	1.7	5.6	2028-2029
Refurbish the new factory	19.9%	9.6	9.6	-	-
Capital expenditure for additional production facilities and machineries	46.2%	22.4	20.9	1.5	End of 2021
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	41.4	7.1	

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 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 report, the audit committee of the Company (the “Audit Committee”) consists of three independent non-executive Directors including Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. 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 this 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 code of conduct regarding director's securities transactions on terms no less exacting than the required standard set out in the Model Code. 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 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.

PUBLICATION OF INTERIM REPORT

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

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Wong Ming Li, Mr. 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.

By order of the Board

Tongda Hong Tai Holdings Limited

Wang Ya Nan

Chairman

Hong Kong, 25 August 2021