

Interim Report

TONGDA GROUP HOLDINGS LIMITED

2023



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Ya Nan (*Chairman*)
Mr. Wang Hung Man (*Vice Chairman*)
Mr. Wong Ming Sik
Mr. Wong Ming Yuet
Mr. Hui Wai Man

Non-executive Director

Ms. Chan Sze Man

Independent Non-executive Directors

Dr. Yu Sun Say, *GBM, GBS, SBS, JP*
Mr. Cheung Wah Fung, Christopher,
GBS, SBS, JP
Mr. Ting Leung Huel Stephen,
MH, FCCA, FCPA (PRACTISING), ACA,
CTA (HK), FHKIoD
Mr. Sze Irons, *BBS, JP*

AUDIT COMMITTEE

Mr. Ting Leung Huel Stephen
(*Chairman*)
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher
Ms. Chan Sze Man

REMUNERATION COMMITTEE

Mr. Ting Leung Huel Stephen
(*Chairman*)
Mr. Wang Ya Nan
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher

NOMINATION COMMITTEE

Mr. Wang Ya Nan (*Chairman*)
Dr. Yu Sun Say
Mr. Cheung Wah Fung, Christopher
Mr. Ting Leung Huel Stephen

COMPANY SECRETARY

Mr. Chan Paan Paan

AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest
Entity Auditor

AUTHORISED REPRESENTATIVES

Mr. Wang Ya Nan
Mr. Wang Hung Man

PRINCIPAL BANKERS

In Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia
Bank of Communication Co., Limited
China Citic Bank International
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
KBC Bank N.V., Hong Kong Branch

In the PRC:
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank Corporation
Bank of China Limited
Industrial Bank
China Merchant Bank

LEGAL ADVISERS

As to Hong Kong laws:

Michael Li & Co.

As to PRC laws:

DeHeng Law Offices (Xiamen)

As to Cayman Islands laws:

Conyers Dill & Pearman, Cayman

INVESTOR RELATIONS

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Hong Kong

REGISTERED OFFICE

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Grand Cayman

Cayman Islands

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LISTING INFORMATION

Listed on the Hong Kong Stock

Exchange (Main Board)

Stock short name: Tongda

Stock code: 698

Board lot: 10,000 shares

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

Royal Bank of Canada Trust Company

(Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road

George Town

Grand Cayman KY1-1110

Cayman Islands

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report 2023 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of Tongda Group Holdings Limited (the “Company”, and together with its subsidiaries 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 speak 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

FINANCIAL REVIEW

For the six months ended 30 June 2023 (the “Period”), the Group’s total revenue from continuing operations was HK\$2,831.8 million, representing a decrease of 29.9% or HK\$1,207.3 million, from HK\$4,039.1 million in the corresponding period last year. Profit attributable to owners of the Company decreased from approximately HK\$33.2 million in the same period last year by 41.7% or HK\$13.8 million to approximately HK\$19.4 million during the Period.

Revenue and gross profit margin

The Group’s revenue from continuing operations decreased by approximately 29.9% or HK\$1,207.3 million, from approximately HK\$4,039.1 million in the corresponding period last year to approximately HK\$2,831.8 million during the Period. During the Period, the recovery of economy in China after the COVID-19 epidemic was relatively slow, and global economic activities slowed down as a result of inflation and rising interest rates, putting pressure on consumer confidence and business operations. As a supplier of high-precision parts and components for consumer products, the Group was affected by the difficult external operating environment and the weak consumer market. Therefore, the Group recorded a year-on-year decline in revenue from continuing operations during the Period. On the other hand, the Group’s gross profit margin from continuing operations increased from 17.9% for the same period last year to 20.3% for the Period, up 2.4 percentage points as a result of the changes in the proportion of sales contribution from the Group’s major customers and continuous improvement in management and operational efficiencies.

Other income and gains, net

Other income and gains, net increased by approximately 25.0% or HK\$15.5 million from approximately HK\$62.0 million in the corresponding period last year to approximately HK\$77.5 million during the Period mainly due to the increase in government grants.

Selling and distribution expenses

Selling and distribution expenses from continuing operations decreased by 33.1% or HK\$9.4 million from approximately HK\$28.4 million in the corresponding period last year to approximately HK\$19.0 million during the Period, accounting for approximately 0.7% of the Group's revenue from continuing operations, which remain the same for the corresponding period last year. The decrease was in line with the decrease in turnover of the Group.

General and administrative expenses

General and administrative expenses from continuing operations decreased by 6.2% or HK\$31.9 million from approximately HK\$515.7 million in the corresponding period last year to approximately HK\$483.8 million during the Period, accounting for approximately 17.1% of the Group's revenue from continuing operations, which was approximately 4.3 percentage points higher than that for the corresponding period last year of 12.8%. The decrease was mainly attributable to various cost saving measures adopted by the Group which led to the decrease in administrative expenses, including the decrease in salaries during the Period.

Other operating income/(expenses), net

The Group recorded net other operating income of approximately HK\$4.2 million during the Period, compared with net other operating expenses of approximately HK\$33.1 million in the corresponding period last year mainly as a result of the exchange gain of HK\$2.2 million recorded during the Period, where exchange loss of HK\$33.7 million was recorded in the same period last year.

Finance costs

Finance costs increased by approximately 44.4% or approximately HK\$24.5 million from approximately HK\$55.2 million in the corresponding period last year to approximately HK\$79.7 million during the Period. The increase was mainly attributable to the increase in average interest rate during the Period.

Loss for the period from a discontinued operation

Loss for the period from a discontinued operation decreased by approximately 46.2% or approximately HK\$24.3 million from loss of approximately HK\$52.6 million in the corresponding period last year to loss of approximately HK\$28.3 million during the Period. The decrease in loss was mainly attributable to the decrease in finance costs and exchange loss recorded.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group derives its working capital mainly from cash on hand, net cash generated from operating activities and interest-bearing bank and other borrowings. The Board expects that the Group will rely on net cash generated from operating activities, interest-bearing bank and other borrowings and equity financing, if considered as appropriate by the management of the Company, to meet its working capital and other capital expenditure requirements. There were no change in the funding and financial policies of the Group for the six months ended 30 June 2023.

As at 30 June 2023, the Group has cash and cash equivalents and pledged deposits balance of HK\$1,678.0 million (31 December 2022: HK\$1,518.4 million).

HK\$261.2 million (31 December 2022: HK\$323.2 million) of the Group's cash and bank balances of HK\$1,678.0 million (31 December 2022: HK\$1,518.4 million) has been pledged to banks as security for trade financing.

As at 30 June 2023, 72.9% (31 December 2022: 76.6%) of the Group's cash and bank balances was denominated in Renminbi, 20.1% (31 December 2022: 19.2%) was denominated in United States dollars and 7.0% (31 December 2022: 4.2%) was denominated in other currencies (mainly Hong Kong dollars).

As at 30 June 2023, the Group had total assets of HK\$13,708.1 million (31 December 2022: HK\$14,228.9 million), net current assets of HK\$3,101.4 million (31 December 2022: HK\$2,548.6 million) and equity of HK\$8,031.7 million (31 December 2022: HK\$7,630.8 million).

CAPITAL EXPENDITURE

The total capital expenditure incurred for the Period was HK\$351.1 million (31 December 2022: HK\$594.1 million), which was mainly for the additions of intangible assets as well as property, plant and equipment for expansion of its handset casings and high precision components segment and its household and sports goods segment.

TREASURY POLICY

The Group's sales were principally denominated in RMB and US dollars while purchases were principally transacted in RMB. The Group will continue to monitor its overall foreign exchange exposure and interest rate exposure, and consider hedging against the exposure should the need arises.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to HK\$261.2 million (31 December 2022: HK\$323.2 million) that were pledged to banks and a leasehold building in Hong Kong together with the related right-of-use asset, with a total carrying amount of HK\$48.2 million (31 December 2022: HK\$50.2 million) mortgaged by the Group as at 30 June 2023, the Group had not pledged its assets to any financial institutions.

HUMAN RESOURCES

As at 30 June 2023, the Group employed a total of approximately 15,000 (30 June 2022: 18,000 (re-presented) permanent employees in Hong Kong and the PRC. The total salaries and wages for the six months ended 30 June 2023 amounted to HK\$644.4 million (30 June 2022: HK\$973.0 million (re-presented)).

The Group offers remuneration packages for employees mainly based on their performance and experiences, and with reference to prevailing industry practices. In addition to enrolling our new employees into the mandatory provident fund scheme in Hong Kong and state-managed pension scheme in Mainland China and making contributions for them on a periodic basis, the Group also provides medical coverage, internal and external training programs and grants share options/ share awards and discretionary bonuses to employees based on employees' individual performance and the Group's overall performance. The Group reviews the remuneration policies and packages on a regular basis.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

On 30 December 2022, the Company as a vendor and an independent third party as a purchaser (the "Purchaser") entered into a memorandum of understanding to dispose of the smart electrical appliances casing business (the "EA business") under 福建省石獅市通達電器有限公司 (the "EA Disposal"). On 29 March 2023, Tong Da Development (BVI) Limited, a wholly-owned subsidiary of the Company, and the Purchaser entered into sale and purchase agreement on the EA Disposal to dispose of Stedfast Investments Holdings Limited, an indirect wholly-owned subsidiary of the Company and which, together with its subsidiaries, will be the sole entities in the Group carrying the EA business immediate before the completion of the EA Disposal. The EA Disposal is expected to be completed in 2023. As at 30 June 2023, the EA Disposal has not been completed. Details of the EA Disposal are set out in the announcement of the Company dated 29 March 2023.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

GEARING RATIO AND INDEBTEDNESS

As at 30 June 2023, the gearing ratio of the Group (consolidated net borrowings/ total equity) was 13.5% (31 December 2022: 19.1%).

As at 30 June 2023, other than the non-current portion of bank borrowings of HK\$998.8 million (31 December 2022: HK\$1,050.7 million), the Group had bank and other borrowings of HK\$1,765.1 million (31 December 2022: HK\$1,927.8 million) which will be repayable within one year from the end of the Period. The bank and other borrowings were denominated in Renminbi and Hong Kong dollars.

Bank borrowings carry interest rate ranging from 3.89% per annum (“p.a.”) to 6.90% p.a. (31 December 2022: from 1.16% p.a. to 6.90% p.a.).

BUSINESS REVIEW

As the globally leading solution provider of high-precision structural parts for smart mobile communication and consumer products, the Group provides one-stop solution to customers, starting from product design, technical research and development (“R&D”) to manufacturing. Our products mainly cover handset casings and high-precision components, metaverse-related hardware accessories, household and sports goods, network communications facilities, aluminum components of battery for new energy vehicles and panels for smart electrical appliances.

During the Period, the economy recovery in China after the COVID-19 epidemic was relatively slow, together with global economic activities slowing down as a result of inflation and rising interest rates, putting pressure on consumer confidence and business operations. As a supplier of high-precision parts and components for consumer products, the Group was affected by the difficult external operating environment and the weak consumer market. Revenue from the continuing operations of the Group for the Period amounted to HK\$2,831.8 million, representing a decrease of 29.9% as compared to HK\$4,039.1 million for the same period last year. In terms of the gross profit margin from continuing operations, the changes in the proportion of sales contribution from major customers of the Group and continuous improvement in management and operational efficiencies drove the Group’s gross profit margin from continuing operations to 20.3% for the Period, up 2.4 percentage points from 17.9% for the same period last year.

CONTINUING OPERATION

Handset Casings and High-precision Components

This business is primarily engaged in the production of different kinds of handset casings and tri-proof (waterproof/dustproof/shockproof) high-precision components, high-precision insert molding parts, high-precision rubber molding parts. This business decreased by 26.5% from HK\$2,859.2 million in the same period last year to HK\$2,100.5 million during the Period, accounting for 74.2% of the Group's total turnover from continuing operations. Handset shipments in China and globally deteriorated further in the first half of 2023 due to weak consumer spending and low consumer desire to replace their handsets. According to the data released by the China Academy of Information and Communications Technology, the total handset shipment in the domestic market during the Period recorded a drop of 4.8% as compared to the same period last year, of which the shipment of domestic branded handsets even recorded a drop of 8.8% as compared to the same period last year. The Group's handset casings shipment volume also suffered a year-on-year decline as a result of the weakening consumption momentum in the smartphone market and intensifying competition in the industry.

In respect of tri-proof and high-precision components, the Group's major customer implemented certain temporary stocking policies to ensure stable supply of its products during the change of COVID-19 epidemic measures in China at the end of last year, which resulted an early stocking by that customer last year, coupled with the slight decline in shipment volume of its handset products due to the prevailing weak consumer environment, the Group's sales to the customer slowed down during the Period. Besides, the Group has been working with global major Internet technology companies during the Period to provide parts and components for virtual reality glasses ("VR"), augmented reality ("AR") glasses and other related products. The Group has been actively exploring various complementary solutions with its customers to explore new markets and opportunities in various fields and at the same time, to bring new experiences to the end-consumers.

Household and Sports Goods

This business mainly supplies household durables, household utensils and sports goods to giant brand name customers in Europe and the United States (the “US”). Its turnover decreased by 34.5% to HK\$441.7 million for the Period compared to HK\$674.0 million for the same period last year, accounting for 15.6% of the Group’s total turnover from continuing operations. The Group completed the spin-off and listing of its household and sports goods business on the Main Board of the Shenzhen Stock Exchange on 13 March 2023 and continues to hold a 67.5% equity interest in the business, which remains as a subsidiary of the Group. The decrease in sales was mainly affected by the weak global economy and the destocking from major European and American customers.

Network Communications Facilities and Others

Turnover of this business decreased by 42.8% to HK\$289.5 million during the Period as compared to HK\$505.9 million for the same period last year, accounting for 10.2% of the Group’s total turnover from continuing operations. The Group mainly produces high-precision components for wireless routers and other networking products for renowned brands in Europe, the US and the PRC. The decrease in turnover was mainly due to the disposed of 70% of the Group’s automotive business last year. The Group currently holds the remaining 30% equity interest in the business and remains as an associate of the Group. Its turnover was no longer consolidated as part of the Group’s total revenue during the Period.

DISCONTINUING OPERATION

Smart Electrical Appliance Casings

Sales of the smart electrical appliance casings business decreased by 36.9% from HK\$228.2 million for the corresponding period last year to HK\$143.9 million during the Period. The business mainly provides electrical control panels, metal parts and casings for domestic brands. On 29 March 2023, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the entire smart electrical appliance casings business at a consideration of HK\$680.0 million. The proceeds from the disposal are expected to be used to reduce the Group's gearing level, identifying potential investments that can create synergies with the existing business of the Group and for general operating purposes. After the disposal, the Group will no longer be engaged in the smart electrical appliance casings related business.

The percentages of total revenue from continuing operation by product categories for the six months ended 30 June 2023 and a comparison with same period last year are as follows:

	2023	2022 (Re-presented)
i. Handset casings and high-precision components	74.2%	70.8%
ii. Household and sports goods	15.6%	16.7%
iii. Network communications facilities and others	10.2%	12.5%

PROSPECTS

In face of the slow economic recovery in China and the uncertainties in the global economy and business environment, demand for consumer products, which is closely related to the world economy performance, was weakened and competition in the industry was intensified. The decline in smartphone shipments slightly relaxed in the second quarter of 2023 and a recovery in shipment volume from our handset customers is expected. Nevertheless, the outlook for global handset shipments in the second half of the year remains challenging. The Group will closely monitor the changes in the market and timely adjusts our sales strategies to cope with the challenging external environment. Covering all major handset brands in the world, the Group will strive to enhance product competitiveness and production efficiency, reduce manufacturing and procurement costs, in a bid to enhance its existing market share.

With tri-proof and high precision components being the core business that is with high margin, the Group will continue to deepen its cooperation with overseas customers. It is expected that by increasing the Group's participation to the components of the flagship products that are to be launched by the major overseas customers in the second half of the year and the component upgrades on those upcoming flagship products, it will be beneficial for the Group to maintain and enhance the unit prices of the related products provided to the overseas customer, thereby assisting in the Group's overall sales and gross profit. In the future, the Group will actively solicit more orders for different parts from major overseas customers while maintaining stable delivery by different strategies to support their development in emerging areas. The Group will also develop diversified businesses in a concerted and diversified manner. For example, as the VR/AR industry has initially constructed an ecosystem based on technological innovation, the Group will more proactively cooperate with various hi-tech companies to provide parts and components for VR/AR glasses and other related products.

In addition, the Group is actively exploring the application of its existing production facilities and technologies for high precision electronic components in the development of high margin non-electronic consumer goods customers and has obtained initial positive results. We will continue and deepen our explorations through different channels and forms, with the goal of increasing the Group's capacity utilisation and high margin customers.

In respect of household and sports goods business, the Group has been cooperating with a number of giant household and sports goods brands in Europe and the US for a long period of time. During the Period, the Group successfully completed the spin-off and listing of the relevant business on the Main Board of the Shenzhen Stock Exchange which further enhanced the Group's operational strength in the relevant business. Meanwhile, as a move to expand this business, the Group has built new factories and are now in operation. All of the above factors have strengthened the cooperation intention between the existing giant brand customers and us, and at the same time increased the attractiveness of cooperation to new customers. Apart from the existing giant European and US brand customers, the Group has commenced new business relationship with a number of giant consumer brand customers, including the world's top 50 Spanish retailer, a high-end consumer brand customer in the US and a Chinese coffee shop chain. During the Period, the Group also became a qualified supplier to a supermarket chain in the US. The above achievements will provide momentum for a rapid sales growth in the future.

For the network communication business, the Group expects that the seventh generation of wireless network ("Wi-Fi 7") router applications will be popularised, driving the demand for network communication products. In addition, the Olympic to be held in Paris in the coming year will also help its related customers in network communication to promote their new model products. Meanwhile, we will start providing cooling modules for artificial intelligence (A.I.) server. We believe that of the above will be favorable to the development of the related business in the coming year and will bring satisfactory sales growth to the Group.

The Group will carefully assess the development potential, opportunities and risks of each of its core businesses, flexibly deploy resources and adjust its operating structure through business restructuring. In addition, we will strengthen and enhance various R&D activities based on our existing leading technology and excellent R&D team, with the objectives of fully utilising our existing production capacity, equipment and technology, increasing gross profit margins and strengthening cash flow. We will focus on our existing businesses that are with established scale and development potential. We will also explore a variety of new industries, products, materials and fields, such as new energy, environmental production, industry 5.0, etc. and will continue to review and improve our corporate management in order to achieve more stable operating results and create more opportunities for our shareholders and stakeholders.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Notes	HK\$'000	HK\$'000
			(Re-presented)
CONTINUING OPERATIONS			
REVENUE	4	2,831,767	4,039,140
Cost of sales		(2,257,835)	(3,315,921)
<hr/>			
Gross profit		573,932	723,219
Other income and gains, net		77,506	62,014
Selling and distribution expenses		(18,987)	(28,432)
General and administrative expenses		(483,802)	(515,650)
Other operating income/(expenses), net		4,202	(33,069)
Finance costs		(79,660)	(55,151)
Share of profit of associates		1,661	–
Share of loss of a jointly-controlled entity		–	(16,772)
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PROFIT BEFORE TAX FROM			
CONTINUING OPERATIONS	5	74,852	136,159
Income tax expense	6	(14,223)	(40,610)
<hr/>			
PROFIT FOR THE PERIOD FROM			
CONTINUING OPERATIONS		60,629	95,549
<hr/>			

		Unaudited	
		Six months ended 30 June	
	Notes	2023	2022
		HK\$'000	HK\$'000
			(Re-presented)
DISCONTINUING OPERATION			
Loss for the period from a discontinued operation	7	(28,251)	(52,645)
Profit for the period		32,378	42,904
Attributable to:			
Owners of the Company		19,377	33,219
Non-controlling interests		13,001	9,685
		32,378	42,904
EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9		
– For profit for the period		HK0.20 cents	HK0.34 cents
– For profit for the period from continuing operations		HK0.49 cents	HK0.88 cents
Diluted			
– For profit for the period		HK0.20 cents	HK0.34 cents
– For profit for the period from continuing operations		HK0.49 cents	HK0.88 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	32,378	42,904
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Gain/(loss) on property revaluation	(1,453)	367
Deferred tax credited/(debited) to the asset revaluation reserve	343	(60)
	(1,110)	307
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations		
– subsidiaries	(339,132)	(369,253)
– jointly-controlled entity	–	(1,435)
	(339,132)	(370,688)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(340,242)	(370,381)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(307,864)	(327,477)
ATTRIBUTABLE TO:		
Owners of the Company	(291,792)	(328,979)
Non-controlling interests	(16,072)	1,502
	(307,864)	(327,477)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,145,123	5,597,605
Right-of-use assets		374,217	381,760
Intangible assets	10	183,667	–
Investment property		75,541	81,166
Investment in a jointly-controlled entity		–	–
Investments in associates		121,050	119,389
Long term deposits		112,977	49,099
Lease receivables		616	3,202
Deferred tax assets		4,582	3,703
Total non-current assets		6,017,773	6,235,924
CURRENT ASSETS			
Inventories	11	2,083,151	2,351,255
Trade and bills receivables	12	1,756,968	2,159,485
Prepayments, deposits and other receivables		606,468	653,217
Due from a jointly-controlled entity		97,919	105,989
Loans to a jointly-controlled entity		203,534	198,288
Due from an associate		–	6,269
Lease receivables		6,256	5,228
Tax recoverable		10,146	3,160
Financial assets at fair value through profit or loss	13	239,528	–
Pledged deposits		261,237	323,216
Cash and cash equivalents		1,416,804	1,195,166
		6,682,011	7,001,273
Assets classified as held for sale		1,008,268	991,688
Total current assets		7,690,279	7,992,961

	Notes	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	14	1,909,893	2,530,860
Accrued liabilities and other payables		475,521	562,925
Interest-bearing bank and other borrowings	15	1,765,133	1,927,782
Lease liabilities		8,780	7,113
Due to a jointly-controlled entity		–	6,348
Due to an associate		8,939	–
Tax payable		92,360	97,649
		4,260,626	5,132,677
Liabilities classified as held for sale		328,268	311,688
Total current liabilities		4,588,894	5,444,365
NET CURRENT ASSETS		3,101,385	2,548,596
TOTAL ASSETS LESS CURRENT LIABILITIES		9,119,158	8,784,520
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	998,793	1,050,695
Other payables		–	33,632
Lease liabilities		27,986	8,531
Deferred tax liabilities		60,639	60,826
Total non-current liabilities		1,087,418	1,153,684
Net assets		8,031,740	7,630,836

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	16	97,356	97,193
Reserves		7,636,646	7,465,618
		7,734,002	7,562,811
NON-CONTROLLING INTERESTS		297,738	68,025
Total equity		8,031,740	7,630,836

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited six months ended 30 June 2023

Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Share award reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2023	97,193	1,777,033	3,636	(200,960)	41,761	621,220	884	(436,599)	5,658,643	7,562,811	68,025	7,630,836
Profit for the period	-	-	-	-	-	-	-	-	19,377	19,377	13,001	32,378
Other comprehensive income/(expense) for the period:												
Loss on property revaluation, net of tax	-	-	-	-	(1,110)	-	-	-	-	(1,110)	-	(1,110)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(310,059)	-	(310,059)	(29,073)	(339,132)
Total comprehensive income/(expense) for the period	-	-	-	-	(1,110)	-	-	(310,059)	19,377	(291,792)	(16,072)	(307,864)
Issue new shares under Share Award	163	3,826	(1,965)	-	-	-	-	-	-	2,024	-	2,024
Share award expenses	-	-	655	-	-	-	-	-	-	655	-	655
Dividends paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	(7,879)	(7,879)
Net contribution from non-controlling shareholders of a subsidiary	-	-	-	460,304	-	-	-	-	-	460,304	253,664	713,968
At 30 June 2023	97,356	1,780,859*	2,326*	259,344*	40,651*	621,220*	884*	(746,658)*	5,678,020*	7,734,002	297,738	8,031,740

Unaudited six months ended 30 June 2022
Attributable to owners of the Company

	Share capital HK\$'000	Share premium account HK\$'000	Share award reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	97,193	1,777,033	-	(200,960)	74,025	621,220	884	302,637	5,488,150	8,160,182	61,310	8,221,492
Profit for the period	-	-	-	-	-	-	-	-	33,219	33,219	9,685	42,904
Other comprehensive income/(expense) for the period:												
Gain on property revaluation, net of tax	-	-	-	-	307	-	-	-	-	307	-	307
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(362,505)	-	(362,505)	(8,183)	(370,688)
Total comprehensive income/(expense) for the period	-	-	-	-	307	-	-	(362,505)	33,219	(328,979)	1,502	(327,477)
Share award expense	-	-	1,992	-	-	-	-	-	-	1,992	-	1,992
At 30 June 2022	97,193	1,777,033*	1,992*	(200,960)*	74,332*	621,220*	884*	(59,868)*	5,521,369*	7,833,195	62,812	7,896,007

* These reserve accounts comprise the consolidated reserves of HK\$7,636,646,000 (30 June 2022: HK\$7,736,002,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	319,191	90,399
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	10,169	10,099
Purchases of items of property, plant and equipment	(161,520)	(256,222)
Purchase of items of intangible assets	(190,000)	–
Payments of right-of-use assets	–	(30,209)
Proceeds from disposal of items of property, plant and equipment	5,406	1,974
Increase in financial assets at fair value through profit or loss	(238,026)	–
Increase in long term deposits	(78,890)	(41,720)
Decrease in pledged deposits	66,035	62,442
Proceeds from disposal of subsidiaries	60,000	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(526,826)	(253,636)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	1,375,504	1,984,481
Repayment of bank loans	(1,511,762)	(1,933,534)
Net contribution from non-controlling shareholders of a subsidiary	713,968	–
Dividends paid to non-controlling shareholders of a subsidiary	(7,879)	–
Principal elements of lease payments	(3,242)	(5,875)
NET CASH FLOWS FROM FINANCING ACTIVITIES	566,589	45,072

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	358,954	(118,165)
Cash and cash equivalents at beginning of period	1,203,137	1,366,290
Effect of foreign exchange rate changes, net	(137,593)	(117,240)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,424,498	1,130,885
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	1,416,804	1,130,491
Cash and bank balances attributable to subsidiaries held for sale	7,694	394
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,424,498	1,130,885

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 address of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are manufacture and sale of components of handset casings and high-precision components, smart electrical appliances casings, household and sports goods and network communications facilities and others. 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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standards ("HKASs") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, 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 HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
HKFRS 17	<i>Insurance contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in these consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The segment information reported below does not include any amounts for the discontinued operation. Please refer to note 7 for details.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Unaudited Six months ended 30 June							
	Handset casings and high-precision components		Household and sports goods		Network communications facilities and others		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue:								
Sales to external customers	2,100,541	2,859,234	441,728	673,989	289,498	505,917	2,831,767	4,039,140
Segment results before depreciation	346,439	455,499	86,579	123,227	54,469	7,724	487,487	586,450
Depreciation of property, plant and equipment	(340,583)	(348,911)	(22,450)	(19,022)	(38,741)	(39,049)	(401,774)	(406,982)
Depreciation of right-of-use assets	(3,310)	(2,545)	(1,444)	(591)	(1,509)	(2,884)	(6,263)	(6,020)
Amortisation of intangible assets	-	-	-	-	(6,333)	-	(6,333)	-
Segment results	2,546	104,043	62,685	103,614	7,886	(34,209)	73,117	173,448
Unallocated income							77,506	62,014
Corporate and other unallocated income/(expenses)							1,911	(27,666)
Finance costs (other than interest expenses on lease liabilities)							(79,343)	(54,865)
Share of profit of associates							1,661	-
Share of loss of a jointly- controlled entity							-	(16,772)
Profit before tax from continuing operations							74,852	136,159
Income tax expense							(14,223)	(40,610)
Profit for the period from continuing operations							60,629	95,549

	Unaudited 30 June 2023			
	Handset casings and high-precision components HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	Consolidated HK\$'000
Segment assets	<u>7,872,677</u>	<u>1,144,582</u>	<u>1,567,253</u>	10,584,512
Assets classified as held for sale				1,008,268
Unallocated assets				<u>2,115,272</u>
Total assets				<u>13,708,052</u>
Segment liabilities	<u>1,732,323</u>	<u>245,843</u>	<u>444,014</u>	2,422,180
Liabilities classified as held for sale				328,268
Unallocated liabilities				<u>2,925,864</u>
Total liabilities				<u>5,676,312</u>

	31 December 2022			Consolidated HK\$'000
	Handset casings and high-precision components HK\$'000	Household and sports goods HK\$'000	Network communications facilities and others HK\$'000	
Segment assets	8,816,989	874,035	1,590,993	11,282,017
Assets classified as held for sale				991,688
Unallocated assets				1,955,180
Total assets				14,228,885
Segment liabilities	2,321,755	246,596	574,710	3,143,061
Liabilities classified as held for sale				311,688
Unallocated liabilities				3,143,300
Total liabilities				6,598,049

Geographical information

	Unaudited Six months ended 30 June									
	PRC*		Asia Pacific (excluding PRC)		United States		Others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from customers										
Segment revenue:										
Sales to external customers [#]	2,180,027	3,262,119	215,848	192,390	22,455	135,635	413,437	448,996	2,831,767	4,039,140

The revenue information above is based on the locations of the customers.

* The People's Republic of China (the "PRC") including Hong Kong and Macau.

Sales to external customers include revenue from contracts with customers.

Information about major customers

Revenue from the following customers contributed over 10% of the total sales to the Group from continuing operations:

	Unaudited Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Customer A	494,877	789,256
Customer B	437,418	542,937
	932,295	1,332,193

Revenues from Customer A and B were mainly derived from sales by the handset casings and high-precision components segment, including sales to a group of entities which are known to be under common control of the respective customers.

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	401,774	406,982
Depreciation of right-of-use assets	6,263	6,020
Amortisation of intangible assets	6,333	–
Research and development costs	241,567	233,429
Salaries and wages	644,444	972,997
Impairment of trade receivables	2,495	5,930
Write-back of impairment of trade receivables	(3,062)	(370)
Provision against obsolete inventories	2,710	10,081
Foreign exchange differences, net	(2,152)	33,677
(Gain)/loss on disposal of items of property, plant and equipment	(3,920)	1,014
Fair value loss on an investment property	2,948	967
Interest income	(8,180)	(7,832)

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period, except for Tongda Precision Technology Company Limited (“Tongda Precision Technology”), a wholly-owned subsidiary of the Company, which is a qualifying entity under the two-tier profits tax rates regime. The first HK\$2,000,000 of assessable profits of Tongda Precision Technology is taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the corporate income tax rate for all enterprises in Mainland China is 25%.

During the six months ended 30 June 2023 and 2022, certain subsidiaries of the Group were subject to a preferential tax rate of 15% under High New Technology Enterprises.

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current – Hong Kong	3,733	6,834
Current – Elsewhere	10,839	35,567
Deferred	(349)	(1,791)
Total tax charge for the period from continuing operations	14,223	40,610

7. DISCONTINUED OPERATION

On 30 December 2022, the Company as a vendor and an independent third party as a purchaser (the “Purchaser”) entered into a memorandum of understanding to dispose of the smart electrical appliances casing business (the “EA business”) under 福建省石獅市通達電器有限公司 (the “EA Disposal”). On 29 March 2023, Tong Da Development (BVI) Limited, a wholly-owned subsidiary of the Company, and the Purchaser entered into sale and purchase agreement on the EA Disposal to dispose of Stedfast Investments Holdings Limited, an indirect wholly-owned subsidiary of the Company and which, together with its subsidiaries, will be the sole entities in the Group carrying the EA business immediate before the completion of the EA Disposal. The EA Disposal is expected to be completed in 2023. As at 31 December 2022 and 30 June 2023, the assets and liabilities to be disposed of were classified as assets and liabilities held for sale. The EA business is accounted for as a discontinued operation and is no longer included in the operating segment information in note 4 to the financial statements. Details of the EA Disposal are set out in the announcement of the Company dated 29 March 2023.

The results of the discontinued operation for the Period are presented below:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Revenue	143,860	228,190
Cost of sales	(129,552)	(212,590)
Gross profit	14,308	15,600
Other income and gains, net	2,249	6,006
Selling and distribution expenses	(11,159)	(7,234)
General and administrative expenses	(19,741)	(24,790)
Other operating expenses, net	(6,914)	(22,485)
Finance costs	(6,994)	(19,742)
Loss before tax from discontinued operation	(28,251)	(52,645)
Income tax expense	-	-
Loss for the period from discontinued operation	(28,251)	(52,645)

8. DIVIDENDS

At the board meeting held on 28 August 2023, the Board did not recommend the payment of any interim dividend for the Period (six months ended 30 June 2022: nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted profit per share		
From continuing operations	47,628	85,864
From a discontinuing operation	(28,251)	(52,645)
	19,377	33,219
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted profit per share	9,724,045	9,719,258

No adjustment has been made to the basic profit per share amount presented for the period ended 30 June 2023 and 2022 in respect of a dilution as the impact of the award shares has anti-dilutive effect.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

- (a) During the Period, the Group acquired property, plant and equipment of HK\$161,090,000 (30 June 2022: approximately HK\$325,813,000) and incurred depreciation expenses of HK\$401,774,000 (30 June 2022: HK\$462,408,000). In addition, the Group disposed of certain items of property, plant and equipment with a carrying amount of HK\$1,451,000 (30 June 2022: approximately HK\$2,988,000) for proceeds of HK\$5,406,000 (30 June 2022: approximately HK\$1,974,000). During the Period, the exchange realignment of HK\$227,766,000 (30 June 2022: approximately HK\$284,657,000) was credited to property, plant and equipment.

At 30 June 2023, the Group's leasehold building and the related right-of-use asset in Hong Kong were revalued at the end of the reporting period based on valuations performed by Asset Appraisal Ltd., an independent firm of professionally qualified valuers, at HK\$48,200,000 (31 December 2022: HK\$50,200,000). In the opinion of the directors, the current use of the leasehold building in Hong Kong and the related right-of-use asset is its highest and best use.

A revaluation deficit of HK\$1,453,000 (30 June 2022: revaluation surplus of HK\$367,000), resulting from the above valuation, has been debited (30 June 2022: credited) to other comprehensive income. The resulting decrease in deferred tax liability of HK\$343,000 (30 June 2022: increase of HK\$60,000) arising from the revaluation has also been credited (30 June 2022: debited) to other comprehensive income.

The Group's leasehold building and the related right-of-use asset in Hong Kong with a net carrying amount of HK\$48,200,000 (31 December 2022: HK\$50,200,000) were pledged to secure bank loans granted to the Group.

- (b) During the Period, the Group acquired intangible assets of approximately HK\$190,000,000 (30 June 2022: nil) and incurred HK\$6,333,000 amortisation expenses (30 June 2022: nil).

11. INVENTORIES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Raw materials	345,869	405,428
Work in progress	509,396	507,533
Finished goods	1,227,886	1,438,294
	2,083,151	2,351,255

As at 30 June 2023, moulds of HK\$493,635,000 (31 December 2022: HK\$583,944,000) are included in the finished goods.

12. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade receivables	1,678,049	2,109,103
Impairment allowances	(37,905)	(39,027)
	1,640,144	2,070,076
Bills receivables	116,824	89,409
	1,756,968	2,159,485

It is the general policy of the Group to allow a credit period of one to three months. In addition, for certain customers with long-established relationships and good repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. Trade receivables are non-interest bearing. At the end of the reporting period, 19.7% (31 December 2022: 21.7%) and 44.0% (31 December 2022: 43.7%) 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 30 June 2023, based on the invoice date and issuance date, is as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 3 months	1,542,419	1,992,724
4 to 6 months, inclusive	210,615	164,239
7 to 9 months, inclusive	9,212	3,145
10 to 12 months, inclusive	1,310	5,934
More than 1 year	31,317	32,470
	1,794,873	2,198,512
Impairment allowances	(37,905)	(39,027)
	1,756,968	2,159,485

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss (“FVPL”) represented the structured deposits at banks. Changes in fair values of financial assets at FVPL are recorded in “other income and gains – net” in the income statement. A summary of movements in FVPL is as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	–	–
Addition	238,026	–
Fair value gains	1,502	–
	<hr/>	
At 30 June	239,528	–

14. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Trade payables	1,107,143	1,224,700
Bills payable	802,750	1,306,160
	1,909,893	2,530,860

The trade payables are non-interest bearing and are normally settled on 60 to 90 days' terms. An ageing analysis of the Group's trade and bills payables as at 30 June 2023, based on the invoice date and issuance date, is as follows:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Within 3 months	1,246,845	1,720,621
4 to 6 months, inclusive	610,763	749,442
7 to 9 months, inclusive	11,109	24,187
10 to 12 months, inclusive	11,544	5,840
More than 1 year	29,632	30,770
	1,909,893	2,530,860

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2023, the Group repaid bank and other borrowings of HK\$1,511,762,000 (30 June 2022: HK\$1,933,534,000) and raised new bank and other borrowings of HK\$1,375,504,000 (30 June 2022: HK\$1,984,481,000).

16. SHARE CAPITAL

	Unaudited	Audited
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Authorised:		
20,000,000,000 (31 December 2022:		
20,000,000,000) ordinary shares	200,000	200,000
Issued and fully paid:		
9,735,607,645 (31 December 2022:		
9,719,257,645) ordinary shares	97,356	97,193

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

	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
Issued:				
As at 1 January 2022, 31 December 2022 and 1 January 2023	9,719,257,645	97,193	1,777,033	1,874,226
Awarded shares	16,350,000	163	3,826	3,989
As at 30 June 2023	9,735,607,645	97,356	1,780,859	1,878,215

17. SHARE AWARD SCHEME

The Company adopted a share award scheme on 17 January 2022 (the "Share Award Scheme") under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

- (a) the par value of the share of the Company;
- (b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and
- (c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The relevant number of shares is legally issued or transferred to the Trustee who holds the shares for the benefit of the selected employees until the end of each vesting period. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

The expenses in relation to the share awards are charged to income statement over the relevant vesting periods with a corresponding increase in share award reserve.

On 17 January 2022, the Company granted a total of 64,500,000 shares to 14 selected employees pursuant to the Share Award Scheme with consideration of HK\$7,946,000.

16,350,000 (six months ended 30 June 2022: Nil) shares of the Company had been issued to the Trustee during the six months ended 30 June 2023 for the Share Award Scheme. Nil shares of the Company had been purchased to the Trustee during the six months ended 30 June 2023 and 2022 for the Share Award Scheme.

The details of the grants are as follows:

Number of shares	Vesting condition	Date of grant	Vesting period	Fair value per share HK\$	Fair Value of shares HK\$'000
19,350,000	1st year from the date of acceptance and subject to certain vesting conditions	17 January 2022	17 January 2022 to 17 January 2023	0.243	4,705
19,350,000	2nd year from the date of acceptance and subject to certain vesting conditions	17 January 2022	17 January 2023 to 17 January 2024	0.240	4,653
25,800,000	3rd year from the date of acceptance and subject to certain vesting conditions	17 January 2022	17 January 2024 to 17 January 2025	0.237	6,107

Movements in the number of awarded shares were as follows:

	Number of awarded shares
1 January 2022	–
Award shares granted	64,500,000
Award shares terminated	(9,000,000)
<hr/>	
31 December 2022	55,500,000
Awarded shares terminated	(1,000,000)
Awarded shares vested	(16,350,000)
<hr/>	
30 June 2023	38,150,000
<hr/>	

For the six months ended 30 June 2023, net share awards expense of HK\$655,000 (six months ended 30 June 2022: HK\$1,992,000) was charged to the condensed consolidated income statement.

18. COMMITMENTS

The Group had the following capital commitments contracted but not provided for, at the end of the reporting period:

	Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
Contracted for commitments in respect of		
– Purchases of property, plant and equipment	74,459	134,214
– Construction of leasehold buildings in Mainland China	14,037	41,835
<hr/>		
	88,496	176,049
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19. RELATED PARTIES TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

		Unaudited	
		Six months ended 30 June	
		2023	2022
	Notes	HK\$'000	HK\$'000
Related companies controlled by directors of the Company:			
Rental income	(i)	84	84
A jointly-controlled entity:			
Management fee and utility charges	(ii)	2,420	4,452
Subcontracting fee	(iii)	9,443	109,137
Interest income	(iv)	1,393	1,397
Expenses relating to short-term leases	(v)	1,195	2,237

Notes:

- (i) The rental income from a related company controlled by directors of the Company was charged at a monthly rate of HK\$14,000 for the period ended 30 June 2023 (30 June 2022: HK\$14,000) by reference to a lease agreement entered into by the related company and the Group on 8 February 2018.
- (ii) The management fee and utility charges from a jointly-controlled entity represented the management fee charged for factory premises at a monthly rate of RMB9.6 per square metre for the period ended 30 June 2023 (30 June 2022: RMB9.6 per square metre) and the related utility charges.
- (iii) The subcontracting fee to a jointly-controlled entity was made on a basis mutually agreed by both parties.
- (iv) The interest income was charged at 2% per annum on the loan balances to the jointly-controlled entity.
- (v) The rental fee paid to the jointly-controlled entity represented the expenses related to short-term leases for machineries at a monthly rate of RMB5,000 (HK\$6,000 equivalent) (30 June 2022: RMB5,000 (HK\$6,000 equivalent)) per machinery for the period ended 30 June 2023.

20. 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 cash equivalents, pledged deposits, trade and bills receivables, due from a jointly-controlled entity, loans to a jointly-controlled entity, financial assets included in prepayments, deposits and other receivables, financial liabilities included in accrued liabilities and other payables, trade and bills payables, due to a jointly-controlled entity and due to an associate and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

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

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

During the six months ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

21. 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 does not qualify for derecognition, together with the associated liabilities:

	Unaudited 30 June 2023	
	Bills receivable Notes (a) and (b) HK\$'000	Total HK\$'000
Carrying amount of assets that continued to be recognised	8,953	8,953
Carrying amount of associated liabilities	8,953	8,953
	Audited 31 December 2022	
	Bills receivable Notes (a) and (b) HK\$'000	Total HK\$'000
Carrying amount of assets that continued to be recognised	17,205	17,205
Carrying amount of associated liabilities	17,205	17,205

Notes:

(a) Discounting of bills receivable

At 30 June 2023, the Group discounted certain bills receivable (the “Discounted Bills”) with a carrying amount of HK\$Nil (31 December 2022: HK\$2,949,000) to certain banks in the PRC for cash. 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 and other 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 and other loans recognised due to the Discounted Bills was HK\$Nil as at 30 June 2023 (31 December 2022: HK\$2,949,000).

(b) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 30 June 2023, the Group endorsed certain bills receivable issued by certain local banks and certain local financial institutions in the PRC (the “Endorsed Bills”) with a carrying amount of HK\$8,953,000 (31 December 2022: HK\$14,256,000) to certain of its suppliers in order to settle the trade payables due to such suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse was HK\$8,953,000 (31 December 2022: HK\$14,256,000) as at 30 June 2023.

(ii) Transferred financial assets that are derecognised in their entirety

(a) Discounting of bills receivable

At 30 June 2023, the Group discounted certain bills receivable (the “Derecognised Discounted Bills”) with a carrying amount of HK\$99,025,000 (31 December 2022: HK\$285,635,000) to a financial institution in the PRC. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Discounted Bills have a right of recourse against the Group if the bills default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills are equal to their carrying amounts of HK\$99,025,000 (31 December 2022: HK\$285,635,000). In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Discounted Bills are not significant. All Derecognised Discounted Bills have maturities from six to nine months.

During the Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Discounted Bills. No gains or losses were recognised from the Continuing Involvement, both during the Period or cumulatively. The discounting of bills has been made evenly throughout the Period.

(b) Bills endorsement under the Law of Negotiable Instruments of the PRC

At 30 June 2023, the Group endorsed certain bills receivable issued by certain reputable banks in the PRC (the “Derecognised Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK\$225,365,000 (31 December 2022: HK\$239,575,000). The Derecognised Endorsed Bills have maturities from three to nine months at the end of the Period. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Endorsed Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Endorsed Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Endorsed Bills and the undiscounted cash flows to repurchase these Derecognised Endorsed Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Endorsed Bills are not significant.

During the Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the Period or cumulatively. The Endorsement has been made evenly throughout the Period.

22. EVENTS AFTER THE PERIOD

There were no significant events affecting the Company or any of its subsidiaries after the end of the Period requiring disclosure in this report.

23. COMPARATIVE FIGURES

As further explained in note 7, certain comparative amounts in the condensed financial statements have been re-presented to conform with the current period’s presentation.

24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 28 August 2023.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (2022: nil).

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2023, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital (Note 3)
	Directly beneficially owned	Through controlled corporation	Notes		
Mr. Wang Ya Nan	691,395,000 (L)	2,819,250,000 (L)	1, 2	3,510,645,000 (L)	36.06
Mr. Hui Wai Man	100,000,000 (L)	–		100,000,000 (L)	1.03
Dr. Yu Sun Say	32,415,000 (L)	–		32,145,000 (L)	0.33
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–		5,950,000 (L)	0.06
Mr. Ting Leung Huel Stephen	9,675,000 (L)	–		9,675,000 (L)	0.10
Mr. Sze Irons	14,750,000 (L)	–		14,750,000 (L)	0.15

L: Long position

S: Short position

Notes:

1. 2,375,250,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung (collectively referred to as the “Wong Brothers”).
2. 444,000,000 shares are held by E-Growth Resources Limited (“E-Growth”), the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.
3. The percentages have been compiled based on the total number of issued shares (i.e. 9,735,607,645 shares) as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the section headed “Share Option and Share Award Schemes” below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

UPDATE ON USE OF PROCEEDS FROM RIGHTS ISSUE

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 a rights issue and issued 3,239,752,548 new shares at the subscription price of HK\$0.232 per rights share on the basis of one rights share for every two existing shares of the Company on 13 September 2021 (the “Rights Issue”). Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK\$749 million (the “Net Proceeds”) and the entire HK\$749 million has been utilised until the year ended 31 December 2022 in accordance with the intentions previously disclosed by the Company.

SHARE OPTION AND SHARE AWARD SCHEMES

Share Option Scheme

The Company has adopted a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include all executive directors and any full-time employee of the Company or any of its subsidiaries and any suppliers, consultants or advisers who will provide or have provided services to the Group.

As at 30 June 2023 and 31 December 2022, there were no outstanding shares in respect of which options had been granted under the Scheme.

The Scheme has expired on 24 June 2023 and no further options will be granted afterwards.

Share Award Scheme

The Company adopted a share award scheme on 17 January 2022 (the “Share Award Scheme”) under which the Directors may, from time to time, at its absolute discretion select any employee (other than excluded employee) for participation in the Share Award Scheme and determine the number of the awarded shares to be awarded to the selected employee(s) at a price per awarded share not less than the higher of:

- (a) the par value of the share of the Company;
- (b) 50% of the closing price of the shares of the Company as quoted on the Stock Exchange on the grant date; and
- (c) 50% of the average of the closing prices of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the grant date.

The Board is entitled to impose any conditions, as it deems appropriate with respect to the entitlement of the selected employee to the awarded shares.

The purpose of the Share Award Scheme is to (i) establish a mechanism of “risk sharing and benefit sharing” between middle and senior management and the Group, so that the middle and senior management have the opportunity to share the results of the Group’s strategic development and organisational changes, and attract and retain core talents; (ii) establish an equity reward model linked to the Company’s overall value and personal performance indicators and achieve diversified and long-term rewards for middle and senior management; and (iii) attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid and effective for a term of 10 years from 17 January 2022 unless terminated earlier by the Board and is administered by the Board and the trustee of the Share Award Scheme. The total number of shares to be awarded under the Share Award Scheme shall not exceed 10% of the total number of issued shares of the Company as at the adoption date of the Share Award Scheme. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the shares in issue of the Company from time to time.

On 17 January 2022, 64,500,000 awarded shares were granted under the Share Award Scheme to 14 selected employees who are individual third parties under the Listing Rules. The awarded shares are subject to certain vesting conditions specified by the Board at the time of granting the awarded shares and shall be vested in three tranches in 48 months started from the grant date. Details of the adoption of the Share Award Scheme and the grant of awarded shares are set out in the Company’s announcement dated 17 January 2022.

16,350,000 (six months ended 30 June 2022: Nil) shares of the Company was issued to the Trustee during the six months ended 30 June 2023 for the Share Award Scheme. Nil shares of the Company had been purchased to the Trustee during the six months ended 30 June 2023 and 2022 for the Share Award Scheme.

Movements in the number of awarded shares were as follows:

	Number of awarded shares
1 January 2022	–
Award shares granted	64,500,000
Award shares terminated	(9,000,000)
<hr/>	
31 December 2022	55,500,000
Awarded shares terminated	(1,000,000)
Awarded shares vested	(16,350,000)
<hr/>	
30 June 2023	38,150,000
<hr/>	

For the six months ended 30 June 2023, net share awards expense of HK\$655,000 (six months ended 30 June 2022: HK\$1,992,000) was charged to the condensed consolidated income statement.

SUBSTANTIAL SHAREHOLDER

At 30 June 2023, as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, the following party was interested in 5% or more of the Company's issued share capital:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Landmark Worldwide Holdings Limited	Note Directly beneficially owned	2,375,250,000 (L)	24.40

L: Long position

S: Short position

Note: The issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% each by the Wong Brothers.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any substantial shareholders other than directors or chief executives of the Company, who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

SPECIFIC PERFORMANCE COVENANT ON CONTROLLING SHREHOLDERS

On 8 June 2023, the Company as borrower; Tong Da General Holdings (H.K.) Limited, EverTarget Limited, Tongda Group International Limited, Tongda (Shenzhen) Company Limited, Tongda (Xiamen) Company Limited, Tongda General (HK) Limited, Tongda Optical Fiber Technology Limited, Tongda (Shanghai) Company Limited, Tongda Optical Company Limited, Tongda Smart Technology Company Limited, Tongda YF (HK) Company Limited, Tongda Precision Technology Company Limited (collectively, the “Guarantor(s)”) as guarantors; Standard Chartered Bank (Hong Kong) Limited (“SCB”), Xiamen International Bank Xiamen Branch, United Overseas Bank Ltd (Hong Kong Branch) and Bank of Communications (Hong Kong) Limited as mandated lead Arrangers and bookrunners; Bank Sinopac Hong Kong Branch and Ping An Bank Co., Ltd. as arrangers; SCB as agent; and various financial institutions as lenders entered into a facility agreement (the “Facility Agreement”) in respect of the term loan facility of up to a principal amount of HK\$866,666,000 (which may be subsequently increased to not more than HK\$1,066,666,000 in accordance with the terms falling four Months after the date of the Facility Agreement) for a term of three years.

Under the Facility Agreement, it is an event of default if (a) Mr. Wang Ya Nan (“Mr. Wang”), Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung collectively: (i) are not or cease to be the single largest shareholder of the Company; and/or (ii) do not or cease to own, directly or indirectly at least 35% of the legal and beneficial interest in the Company, carrying at least 35% of the voting right; (b) Mr. Wang is not or ceases to be the chairman of the Company; (c) Mr. Wang is not or ceases to be actively involved in the board, management and business of the Group; (d) the Company does not or ceases to own, directly or indirectly, 100% of the beneficial interest in any Guarantor, carrying 100% of the voting right, free from any mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect; and (e) the Company does not or ceases to own, directly or indirectly, at least 51% of the equity interest in 通達創智(廈門)股份有限公司, carrying at 51% of the voting right, free from any mortgage, charge, assignment, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect. Details of the Facility Agreement are set out in the announcement of the Company dated 8 June 2023.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules, throughout the Period, except for the deviations as mentioned below.

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive and Mr. Wang Ya Nan currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The current structure is considered to be the most appropriate under specific circumstances.

CHANGES IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors’ information since the date of the Company’s annual report for the year ended 31 December 2022 is set out below:

Mr. TING Leung Huel, Stephen has retired as independent non-executive director of Texhong International Group Limited (stock code: 2678) at the annual general meeting held on 25 May 2023.

AUDIT COMMITTEE

The audit committee of the Company (the “AC”) comprises three independent non-executive Directors and one non-executive Director, namely Mr. Ting Leung Huel Stephen (“Mr. Ting”), Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Ms. Chan Sze Man. Mr. Ting takes the chair of the AC. The term 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 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. Also, the AC is responsible for reviewing and supervising the risk management and internal control system of the Group.

The AC had reviewed the unaudited interim results of the Group for the Period prior to the submission to the Board for approval.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out under Appendix 10 to the Listing Rules (the “Model Code”) as the Company’s code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry of all Directors, that they have fully complied with the required standard set out in the Model Code throughout the Period.

EVENTS AFTER THE PERIOD

There were no significant events affecting the Company or any of its subsidiaries after the end of the Period requiring disclosure in this report.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Wang Ya Nan, Mr. Wang Hung Man, Mr. Wong Ming Sik, Mr. Wong Ming Yuet and Mr. Hui Wai Man as executive Directors; Ms. Chan Sze Man as non-executive Director; and Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, GBS, SBS, JP, Mr. Ting Leung Huel, Stephen, MH and Mr. Sze Irons, BBS, JP as independent non-executive Directors.

On behalf of the Board

Tongda Group Holdings Limited

Wang Ya Nan

Chairman

Hong Kong, 28 August 2023