

Tongda Hong Tai Holdings Limited

Stock code : 02363.HK

2018 Annual Results Announcement

19 March 2019

1

Mile Stone

P.2

2

Executive summary

P.3

3

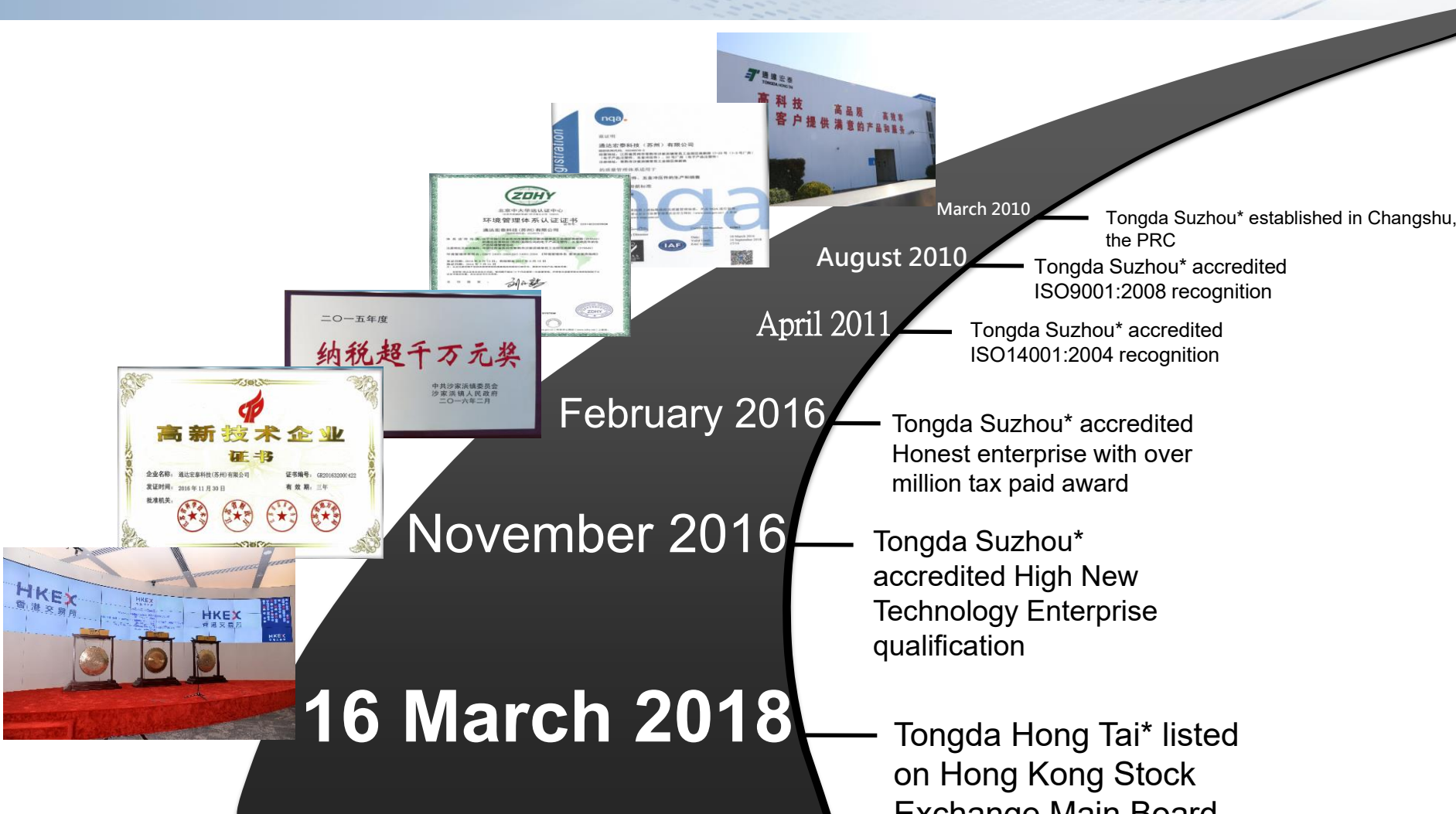
Key financial figures

P.5

4

Appendix

P.9



March 2010 — Tongda Suzhou* established in Changshu, the PRC

August 2010 — Tongda Suzhou* accredited ISO9001:2008 recognition

April 2011 — Tongda Suzhou* accredited ISO14001:2004 recognition

February 2016 — Tongda Suzhou* accredited Honest enterprise with over million tax paid award

November 2016 — Tongda Suzhou* accredited High New Technology Enterprise qualification

16 March 2018 — Tongda Hong Tai* listed on Hong Kong Stock Exchange Main Board (stock code: 2363.HK)

* Tongda Suzhou is the major operating subsidiary of Tongda Hong Tai Holdings Limited ("Tongda Hong Tai").

Executive Summary – Key to Success

Comprehensive “one-stop”
manufacturing solution

Wide range of decorative methods
+
Enhanced automated production
+
Strong research and development
capabilities

Strong relationship with leading OEM
customers of first-tier international
and domestic brand owners

Major OEM Customers



Major Ultimate Brand Owners



MOTOROLA

Executive Summary – Use of listing proceeds

Purpose	Percentage to total amount	Net proceeds HK\$ million	Utilised amount (as at 31 December 2018) HK\$ million	Unutilised amount (as at 31 December 2018) HK\$ million
Lease of factory	15.1%	7.3	0.5	6.8
Refurbishment of the new factory as mentioned above	19.9%	9.6	1.7	7.9
Capital expenditure for additional production facilities and machineries	46.2%	22.4	13.4	9.0
Capital expenditure for enhancing the automation in the Group's manufacturing process	16.1%	7.8	4.8	3.0
Additional effort in sales and marketing activities	0.3%	0.2	-	0.2
Enhancement of research and development capabilities	2.4%	1.2	0.2	1.0
Total	100%	48.5	20.6	27.9

Key Financial Figures

	For the year ended 31 December		
	2018	2017	Change %
Revenue	HK\$507.4 million	HK\$580.5 million	-12.6%
Gross Profit	HK\$90.1 million	HK\$110.2 million	-18.2%
<i>Gross Profit Margin</i>	17.8%	19.0%	-1.2 p.p.
Research & Development Costs	HK\$22.8 million	HK\$17.9 million	+27.4%
<i>Research & Development Costs / Revenue</i>	4.5%	3.1%	+1.4 p.p.
Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA)	HK\$38.5 million	HK\$57.2 million	-32.7%
<i>EBITDA Margin</i>	7.6%	9.9%	-2.3 p.p.
Profit for the Period Attributable to Equity Holders of the Company	HK\$4.1 million	HK\$22.9 million	-82.1%
<i>Net Profit Margin</i>	0.8%	3.9%	-3.1 p.p.

Key Financial Figures (Cont.)

	As at 31 December 2018	As at 31 December 2017
CAPEX	HK\$14.7 million	HK\$18.5 million
Net Assets	HK\$381.5 million	HK\$267.5 million
Net Assets per Share	HK\$2.02	HK\$1.85
Current Assets Ratio	1.58 Times	1.35 Times
Cash and Bank Balances (Includes Pledged Deposits)	HK\$64.8 million	HK\$28.3 million
Interest-bearing Bank Borrowings	HK\$341.3 million	HK\$250.2 million
Gearing Ratio*	72.5%	82.9%

*Consolidated Net Debt/ Total Equity

Key Financial Figures (Cont.)

	As at 31 December 2018	As at 31 December 2017	Change in days
Inventory Turnover Days ¹	254.0	190.4	+63.6
Trade and Bills Receivables Turnover Days ²	179.4	135.9	+43.5
Trade and Bills Payable Turnover Days ³	71.2	61.0	+10.2

1. $(\text{Opening} + \text{Ending inventory}) / 2 \times 365 \text{ days} / \text{Revenue}$

2. $(\text{Opening} + \text{Ending AR \& BR}) / 2 \times 365 \text{ days} / \text{Revenue}$

3. $(\text{Opening} + \text{Ending AP}) / 2 \times 365 \text{ days} / \text{Revenue}$

Key Financial Figures (Cont.)

Inventories (HK\$'000)	As at 31 December 2018	As at 31 December 2017	Change %
Raw Materials	43,852	34,298	+27.9%
Work in Progress	186,780	132,278	+41.2%
Finished Goods*	139,695	169,280	-17.5%
Total	<u>370,327</u>	<u>335,856</u>	<u>+10.3%</u>

* As at 31 December 2018, moulds of HK\$421,000 (31 December 2017: HK\$ 1,970,000) are included in finished goods.

Trade and Bills Receivables, net Aging by invoice date (HK\$'000)	As at 31 December 2018	As at 31 December 2017	Change%
Within 3 Months	226,761	216,440	+4.8%
4 to 6 Months, inclusive	54,670	983	+5,461.5%
7 to 9 Months, inclusive	8	-	N/A
10 to 12 Months, inclusive	5	-	N/A
More than 1 year	3	-	N/A
Total	<u>281,447</u>	<u>217,423</u>	<u>+29.4%</u>

	For the year ended 31 December		Change
	2018 HK\$'000	2017 HK\$'000	
REVENUE	507,429	580,481	-12.6%
Cost of sales	(417,341)	(470,258)	-11.3%
Gross profit	90,088	110,223	-18.3%
Other income	5,696	4,757	+19.7%
Selling and distribution expenses	(14,120)	(11,393)	+23.9%
General and administrative expenses	(69,119)	(64,229)	+7.6%
Other operating income/(expenses), net	4,145	(3,349)	+223.8%
Finance costs	(12,617)	(8,870)	+42.2%
Profit before tax	4,073	27,139	-85.0%
Income tax expense	-	(4,276)	-100.0%
Profit for the year attributable to equity holders of the Company	4,073	22,863	-82.2%

Forward-Looking Statement

FORWARD LOOKING STATEMENT: *This presentation contains “forward-looking statements” which are statements that refer to expectations and plans for the future and include, without limitation, statements regarding Tongda Hong Tai’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as “expect,” “intend,” “plan,” “believe,” “estimate,” “may,” “will,” “should” and comparable words (including the negative of such words).*

The statements in this presentation are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes and results to differ materially. Many risks, uncertainties and other factors, some of which are unpredictable and beyond Tongda Hong Tai’s control, could affect the matters discussed in these forward-looking statements. These risks and uncertainties include, but are not limited to: our determination as we finalize our financial results of fiscal year 2018 that our financial results and conditions differ from our current preliminary unaudited numbers set forth herein; fluctuations in our stock’s market price; fluctuations in operating results and cash flows; unexpected, adverse seasonal impacts on demand; changes in macroeconomic conditions, both in China and internationally; changes in applicable laws and regulation; the occurrence of, success and expected financial results from, the expected multiple product trends; our financial performance during and after the current economic conditions; our ability to maintain and improve costs, risks and costs inherent in litigation; quality and delivery for our customers; pricing trends and competition; ability to service customers and labor relations; our ability to take advantage of perceived benefits of offering customers vertically integrated services; whether our realignment of our capacity will adversely affect our cost structure; changes in technology; competition; anticipated growth for us and our industry that may not occur; managing rapid growth; managing rapid declines in customer demand and other related customer challenges that may occur; our ability to successfully consummate acquisitions and divestitures; managing the integration of businesses we acquire; risks associated with international sales and operations; retaining key personnel; our dependence on a limited number of large customers; business and competitive factors generally affecting the casings manufacturing services industry, our customers and our business; other factors that we may not have currently identified or quantified; and other risks, relevant factors and uncertainties identified in our Annual Report. Tongda Hong Tai disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements in this presentation are qualified by reference to this paragraph.

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Thank You!

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