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TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

PROFIT WARNING

This announcement is made by Tongda Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the currently available information of the Group, it is expected that the Group will record a loss attributable to owners of the Company in the range of approximately HK\$1,100 million to HK\$1,200 million for the year ended 31 December 2023 (“**FY2023**”), as compared to the profit attributable to owners of the Company of approximately HK\$137 million for the year ended 31 December 2022 (“**FY2022**”). Such turnaround from profit to loss was primarily due to the following reasons:

- (1) the Group’s revenue for FY2023 decreased by approximately 18% to 20%, or approximately HK\$1,360 million to HK\$1,520 million, as compared to FY2022, and the overall gross profit for FY2023 decreased by approximately 57% to 65%, or approximately HK\$700 million to HK\$800 million, as compared to FY2022, mainly due to the following reasons:
 - (1.1) due to (i) the destocking and postponement of product launch of some of the Group's customers, and (ii) the revenue in relation to the segment of manufacturing of interior decorative parts of automotives and the aluminum battery components for electric motor vehicles was no longer consolidated into the

Group's consolidated financial statements for FY2023 after the completion of the Group's disposal of 70% of the entire issued share capital of a subsidiary (please refer to the announcement of the Company dated 28 December 2022 for further details), the Group has recorded a decrease in sales revenue in FY2023 as compared to FY2022. As some of the fixed expenses were not reduced while there was a decrease in sales revenue, a decrease in the overall gross profit of the Group was recorded;

(1.2) mould costs were generally borne by the Group's customers in previous years. However, in view of the difficult external operating environment and weak consumer market, the Group decided to bear part of the mould costs in order to enhance the Group's competitiveness and improve the capacity utilisation rate. As a result, the Group recorded an increase in mould costs;

(1.3) the impact of various external factors on the consumer market in FY2023 slowed down the delivery of goods by some customers, coupled with the need to increase inventory reserves early in the year to ensure stable delivery capacity in light of the uncertainty of the epidemic. These factors have led to a slower turnover of some of the Group's inventories during FY2023, resulting in an increase in the Group's provision for inventories in FY2023 as compared to FY2022; and

(1.4) in order to further consolidate resources in the recovering business, the Group decided to close down the factories which were loss-making over the last few years and therefore resulting a one-off charge to cost of sales;

(2) a one-off termination fee of approximately HK\$60 million related to the disposal of the Smart Electrical Appliances Casings business was recorded during FY2023. Please refer to the announcements of the Company dated 13 October 2023 and 27 December 2023 for further details; and

(3) the gain on disposal of subsidiaries in the amount of approximately HK\$402 million recognised during FY2022 was a one-off event.

As a result of the factors mentioned above, the Group expects to record a substantial loss in its books for FY2023. However, the Group has a stable cash flow and sufficient cash reserve, and the related loss will not affect the Group's ability to continue as a going concern.

Through the Group's internal reorganisation and consolidation measures, including but not limited to the decommissioning of loss-making factories and consolidation of the customer base, which may bring a one-off loss to the Group's books in the short term, the Group will be able to make a more effective use of its resources and minimise the unnecessary cash expenditure in the long run. Coupled with the continuous efforts made by the Group in recent years to strengthen the efficiency of the internal management of the Group and the pool of human resources, the Board is confident the Group is well-prepared to reap the benefits once the industry picks up.

According to the market report of International Data Corporation ("IDC") published in early 2024, although challenges remain in the smartphone market, the recovery momentum is picking up rapidly with shipments in the fourth quarter of 2023 recording a higher than expected increase. The Group has started to show signs of picking up in the number of orders received across its businesses in the fourth quarter of 2023. The management is confident about the sales situation in the coming year, as well as the Group's continued operation and business development.

The Company is currently in the process of finalising the consolidated financial results of the Group for FY2023. The information contained in this announcement is only based on the information currently available to the Company and the preliminary assessment of the Board of the unaudited management accounts which have not been audited or reviewed by the Company's auditors and/or audit committee. The final audited consolidated results of the Group for FY2023 are expected to be announced by the end of March 2024 and may differ from the figures and information contained in this announcement.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Tongda Group Holdings Limited
Wang Ya Nan
Chairman

Hong Kong, 7 February 2024

As at the date of this announcement, 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 and Mr. Sze Irons, BBS, JP as independent non-executive Directors.