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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\$3,800 million to HK\$4,000 million for the year ended 31 December 2024 (“**FY2024**” or the “**Year**”), as compared to a loss attributable to owners of the Company of approximately HK\$1,230 million for the year ended 31 December 2023 (“**FY2023**”). The major reasons for the significant increase in losses are as follows:

- (1) **One-off non-cash impairment provisions:** The Group’s revenue for FY2024 is expected to decline by approximately 13% to 15% compared to FY2023. However, if the sales revenue from its high-precision components business disposed on 3 April 2024 is excluded, the Group’s adjusted revenue for the Year would have increased by approximately 17.0% to 19.0% year-over-year. Nevertheless, the intensity of competition in the Mainland market during the latter half of the Year significantly surpassed the Group’s expectations, particularly in the fourth quarter, where the industry experienced an abnormally fierce price competition for securing orders. This resulted in substantial pressure on the Group’s product unit prices and gross profits. Given the further compression of profit margins, the Group has to exercise greater caution in order acceptance.

Historically, the Group's overall strategy has been to expand source of revenue and strengthen collaboration with each key customers to maximise capacity utilisation rate. However, given the current exceptional competitive circumstances, the Group has to further re-evaluate its existing customer structure and realigned its overall strategy. While maintaining relationships with key customers, the Group will adopt a more cautious approach to assess any potential risks associated with the order acceptance, aiming to achieve an optimal balance between business expansion and risk control. Moreover, due to the exceptionally intense market competition, the Group has not met its sales targets during the Year. Meanwhile, the Group anticipates that this abnormal competitive landscape will persist for some time. Coupled with recent changes in the international politics, more uncertainties have been introduced into the global situation. In light of these circumstances, the management of the Group believes that a more cautious operational model is necessary, leading to a more conservative outlook for the future.

Owing to the reasons stated above and after initial consultations with independent valuer, the Group expects to make impairment provisions for its fixed assets and investments in associates, estimated at approximately HK\$2,100 million. Additionally, due to the deteriorating conditions in the manufacturing and consumer markets, following a preliminary assessment of the net asset value of a jointly-controlled entity, the Group expects to increase impairment provisions for its receivables from and loans to this entity by approximately HK\$270 million;

- (2) **One-off gain from disposal of business:** The Group completed the disposal of its high-precision components business on 3 April 2024, recording a net gain of approximately HK\$146 million from the disposal of the business; and
- (3) **Decrease in revenue contribution from the disposed business:** Following the completion of the disposal of its high-precision components business, the revenue and profits from this business will no longer be consolidated into the Group's consolidated financial statements for FY2024. Consequently, the profit of the Group has decreased by approximately HK\$300 million compared to the same period last year.

As a result of the above factors, the Group expects to record an increased loss for FY2024 as compared to FY2023. Given that the current impairment provisions are one-off non-cash adjustments, it is not expected that the Group's daily operational activities or its cash position will be adversely affected. During the Year, the Group recorded net inflows from its operating activities and maintained adequate cash reserves. As at 31 December 2024, the Group's cash and cash equivalents (including short-term and fixed deposits) amounted to approximately HK\$1,620 million (31 December 2023: HK\$1,680 million), and the Group recorded net cash of approximately HK\$640 million (31 December 2023: net debt of HK\$1,270 million). These losses do not impact the Group's ability to sustain its operations.

Moreover, while the overall operating environment remains highly challenging, the management of the Group has noted the sequential rollout of various economic stimulus policies in the Mainland and the Chinese government has expressed concern over the vicious competition among domestic industries. It is hoped that these circumstances will progressively improve over time. In the meantime, by implementing a more cautious operational model in the short term and bolstering cash reserves, the Group positions itself to respond more nimbly to deep-seated restructurings within the industry. Additionally, the Group will closely monitor the operations of leading industry brands and concentrate its resources to capitalise on beneficial changes as and when they arise in order to create value for shareholders.

The Company is currently in the process of finalising the consolidated financial results of the Group for FY2024. 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 FY2024 are expected to be announced by the end of March 2025 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 2025

*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.*