TONGDA GROUP HOLDINGS LIMITED
Stock code: 00698

2014 Interim Results Announcement
12 August 2014
Executive Summary
Executive Summary

- Benefiting from the close partnerships with leading brands, the Group recorded satisfactory results during the period under review.
- By focusing on high-margin products, turnover increased by about 24.3% to HK$2,100.9 million and gross profit increased by about 35.6% to HK$482.3 million.
- Through enhanced product mix, profit attributable to owners of the Company reached HK$167.1 million, rising 28.3% against HK$130.3 million in last corresponding period. Basic earnings per share increased 18.8% to HK3.23 cents.
- Gross profit margin and net profit margin increased to 23.0% and 8.0% respectively, thanks to the business of high quality decorative and structural parts.
- The Group maintained a stable dividend payout history at around 30%-35% of its net profit.
- Expanding customer base to fast growing domestic brands such as Xiaomi and Coolpad.
- Timely expands production capacity and established a new handset production plant in Xiamen to meet market demand, expect to commence production in phases starting September 2014.
- Many domestic brands started to adopt Laser Direct Structuring ("LDS") technology and produce LDS parts for some of their handset models.
Financial Data
## Condensed Consolidated Income Statement

For the six months ended 30 June

<table>
<thead>
<tr>
<th></th>
<th>2014 (HK$'000)</th>
<th>2013 (HK$'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>2,100,931</td>
<td>1,689,658</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(1,618,597)</td>
<td>(1,334,039)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>482,334</td>
<td>355,619</td>
</tr>
<tr>
<td><strong>Other income and gains, net</strong></td>
<td>87</td>
<td>14,781</td>
</tr>
<tr>
<td><strong>Selling and distribution expenses</strong></td>
<td>(42,949)</td>
<td>(39,700)</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td>(177,233)</td>
<td>(128,566)</td>
</tr>
<tr>
<td><strong>Other operating expenses, net</strong></td>
<td>174</td>
<td>(5,275)</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(27,289)</td>
<td>(21,404)</td>
</tr>
<tr>
<td><strong>Share of profits and losses of associates</strong></td>
<td>(21)</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>235,103</td>
<td>175,429</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(47,520)</td>
<td>(37,198)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>187,583</td>
<td>138,231</td>
</tr>
</tbody>
</table>

**Attributable to:**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the Company</td>
<td>167,111</td>
<td>130,283</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>20,472</td>
<td>7,948</td>
</tr>
</tbody>
</table>

|                      | 187,583     | 138,231     |

**Earnings per share attributable to owners of the Company**

- **Basic** 3.24 cents 2.72 cents
- **Diluted** 3.19 cents 2.69 cents
Turnover

The Group’s total turnover increased to HK$2,100.9 million:

- Continual revenue growth in high quality precise plastic parts and metal components
- Improvement in product mix and customer base
- Increase in average selling price

**HK$ million**

**CAGR: 19.2%**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (HK$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,040</td>
</tr>
<tr>
<td>2011</td>
<td>1,280</td>
</tr>
<tr>
<td>2012</td>
<td>1,400</td>
</tr>
<tr>
<td>2013</td>
<td>1,700</td>
</tr>
<tr>
<td>2014</td>
<td>2,100</td>
</tr>
</tbody>
</table>

**Six Months Ended 30 June**
## Turnover by Product

### Turnover (HK$ million)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Handsets</td>
<td>958.1</td>
<td>823.1</td>
<td>135.0</td>
</tr>
<tr>
<td>Ironware Parts Division</td>
<td>323.8</td>
<td>270.1</td>
<td>53.7</td>
</tr>
<tr>
<td>Notebook Computers</td>
<td>287.4</td>
<td>223.8</td>
<td>63.6</td>
</tr>
<tr>
<td>Electrical Appliances</td>
<td>313.5</td>
<td>224.3</td>
<td>89.2</td>
</tr>
<tr>
<td>Communication Facilities Division and Others</td>
<td>218.1</td>
<td>148.4</td>
<td>69.7</td>
</tr>
<tr>
<td>Total</td>
<td>2,100.9</td>
<td>1,689.7</td>
<td>411.2</td>
</tr>
</tbody>
</table>

*Six Months Ended 30 June*
Turnover by Product

2014

- Handsets: 15.4%
- Electrical Appliances: 14.9%
- Notebook Computers: 13.7%
- Communication Facilities & Others: 10.4%

2013

- Handsets: 16.0%
- Electrical Appliances: 13.3%
- Notebook Computers: 13.2%
- Communication Facilities & Others: 8.8%

Six Months Ended 30 June
Profit & Margin

The Group’s gross profit and net profit rose 35.6% and 28.2% respectively to HK$482.3 million and HK$167.1 million in the corresponding period:

- Expanded portfolio of high value-added products
- Stringent cost control
- Increased production efficiency

![Diagram showing gross profit and net profit margins from 2010 to 2014.]

Six Months Ended 30 June

- Gross Profit
- Gross Profit Margin
- Net Profit
- Net Profit Margin

2010: HK$188.1 million (8.3%) Gross Profit, HK$86.5 million (4.6%) Net Profit
2011: HK$238.4 million (8.0%) Gross Profit, HK$102.1 million (5.4%) Net Profit
2012: HK$308.9 million (8.1%) Gross Profit, HK$113.3 million (6.5%) Net Profit
2013: HK$355.6 million (7.7%) Gross Profit, HK$130.3 million (7.4%) Net Profit
2014: HK$482.3 million (8.0%) Gross Profit, HK$167.1 million (8.3%) Net Profit
The Group maintains a stable dividend payout history at around 30%-35% of its net profit.

Declared an interim dividend of HK 1.0 cent (2013: HK 0.9 cents)
# Key Financial Figures

<table>
<thead>
<tr>
<th>(HK$ ‘000)</th>
<th>As at 30 Jun 2014</th>
<th>As at 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>238,564</td>
<td>84,144</td>
</tr>
<tr>
<td>Net Assets</td>
<td>3,277,541</td>
<td>2,549,170</td>
</tr>
<tr>
<td>Net Assets per Share (HK$)</td>
<td>0.60</td>
<td>0.48</td>
</tr>
<tr>
<td>Current Assets Ratio (times)</td>
<td>1.83</td>
<td>1.62</td>
</tr>
<tr>
<td>Cash and Bank Balances (include pledged deposits)</td>
<td>582,785</td>
<td>240,436</td>
</tr>
<tr>
<td>Interest-bearing Bank Borrowings</td>
<td>900,405</td>
<td>849,667</td>
</tr>
<tr>
<td>Gearing Ratio*</td>
<td>9.7%</td>
<td>23.9%</td>
</tr>
</tbody>
</table>

* Consolidated Net Debt / Total Equity
Key Financial Figures (Cont’d)

<table>
<thead>
<tr>
<th></th>
<th>As at 30 Jun 2014&lt;sup&gt;A&lt;/sup&gt;</th>
<th>As at 31 Dec 2013&lt;sup&gt;B&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Capital Turnover Days</td>
<td>168</td>
<td>152</td>
</tr>
<tr>
<td>Inventory Turnover Days&lt;sup&gt;1&lt;/sup&gt;</td>
<td>137</td>
<td>122</td>
</tr>
<tr>
<td>Trade and Bills Receivables Turnover Days&lt;sup&gt;2&lt;/sup&gt;</td>
<td>152</td>
<td>153</td>
</tr>
<tr>
<td>Trade and Bills Payable Turnover Days&lt;sup&gt;3&lt;/sup&gt;</td>
<td>121</td>
<td>123</td>
</tr>
</tbody>
</table>

<sup>A</sup>
1. (opening + ending inventory) / 2 x 181 days / COGS
2. (opening + ending AR & BR) / 2 x 181 days / Sales
3. (opening + ending AP & BP) / 2 x 181 days / COGS

<sup>B</sup>
1. (opening + ending inventory) / 2 x 365 days / COGS
2. (opening + ending AR & BR) / 2 x 365 days / Sales
3. (opening + ending AP & BP) / 2 x 365 days / COGS
### Key Financial Figures (Cont’d)

#### Inventories (HK$’000)

<table>
<thead>
<tr>
<th></th>
<th>As at 30 Jun 2014</th>
<th>As at 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>411,612</td>
<td>402,075</td>
</tr>
<tr>
<td>Work in progress</td>
<td>327,632</td>
<td>258,555</td>
</tr>
<tr>
<td>Finished goods (Moulds Excluded)</td>
<td>463,805</td>
<td>282,262</td>
</tr>
<tr>
<td>Moulds</td>
<td>169,541</td>
<td>145,375</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,372,590</strong></td>
<td><strong>1,088,267</strong></td>
</tr>
</tbody>
</table>

#### Trade and Bills Receivables, presented based on the invoice date (HK$’000)

<table>
<thead>
<tr>
<th></th>
<th>As at 30 Jun 2014</th>
<th>As at 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 3 months</td>
<td>1,546,520</td>
<td>1,358,407</td>
</tr>
<tr>
<td>4 to 6 months, inclusive</td>
<td>346,184</td>
<td>210,488</td>
</tr>
<tr>
<td>7 to 9 months, inclusive</td>
<td>30,320</td>
<td>10,085</td>
</tr>
<tr>
<td>10 to 12 months, inclusive</td>
<td>8,329</td>
<td>4,854</td>
</tr>
<tr>
<td>More than 1 year</td>
<td>35,334</td>
<td>34,547</td>
</tr>
<tr>
<td>Impairments allowances</td>
<td>(32,907)</td>
<td>(32,884)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,933,780</strong></td>
<td><strong>1,585,497</strong></td>
</tr>
</tbody>
</table>
Business Segment Analysis
Major Customers

- **Handset**
  - HUAWEI
  - Xiaomi
  - ZTE
  - Coolpad
  - TCL
  - Lenovo
  - Oppo

- **Electrical Appliance**
  - Haier
  - GREE
  - Midea
  - Panasonic
  - Electrolux
  - TOSHIBA
  - NEC
  - FUJITSU
  - ZOJIRUSHI
  - Dyson

- **Notebook / Tablet**
  - Lenovo
  - ASUS
  - HP

- **Ironware Parts Division**
  - GREE
  - Haier
  - Midea

- **Communication Facilities Division & Others**
  - CISCO
  - Pace
  - IKEA
  - DECATHLON
  - 迪卡侬
Handsets – Business Performance

Rapid growth in demand for smartphones

Business Strategies

- Focus on providing one-stop service, offering high precision plastic and metal parts with value-add and high-margin
- Closely collaborate with a number of rapidly growing domestic brands such as Huawei, Xiaomi, ZTE, Coolpad, Lenovo, TCL and OPPO

Achievements in 1H 2014

- Expand customer base, authenticated as Xiaomi and Coolpad's provider since end of 2013
- Strengthen the compatibility of precision metal parts
- Start to produce smartphone middle frame with well developed Laser Direct Structuring (LDS) technology and offer one-stop service from antenna design to production in China
Handsets – Market Overview

Major China Handset Brand’s Total Shipment in 2013 and Forecast in 2014

<table>
<thead>
<tr>
<th>Brand</th>
<th>2013 (Million units)</th>
<th>2014 (Million units)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huawei</td>
<td>52.0</td>
<td>80.0</td>
<td>51.9%</td>
</tr>
<tr>
<td>Xiaomi</td>
<td>18.7</td>
<td>60.0</td>
<td>216.1%</td>
</tr>
<tr>
<td>ZTE</td>
<td>60.0</td>
<td>60.0</td>
<td>0%</td>
</tr>
<tr>
<td>Coolpad</td>
<td>40.0</td>
<td>37.2</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Lenovo</td>
<td>32.8</td>
<td>49.0</td>
<td>51.8%</td>
</tr>
<tr>
<td>OPPO</td>
<td>10.0</td>
<td>20.0</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source:
http://tech.163.com/14/0107/04/9HV9G19G000915BE.html
http://comm.ccidnet.com/art/5399/20140214/5355163_1.html
http://tech.ifeng.com/bat3m/detail_2014_04/08/35573923_0.shtml
CCBI-Lenovo Group (992 HK) - 20131211
China Mobile targets to reach 100 million 4G users in 2014

According to the Ministry of Industry and Information Technology, as at 1H2014, China has:

- Total of 1.256 billion users (As of May)
- 471 million 3G users
- 14 million 4G users

Huge future growth potential of Mainland China 4G users

Handset

**Overview of China’s 4G Market in 1H14**

<table>
<thead>
<tr>
<th>Month</th>
<th>3G Users ( Thousand Users )</th>
<th>4G Users ( Thousand Users )</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>0</td>
<td>1,340</td>
</tr>
<tr>
<td>February</td>
<td>1,340</td>
<td>2,793</td>
</tr>
<tr>
<td>March</td>
<td>2,793</td>
<td>4,798</td>
</tr>
<tr>
<td>April</td>
<td>4,798</td>
<td>8,109</td>
</tr>
<tr>
<td>May</td>
<td>8,109</td>
<td>13,943</td>
</tr>
<tr>
<td>June</td>
<td>13,943</td>
<td>23,8518</td>
</tr>
</tbody>
</table>

Monthly Operating Statistics of China Mobile in 2014

Source:
http://www.chinamobileltd.com/tc/ir/operation.php
http://www.apdnews.com/info/view-22925-1.html
China issued 4G FDD-LTE license in June

4G subscribers expected to accelerate rapidly to 36%

China 4G smart phone shipments expected to reach 400 million sets

China expected to become the largest 4G LTE market in the world

Source:
CIMB - China Telcos and Smartphone outlook 20131231
Handsets
– Future Growth Driver

In-Mould Transfer (IMT) Technology

**In-Mould Transfer (IMT) Technology** – It is a new process which is developed by combining and extending In-Mould Lamination (IML) technology and In-Mould Roller (IMR) technology.

**Target Market**
- 4G LTE Smartphones
- 4G LTE Notebooks / Tablets

**Advantages**
- Finished products with a minimal thickness of 0.70mm
- Stable deformation characteristic
- Can meet functional requirements on product surface such as anti-fingerprint, wear resistance and gloss through process extension including UV spray

Product effects of IMT technology
**Nano Molding Technology (NMT)**

Nano Molding Technology (NMT) – it is an adhesion technology of joining metal and plastics.

Plastic injection on metal surface

Smartphone Housing
**Handsets – Future Growth Driver**

### CNC Machineries

<table>
<thead>
<tr>
<th>Target Market</th>
<th>Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphones</td>
<td>- Focus on high-end metal casing decoration</td>
</tr>
<tr>
<td>Notebooks / Tablets</td>
<td>- Light weight, thin, wide range of cosmetics selection</td>
</tr>
<tr>
<td></td>
<td>- Uni-body deco parts</td>
</tr>
</tbody>
</table>

- Upgrade existing CNC machineries
- Over 300 sets of existing machinery. Expected to increase to over 500 sets of CNC machines
  - High Speed CNC Machine Centre
  - 5 Axis Machining capability
- Coordinate with automatic oxidation line capacity

**CNC Machine**

**Machined Casings**
## Handsets – Future Growth Driver

<table>
<thead>
<tr>
<th>Target Market</th>
<th>Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphones</td>
<td>Different Texture such as metal imitation, soft touch, baby skin</td>
</tr>
<tr>
<td>Notebooks / Tablets</td>
<td>High quality 2D / 3D surface decorations</td>
</tr>
<tr>
<td>Wearable Gadgets</td>
<td>Uni-body deco parts</td>
</tr>
</tbody>
</table>

- **High Precision and Advance Decoration Plastic**
- **Baby Skin Coating**
- **Brushed Coating**
- **High Texture Vacuum Metallization (HTVM) + Diamond Coating**
  - HTVM + Soft Touch Coating

Handsets are the future growth driver, with high precision and advanced decoration using plastic materials.
Metal Injection Molding (MIM) Technology is an effective way to produce complex and precision-shaped parts without machining.

**Target Market**
- Wearable Gadgets

**Advantages**
- Fine precision parts
- Complex design possible
- High structural strength
Handsets
– Future Growth Driver

Laser Direct Structuring (LDS) Technology

Laser Direct Structuring (LDS) Technology – it is a process to produce circuit layouts on complex three-dimensional carrier structures. The laser beam structures the layout directly into the molded plastic part, and then metallization is done on the part.

Target Market
- 4G LTE Smartphones
- 4G LTE Notebooks / Tablets
- 4G LTE USB Dongle
- Wearable Gadgets

Advantages
- All process completed In-House, including: Antenna design, injection, laser activation, metallization, testing, decoration
- High degree of 3D circuitry design flexibility
- Multi-antenna integration
- Reduction of the interference among different antennas
- Simple, fastest, lowest cost tooling

Integrated Antenna & Component Design → Plastic Injection → Laser Marking → Chemical Plating → RF Testing → Surface Treatment
Handsets – *One-stop component provider*

**Metal Frame**
- CNC Machining
- Metal Stamping
- Insert Molding

**Back Cover**
- IML
- IMT
- High Precision and Advance Decoration Plastic
- Metal
  - CNC Machining
  - Metal Stamping
  - NMT
- LDS
- Glass

**Cover Lens**
- Glass
- PMMA Display lens
- IML
- IMD

**Middle Frame**
- Insert Molding
- LDS
- Glass Fiber Reinforced Plastics
- CNC Machining

*Wordings in Red: Newly developed Technology*
Increasing Demand in China benefits sales

**Business Strategies**
- Offers components for mid-to-high-end electrical appliances, e.g., using IML technology to produce large plastic electrical appliance casing
- Maintains solid cooperation with China’s leading electrical appliance brands such as Haier, Midea and Gree for many years
- Products including IML air conditioner casings, refrigerator casings, washing machine panels and rice cooker panels

**Achievements in 1H 2014**
- Applied the IML one-piece shaping process and technology to floor-standing air conditioners and become the sole domestic supplier of casings of such products
- Maintained a market-leading position in the high-end electrical appliances industry
- Combined with surface decoration and functional components
- Expanding customer base to high-end international brand such as Dyson
Electrical Appliances – Market Overview

China White Goods Shipment

(million units)

Proportion of Consumer’s Attention at Air Conditioner Market in China (On Price) June 2014

- Target Market

Proportion of Consumer’s Attention at Refrigerator Market in China (On Price) June 2014

- Target Market

Proportion of Consumer’s Attention at Washing Machine Market in China (On Price) June 2014

- Target Market

Source: ZDC
http://zdc.zol.com.cn/466/4663678.html
http://2c.zol-img.com.cn/product/137_500x2000/120/ceoL32sgUCwbg.jpg
Electrical Appliances – Future Growth Driver

Product upgrade help promote sales of smart devices and energy-saving appliances

Smart device market outlook

● According to the survey of ZDC, 92.2% of respondents think smart device market is developing, or have a promising future

● According to the market source, Apple had selected Haier as its sole partner in the PRC for smart device application

● The Group is supporting Haier’s high-end intelligent home appliance and providing Indium tin oxide (“ITO film”), which may be assembled with the Group’s IML products

High efficiency and energy saving intelligent home appliance

● Leading domestic appliance brands like Haier, Midea and Gree start devoting in research and development of smart appliances, including floor-standing air conditioners, mainly because implementation of new energy efficiency standards of inverter air conditioner, washing machines and other home appliances categories begin from October 2013

Consumption upgrade

● Market penetration of smart electrical appliances will soar in 2015

Source:
http://zdc.zol.com.cn/466/4669760.html
Electrical Appliance – Future Growth Driver

Large Size (1.8M) IML Casing

Target Market
- Home Appliances
- Auto

Advantages
- One piece / Large size decoration
- Wide range of artwork selection

Deep Look effect IML

Biggest IML, 1.8M High
Electrical Appliance – Future Growth Driver

IML with ITO Touch Casings

Target Market
- Home Appliances

Advantages
- Wide range of artwork selection
- Water resistance
- Cost effective solution

IML
Optical Clear Adhesive (OCA) Film
ITO film

33
Diversified compatibility to maintain market share

Business Strategies
- Collaborated with global notebook computer brands, including Lenovo, Toshiba, NEC and Taiwan’s top four manufacturers – Quanta, Compal, Asus and Acer
- Focused on Chinese, Taiwanese and Japanese customers
- Developed high quality metal and ultra-thin computer casings

Achievements in 1H 2014
- While the group’s major customers are from China and Japan, effect of external environment on the Group is minimal as the demand in both markets are relatively stable
- Earned appreciation of long-term customers by using IML, IMD and laminated metal filming (LMF) technologies and put greater effort in R&D to produce sturdy, ultra-thin metal casing and components with different textures
- Actively developed tablet business
Notebook Computers / Tablets – Notebook Market Overview

Consumer’s Attention at Notebook Market 1H2014

<table>
<thead>
<tr>
<th>Brand</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenovo</td>
<td>35.2%</td>
</tr>
<tr>
<td>ASUS</td>
<td>14.5%</td>
</tr>
<tr>
<td>Dell</td>
<td>9.9%</td>
</tr>
<tr>
<td>HP</td>
<td>5.6%</td>
</tr>
<tr>
<td>Apple</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Proportion of China Notebook Product Price Range 1H2014

Target Market

Total: 63.3%

<table>
<thead>
<tr>
<th>Price Range</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 3,000</td>
<td>14.5%</td>
</tr>
<tr>
<td>3,000-4,999</td>
<td>39.7%</td>
</tr>
<tr>
<td>5,000-7,999</td>
<td>23.6%</td>
</tr>
<tr>
<td>8,000-11,999</td>
<td>13.5%</td>
</tr>
<tr>
<td>More than 12,000</td>
<td>8.7%</td>
</tr>
</tbody>
</table>


Future Growth Drivers
Continued to increase investment in the handset business and at the same time focus on notebook computers/ tablets and electrical appliances business. Also, the Group will allocate more resources to the application and research in new technology, materials and process.
Comprehensive Production Facilities and Integrated Technologies

IML Injection Molding Production Line
(In 10K clean room)

High Precision Molding Production Line

Film Painting Production
(In 10K clean room)

Tooling Centre

High Speed CNC
Disclaimer

**Disclaimer**

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Thank you!

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