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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)

CONNECTED TRANSACTION ACQUISITION OF LAND USE RIGHT AND PROPERTY LOCATED IN THE PRC

THE ACQUISITION

The Board announces that on 14 January 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Property Transfer Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the land use right of the Land and the Property at a total consideration of RMB90,004,000 (equivalent to approximately HK\$109,805,000).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang, an executive Director and chairman of the Board, is a shareholder of the Vendor, and together with the other Wong Brothers, own the entire issued share capital of the Vendor indirectly in equal shares. As such, the Vendor is a majority-controlled company held directly by Mr. Wang together with his family members, the Vendor is an associate of the connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios are less than 5%, the Acquisition is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements.

Mr. Wang, an executive Director and the chairman of the Board, is considered to have a material interest in the Acquisition due to his shareholding in the Vendor. Furthermore, Mr. Wang Hung Man, Mr. Wong Ming Sik and Mr. Wong Ming Yuet, each being an executive Director and the respective son of Mr. Wang Ya Hua, Mr. Wong Ah Yeung and Mr. Wong Ah Yu, are considered to have a material interest in the Acquisition. Mr. Wang, Mr. Wang Hung Man, Mr. Wong Ming Sik and Mr. Wong Ming Yuet have abstained from voting on the resolution in relation to the Property Transfer Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisition.

INTRODUCTION

The Board announces that on 14 January 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Property Transfer Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the land use right of the Land and the Property at a total consideration of RMB90,004,000 (equivalent to approximately HK\$109,805,000).

THE ACQUISITION

Principal terms of the Property Transfer Agreement are set forth below:

Date : 14 January 2022

Parties : (1) Tongda Electrical Machinery Company Limited Shishi* (石獅市通達電機有限公司) (as the Vendor); and
(2) Tongda (Shishi) Technology Company Limited* (通達(石獅)科技有限公司) (as the Purchaser)

Subject matter

Pursuant to the Property Transfer Agreement, the assets to be acquired by the Purchaser include the land use right of the Land and the Property.

The Land is situated at Liandong Village, Gangkou Avenue East, Anjiang Town, Shishi City, Fujian Province, the PRC (中國福建省石獅市蚶江鎮港口大道東側蓮東村) with a total site area of approximately 54,298 sq.m. The land use right of the Land will expire on 14 November 2062. The land use right of the Land is for industrial use only.

The Property mainly contains 7 buildings with a gross floor area of approximately 35,653 sq.m. that are built over the Land.

Based on the information provided by the Vendor, the original acquisition cost of the land use right of the Land and the Property paid by the Vendor was approximately RMB86,140,000 (equivalent to approximately HK\$105,090,800). The Land and the Property had been leased out to the Group by the Vendor from January 2016. As at the date of this announcement, the Land and the Property are being leased out by the Vendor to the Group.

Consideration

The Consideration for the land use right of the Land and the Property under the Property Transfer Agreement is RMB90,004,000 (equivalent to approximately HK\$109,805,000). The Purchaser shall pay to the Vendor 50% of the Consideration in the sum of RMB45,002,000 (equivalent to approximately HK\$54,902,000) within 5 working days from the date of the Property Transfer Agreement and the remaining 50% of the Consideration within 5 working days from the date of the receipt of the land use rights and property ownership certificates in respect of the Land and the Property from the Vendor. The Vendor and the Purchaser shall bear their own tax expenses in relation to the Acquisition.

The payment of the Consideration will be funded by the internal resources of the Purchaser.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor on normal commercial terms with reference to, the valuation of the Land and the Property in the amount of RMB90,004,000 (equivalent to approximately HK\$109,805,000) as at 4 January 2022 as per the valuation report dated 13 January 2022 issued by an independent professional valuer conducted on the assumption of the estimated amount for which an asset should exchange on the relevant valuation time between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Condition precedent

Completion of the Acquisition is conditional upon the completion of the registration procedure for the transfer of the land use right of the Land and the Property by 15 April 2022. If the registration procedure is not completed by 15 April 2022, the Purchaser has the right to extend the date for the completion of the registration procedure or terminate the Property Transfer Agreement and demand the Vendor to return all the payments made by the Purchaser.

Completion

The Vendor and the Purchaser shall attend the registration procedures regarding the transfer of the land use right of the Land and the Property at the registration authority within 5 working days after the first 50% of the Consideration having been paid by the Purchaser.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is a one-stop solution provider of high-precision components for consumer electronics products, principally engaged in the design and production of the casings and components of handsets, electrical appliances, ironware parts, communication facilities and other products, and the provision of a wide range of casings made by high precision plastic, metal and composite materials.

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal activity is the production of handset casings.

INFORMATION ON THE VENDOR

The Vendor is a company established in the PRC with limited liability and is principally engaged in the manufacture and sale of small motors, small wind turbines and micro motor. The Vendor is indirect wholly owned by the Wong Brothers in equal shares.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, the Group is leasing the Property from the Vendor for the manufacturing of handset casings and high-precision components. After Completion, the Group intends to retain the Property for self-use and would continue using the Property for its current manufacturing purposes. The Directors (including the independent non-executive Directors) are of the view that the Acquisition is commercially beneficial to the Group and the Shareholders taking into consideration that the Group can secure the continual use of the Property to support the Group's major business activity and the long term expansion plan and reduce connected transactions. The Group can also enjoy any future capital appreciation from the value of the Land and the Property. Furthermore, the Group can improve its operating cash flow over the long term as having a self-owned factory can effectively eliminate the incurrance of rental expenses for the Property and removing any uncertainty in the exposure of any potential rental increment in the future due to inflation.

In view of the above, the Directors (including the independent non-executive Directors) believe that the terms of the Property Transfer Agreement are fair and reasonable, the transactions contemplated under the Property Transfer Agreement is on normal commercial terms and is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wang, an executive Director and chairman of the Board, is a shareholder of the Vendor, and together with the other Wong Brothers, own the entire issued share capital of the Vendor indirectly in equal shares. As such, the Vendor is a majority-controlled company held directly by Mr. Wang together with his family members, the Vendor is an associate of the connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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Mr. Wang, an executive Director and the chairman of the Board, is considered to have a material interest in the Acquisition due to his shareholding in the Vendor. Furthermore, Mr. Wang Hung Man, Mr. Wong Ming Sik and Mr. Wong Ming Yuet, each being an executive Director and the respective son of Mr. Wang Ya Hua, Mr. Wong Ah Yeung and Mr. Wong Ah Yu, are considered to have a material interest in the Acquisition. Mr. Wang, Mr. Wang Hung Man, Mr. Wong Ming Sik and Mr. Wong Ming Yuet have abstained from voting on the resolution in relation to the Property Transfer Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisition.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the proposed acquisition of the land use right of the Land and the Property by the Purchaser from the Vendor on and subject to the terms and conditions of the Property Transfer Agreement
“Board”	the board of the Directors
“Company”	Tongda Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Consideration”	consideration payable by the Purchaser to the Vendor under the Property Transfer Agreement
“Directors”	directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	land parcels located at Liandong Village, Gangkou Avenue East, Anjiang Town, Shishi City, Fujian Province, the PRC (中國福建省石獅市蚶江鎮港口大道東側蓮東村) with a total site area of approximately 54,298 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Ya Nan, an executive Director, chairman of the Board, a shareholder as to 25% of the entire issued share capital of the Vendor
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“Property”	mainly the 7 buildings that are built over the Land
“Property Transfer Agreement”	the property transfer agreement dated 14 January 2022 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Purchaser”	Tongda (Shishi) Technology Company Limited* (通達(石獅) 科技有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”	Tongda Electrical Machinery Company Limited Shishi* (石獅市通達電機有限公司), a company established in the PRC with limited liability
“Wong Brothers”	collectively, Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua, each indirectly hold as to 25% of the entire issued share capital of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent

In this announcement, for illustration purposes only, RMB has been converted to HK\$ at the rate of RMB1.00:HK\$1.22. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at any of the above rates or at any other rates or at all.

* *For identification purposes only*

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

Hong Kong, 14 January 2022

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, SBS, JP and Mr. Ting Leung Huel Stephen as independent non-executive Directors.