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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)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 70% OF THE ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY

Financial advisor of the Company



THE DISPOSAL

- On 11 November 2022 (after trading hours of the Stock Exchange), Tong Da Holdings (BVI) Limited, a direct wholly owned subsidiary of the Company, as the Vendor and VNE Investment Company Limited as the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing 70% of the entire issued share capital of the Target Company as at the date of this announcement, at a consideration of HK\$385,000,000.
- The Completion is subject to the conditions as set out in the paragraph headed “**Conditions precedent**” in the section headed “**THE DISPOSAL**”.
- Upon Completion, the Vendor will continue to hold 30% of the entire issued share capital of the Target Company and the Target Group will cease to be subsidiaries of the Company and will instead become associates of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group and instead, the Group will share the financial results of associates.

LISTING RULES IMPLICATIONS

- As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

- An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.
- A circular containing, among others, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM is expected to be despatched to the Shareholders as soon as practicable.

WARNING

Completion is subject to the satisfaction and/or waiver of the conditions precedent under the Sale and Purchase Agreement as set out in the paragraph headed "Conditions precedent" in the section headed "THE DISPOSAL" of this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the Shares and, if in any doubt, are recommended to consult their professional adviser(s).

(1) INTRODUCTION

On 11 November 2022 (after trading hours), Tong Da Holdings (BVI) Limited, a direct wholly owned subsidiary of the Company, as the Vendor and VNE Investment Company Limited as the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing 70% of the entire issued share capital of the Target Company as at the date of this announcement, at a consideration of HK\$385,000,000.

(2) THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date: 11 November 2022 (after trading hours of the Stock Exchange)

Parties: (i) the Vendor: Tong Da Holdings (BVI) Limited; and
(ii) the Purchaser: VNE Investment Company Limited

As at the date of this announcement, the Purchaser is a company incorporated in Hong Kong and is wholly owned by Mr. Chan Tsang Shing. The Purchaser is an investment holding company.

The Target Company is an investment holding company and the Target Group, after the Reorganisation, is principally engaged in the Target Business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares, being 7,000 shares of the Target Company and representing 70% of the entire issued share capital of the Target Company.

As at the date of this announcement, the Vendor is the sole legal and beneficial owner of the entire issued share capital of the Target Company.

Upon Completion, the Vendor will continue to hold 30% of the entire issued share capital of the Target Company and the Target Group will cease to be subsidiaries of the Company and will instead become associates of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group and instead, the Group will share the financial results of associates.

The Consideration

The Consideration in the aggregate amount of HK\$385,000,000 shall be paid and settled by the Purchaser and/or the Purchaser's Fund in the following manner:

- (1) as to HONG KONG DOLLARS ONE HUNDRED AND THIRTY FIVE MILLION (HK\$135,000,000) of the Consideration in cash on the Completion Date;
- (2) as to HONG KONG DOLLARS ONE HUNDRED AND FIFTY MILLION (HK\$150,000,000) of the Consideration by issuing the Second Instalment Promissory Note duly signed by the Purchaser to the Vendor which shall be repayable in one lump sum on 30 March 2023; and
- (3) the balance of HONG KONG DOLLARS ONE HUNDRED MILLION (HK\$100,000,000) by issuing the Third Instalment Promissory Note duly signed by the Purchaser to the Vendor which shall be repayable in one lump sum on 30 June 2023.

The Consideration was arrived at after arm's length commercial negotiations between the Vendor and the Purchaser and was determined with reference to, among other things, the unaudited value of assets to be disposed under the Target Group (on the assumption that the Reorganisation had completed on 30 September 2022) as at 30 September 2022 in the amount of approximately HK\$110 million, the financial performance of the Target Group set out in the section headed "**FINANCIAL INFORMATION OF THE TARGET GROUP**", the current customer portfolio, the business prospects as well as the factors set out in the section headed "**REASONS FOR AND BENEFITS OF THE DISPOSAL**".

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholder as a whole.

The Second Instalment and Third Instalment Promissory Notes

Pursuant to the Sale and Purchase Agreement, upon Completion, the Purchaser shall issue to the Vendor the Second Instalment Promissory Note and the Third Instalment Promissory Note on the following principal terms:

The Second Instalment Promissory Note

Issuer	:	the Purchaser
Issue date	:	the Completion Date
Principal amount	:	HK\$150,000,000
Issue price	:	100% of the principal amount as set out above
Holder of the promissory note	:	the Vendor
Maturity date	:	30 March 2023
Interest rate	:	nil
Transferability	:	non-transferable
Repayment and redemption	:	the Purchaser may early repay all or part of the outstanding amount by giving not less than 10 business days' notice to the noteholder
Security	:	share charge to be provided by the Purchaser's Fund in favour of the Vendor in respect of the Sale Shares

The Third Instalment Promissory Note

Issuer	:	the Purchaser
Issue date	:	the Completion Date
Principal amount	:	HK\$100,000,000
Issue price	:	100% of the principal amount as set out above
Holder of the promissory note	:	the Vendor
Maturity date	:	30 June 2023
Interest rate	:	nil
Transferability	:	non-transferable
Repayment and redemption	:	the Purchaser may early repay all or part of the outstanding amount by giving not less than 10 business days' notice to the noteholder
Security	:	share charge to be provided by the Purchaser's Fund in favour of the Vendor in respect of the Sale Shares

Conditions precedent

Completion is subject to the following conditions being fulfilled and satisfied (or waived, if applicable):

- (a) the Purchaser is satisfied with the results of the due diligence review on the Target Group;
- (b) the Reorganisation having been completed;
- (c) the Purchaser having set up the Purchaser's Fund as a private fund in the form of a limited partnership and registered as a limited partnership fund with the Companies Registry of Hong Kong under the Limited Partnership Fund Ordinance (Chapter 637 of the Laws of Hong Kong) for the purpose of holding the shares of the Target Company whereby the Purchaser or its nominee(s) shall act as the general partner of the Purchaser's Fund;

- (d) the warranties to be given by the Vendor remaining true, accurate and not misleading in all material respects;
- (e) the warranties to be given by the Purchaser remaining true, accurate and not misleading in all material respects;
- (f) all necessary consents, approvals, authorisations and licences of the Vendor and the Target Company in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained; and
- (g) all necessary consents, approvals, authorisations and licences of the Purchaser in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained.

The Purchaser may waive any of the conditions precedent set out in (a) and (d) above and the Vendor may waive the condition precedent set out in (e) above.

The Vendor and the Purchaser shall use (to the extent they are able) their respective best endeavours to procure the fulfilment of the above conditions on or before the Long Stop Date or such other date as the Vendor and the Purchaser may agree in writing. If any of the conditions precedent referred to above has not been fulfilled (or waived, where applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall be terminated automatically.

Non-competition

The Vendor shall, after Completion, procure the Group to acquire from the PRC Subsidiary the necessary products and/or services for the satisfaction and fulfilment of all contractual obligations of the Group in respect of the Target Business. Save and except for the contractual rights and obligations of the Group in respect of the Target Business not acquired by the PRC Subsidiary, the Vendor shall not and shall procure the Group not to carry on the Target Business for the period commencing from the Completion Date to 31 December 2025 (both days inclusive), to avoid competition with the Target Group.

(3) FINANCIAL INFORMATION OF THE TARGET GROUP

Information on the Target Group

The Target Company is a company incorporated in Hong Kong with limited liability. The Target Group is principally engaged in the Target Business.

Financial information on the Target Group

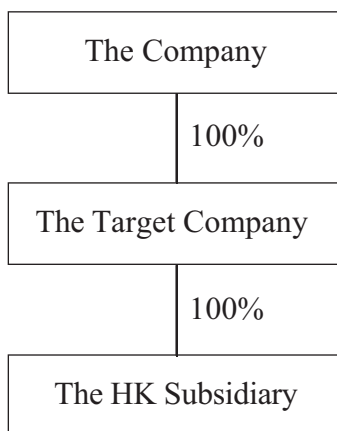
Set out below is the financial information of the Target Group (on the assumption that the Reorganisation had completed on 1 January 2020, 1 January 2021 and 1 January 2022, respectively) based on its unaudited management accounts:

	For the nine months ended 30 September 2022 HK\$'000 (unaudited)	For the year ended 31 December 2021 HK\$'000 (unaudited)	For the year ended 31 December 2020 HK\$'000 (unaudited)
Revenue	338,473	338,353	236,610
Profit/(loss) before taxation	20,016	(816)	(22,094)
Profit/(loss) after taxation	20,016	(816)	(22,094)

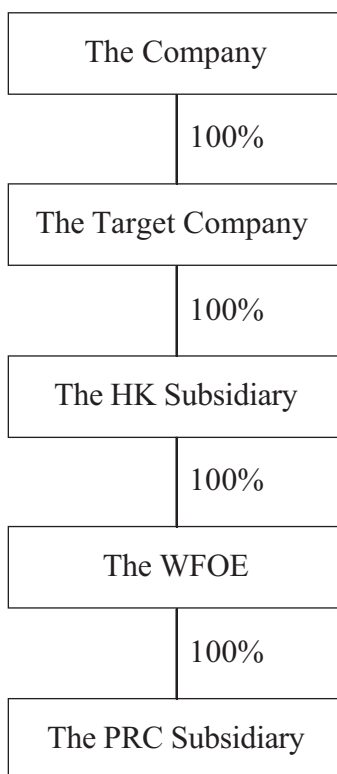
The unaudited value of assets to be disposed under the Target Group (on the assumption that the Reorganisation had completed on 30 September 2022) as at 30 September 2022 was approximately HK\$110 million.

The following charts show the shareholding structure of the Target Company as at the date of this announcement, immediately after the Reorganisation and immediately upon Completion:

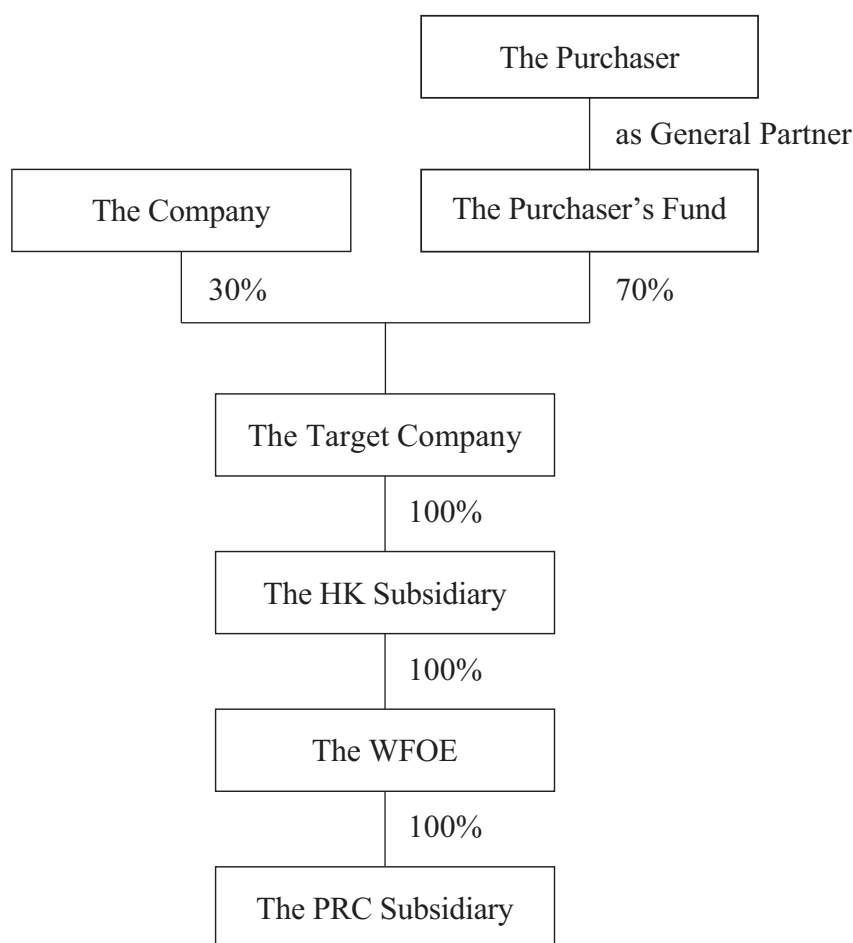
Shareholding structure of the Target Company as at the date of this announcement



Shareholding structure of the Target Company immediately after the Reorganisation



Shareholding structure of the Target Company immediately after Completion



(4) REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is a globally leading solution provider of high-precision structural parts for smart mobile communication and consumer electronics products. The Group provides one-stop solution to customers, starting from product design, technical R&D to manufacturing. Our products mainly cover handset casings and high-precision components, metaverse-related hardware accessories, household and sports goods, aluminum components of battery for new energy vehicles, network communications facilities and panels for smart electrical appliances.

The Purchaser is an investment holding company. As at the date of this announcement, the Purchaser is a company incorporated in Hong Kong and is wholly owned by Mr. Chan Tsang Shing.

During 2022, economies across the globe were operating against various headwinds. In addition to the continuous impact of global inflation and the instability of the supply chain, the pandemic prevention and control measures in the mainland China also put tremendous pressure on the sales of consumer electronics products. As one of the component suppliers of consumer electronics products, the Group was inevitably affected by the difficult external operating environment and the weak consumer market. In the first half of 2022, the Group's revenue recorded a decrease compared to the same period last year. The ecosystems of both the global economy and the consumer electronics product market are changing rapidly. The Group will closely monitor and proactively respond to the emerging opportunities and imminent risks forthwith and will review the Group's strategic planning when necessary, while also aligning its operating structure through business restructuring, thereby focusing on the business sectors with higher development potential.

Since the Group started the manufacturing and sale of automotive interior parts business in around 2014, the business has maintained a sustained and stable development. The Group has successfully obtained orders from the largest electric vehicle manufacturer in China for the automobile interior parts. In addition to this, the Group has also received orders from the domestic leading electric vehicle battery manufacturers and expanded the business into electric vehicles for the production and sales of aluminum battery parts. The business growth can be expected. However, in order to keep up with the rapid growth of the business, the Group has to invest heavy manpower and resources to maintain the rapid development of the business. Taking into account the current rapidly changing operating environment, the management of the Group believes that resources should be more concentrated on a small number of existing businesses with established scale and potential for development, which enables management making more immediate and precise adjustments to the overall business in a rapidly changing environment.

In view of the above, the Group has decided to dispose 70% of the entire issued share capital in the Target Company, thus converting such assets into available resources for other viable business aspects of the Group and the Directors (including all independent non-executive Directors) consider that the Disposal, the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(5) FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Upon the Completion, the Group's shareholding in the Target Company will decrease from 100% to 30%. The Target Company and its subsidiaries will cease to be indirect wholly owned subsidiaries of the Company and will instead become associates of the Company. As a result, the financial results of the Target Company and its subsidiaries will cease to be consolidated with the Group's consolidated financial statements and instead, the Group will share the financial results of associates.

Based on the preliminary assessment on the unaudited financial information of the Target Group as at 30 September 2022 and the Consideration, it is expected that upon Completion, the Group will record a disposal gain in relation to the 70% interests in the Target Business of approximately HK\$307.8 million before tax.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the Completion Date and the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group. Net proceeds from the Disposal, which have deducted expenses in relation to the Disposal, are estimated to be approximately HK\$383.9 million. The Company intends to use the net proceeds from the Disposal for the Group's working capital purpose.

(6) LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM is expected to be despatched to the Shareholders as soon as practicable.

(7) WARNING

Completion is subject to the satisfaction and/or waiver of the conditions precedent under the Sale and Purchase Agreement as set out in the paragraph headed “Conditions precedent” in the section headed “THE DISPOSAL” of this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the Shares and, if in any doubt, are recommended to consult their professional adviser(s).

(8) DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Days”	a day (other than any Saturday or Sunday) on which banks in Hong Kong are open to general public for business
“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 Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	a date falling within ten (10) Business Days after all the conditions precedent have been fulfilled or waived, where applicable (or such later date as the parties to the Sale and Purchase Agreement may agree in writing but in any event not later than the Long Stop Date)
“Consideration”	the consideration of HK\$385,000,000 for the Sale Shares payable by the Purchaser to the Vendor under the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company

“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Tongda New Energy Technology Co., Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 December 2022
“PRC”	the People’s Republic of China
“PRC Subsidiary”	a company to be established in PRC as a direct wholly owned subsidiary of the WFOE as part of the Reorganisation
“Purchaser”	VNE Investment Company Limited, a company incorporated in Hong Kong with limited liability
“Purchaser’s Fund”	a private fund in the form of a limited partnership fund to be set up by the Purchaser for the purpose of holding the Sale Shares

“Reorganisation”	the reorganisation of the Target Group whereby upon the completion of the Reorganisation, the Target Company shall hold 100% of the HK Subsidiary, the HK Subsidiary shall hold 100% of the WFOE and the WFOE shall hold 100% of the PRC Subsidiary and the PRC Subsidiary shall acquire the Target Business
“Sale and Purchase Agreement”	the agreement entered into on 11 November 2022 (after trading hours) between the Vendor and the Purchaser in respect of the Disposal
“Sale Shares”	7,000 shares of the Target Company, representing 70% of the entire issued share capital of the Target Company as at the date of this announcement
“Second Instalment Promissory Note”	the promissory note to be issued by the Purchaser in the principal amount of HK\$150,000,000, representing the second instalment payment of the Consideration
“Share(s)”	ordinary share(s) with a nominal value 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
“Target Business”	the manufacturing of interior decorative parts of automotives and the aluminum battery components for electric motor vehicles
“Target Company”	Tongda Overseas Company Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries
“Third Instalment Promissory Note”	the promissory note to be issued by the Purchaser in the principal amount of HK\$100,000,000, representing the third instalment payment of the Consideration

“Vendor”	Tong Da Holdings (BVI) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company
“WFOE”	a wholly foreign-owned enterprise to be established in the PRC as a direct wholly owned subsidiary of the HK Subsidiary as part of the Reorganisation
“%”	per cent.

By Order of the Board
Tongda Group Holdings Limited
Wong Ya Nan
Chairman

Hong Kong, 11 November 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, GBS, SBS, JP and Mr. Ting Leung Huel Stephen as independent non-executive Directors.