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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 THE ENTIRE ISSUED SHARE CAPITAL IN A SUBSIDIARY

THE DISPOSAL

- On 29 March 2023 (after trading hours of the Stock Exchange), Tong Da Development (BVI) Limited, a direct wholly owned subsidiary of the Company, as the Vendor and Golden Market Investments 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 the entire issued share capital of the Target Company, at a consideration of HK\$680,000,000.
- The Completion is subject to the conditions as set out in the paragraph headed “Conditions Precedent” in the section headed “THE SALE AND PURCHASE AGREEMENT” of this announcement.
- Upon Completion, the Company will cease to hold any shares in the Target Company and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

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 on or before 24 April 2023 in accordance with the Listing Rules.

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 SALE AND PURCHASE AGREEMENT" 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 29 March 2023 (after trading hours of the Stock Exchange), Tong Da Development (BVI) Limited, a direct wholly owned subsidiary of the Company, as the Vendor and Golden Market Investments 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 Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$680,000,000.

(2) THE SALE AND PURCHASE AGREEMENT

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

Date: 29 March 2023 (after trading hours of the Stock Exchange)

Parties: (i) the Vendor, Tong Da Development (BVI) Limited; and
(ii) the Purchaser, Golden Market Investments Limited

The Purchaser is an investment holding company incorporated in the BVI and its ultimate beneficial owner is Mr. Liang Zihao. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Asset to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to dispose of, and the Purchaser conditionally agreed to acquire, the Sale Shares, being 50,000 shares of the Target Company and representing the entire issued share capital of the Target Company.

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

Upon Completion, the Company will cease to hold any shares in the Target Company and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

The Consideration

The Consideration in the aggregate amount of HK\$680,000,000 shall be settled by the Purchaser in the following manners:

- (a) as to HK\$60,000,000 paid by the Purchaser to the Vendor in cash as the Deposit prior to entering into of the Sale and Purchase Agreement, which shall form part of the Consideration at Completion; and

- (b) as to HK\$620,000,000 to be paid by the Purchaser to the Vendor in cash at Completion;

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 31 December 2022) as at 31 December 2022 in the amount of approximately HK\$680,000,000, the financial performance of the Target Group set out in the section headed "FINANCIAL INFORMATION OF THE TARGET GROUP" of this announcement, 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" of this announcement.

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.

Conditions Precedent

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

- (a) the Purchaser having been reasonably satisfied with the results of the due diligence review to be conducted on the Target Group;
- (b) the Reorganisation having been completed;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (d) all necessary consents, licences and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;

- (e) the warranties to be given by the Vendor remaining true and accurate in all respects; and
- (f) the warranties to be given by the Purchaser remaining true and accurate in all respects;

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

The Vendor and the Purchaser shall use (to the extent they are able) their respective best endeavours to procure the fulfillment of the above conditions on or before the Long Stop Date. 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 and the Deposit paid by the Purchaser shall be forfeited to the Vendor absolutely and the Vendor shall thereafter have no obligation to return the Deposit to the Purchaser.

Completion

Upon fulfillment (or waiver) of all the conditions precedent to the Sale and Purchase Agreement, Completion shall take place on the Completion Date.

Upon Completion, the Vendor will cease to hold any shares in the Target Company and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

(3) INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company. As at the date of this announcement, the Purchaser is a company incorporated in the BVI and the ultimate beneficial owner is Mr. Liang Zihao. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

(4) INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability. Immediately upon the completion of the Reorganisation, the Target Group is principally engaged in the Target Business.

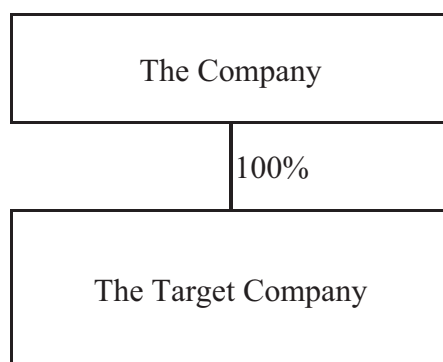
Set out below is the financial information of the Target Group (on the assumption that the Reorganisation had completed on 1 January 2021 and 1 January 2022, respectively) based on its unaudited management accounts:

	For the year ended 31 December 2022 HK\$'000 (unaudited)	For the year ended 31 December 2021 HK\$'000 (unaudited)
Revenue	412,858	536,118
Loss before taxation	(271,575)	(8,633)
Loss after taxation	(271,575)	(8,633)

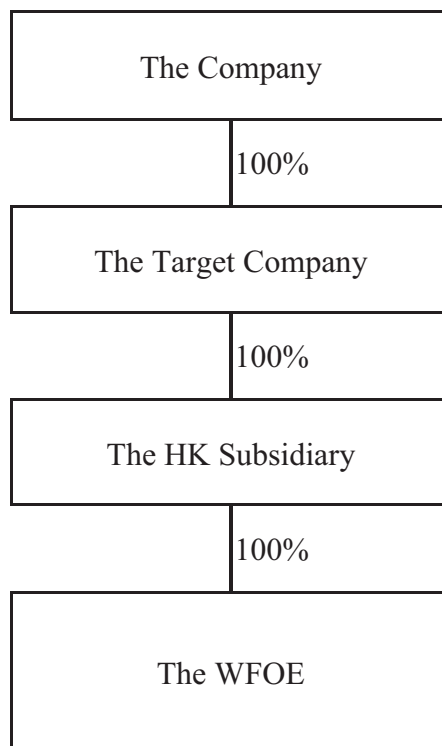
The unaudited value of assets to be disposed under the Target Group (on the assumption that the Reorganisation had completed on 31 December 2022) as at 31 December 2022 was approximately HK\$680,000,000.

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

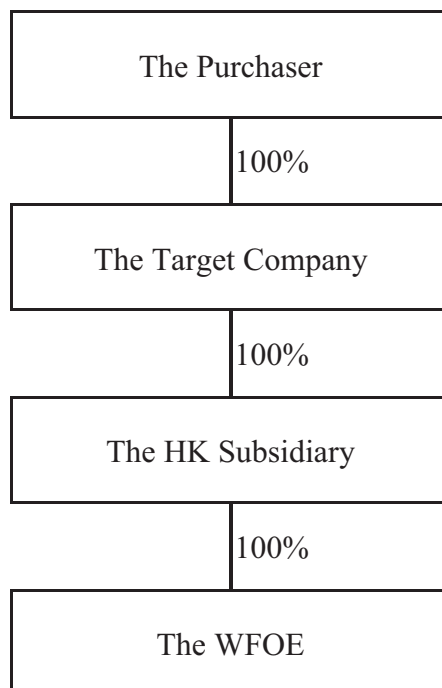
Shareholding structure of the Target Company as at the date of this announcement



Shareholding structure of the Target Company immediately after the Reorganisation



Shareholding structure of the Target Company immediately after Completion



(5) REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is a global 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, network communications facilities and panels for smart electrical appliances.

The Target Business recorded an increase in loss from approximately HK\$8.6 million for the year ended 31 December 2021 to approximately HK\$271.6 million for the year ended 31 December 2022. The unsatisfactory performance of the Target Business was mainly due to the production and operation activities of such business were significantly affected by external challenging operating environment. The order demand and operation of the Target Business continued to be affected by various adverse factors such as macroeconomic uncertainties, sharp deterioration in the property market, sluggish consumer confidence, weak demand, and volatile raw material prices. In addition, a provision of HK\$82.9 million had to be made for slow moving stocks, which resulted in the widening of losses. The underperformance of the Target Business impaired the profitability of the Group as well as its financial position.

On the other hand, although other businesses of the Group also faced challenges in the external operating environment, through internationalisation and transformation in the past few years, the Group has successfully built up a diversified and high quality customer base, coupled with operation reforms, which have significantly improved operational efficiency and mitigated some of the challenges brought about by the external environment.

Taking into account the current rapidly changing operating environment and the financial performance of the Target business and other businesses of the Group, the management of the Group believes that resources should be more concentrated on the specific existing businesses which have established scale and potential for development. This would enable the management to make more spontaneous and precise adjustments to the overall business in a rapidly changing environment. Considering the Target Business only accounted for less than 10% of the Group's total revenue, maintaining the Target Business is not cost effective to generate better return to the Shareholders and is not in line with the Company's future development plan.

In light of the above, the Group seeks to dispose the Target Company to reduce operating costs and to improve the Group's overall profit margin and focus on the other high margin businesses. Since the revenue generated from the Target Business had consistently accounted for a small portion of the Group's total revenue, the Directors are of the view that the Disposal will not materially disrupt the ordinary business and financial performance of the Group.

In view of the above, the Group has decided to dispose the entire issued share capital in the Target Company, which, upon the completion of the Reorganisation, would hold the assets and liabilities of the Target Business, thus converting such assets into available resources for other viable business operations of the Group, 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.

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

Upon Completion, the Company will cease to hold any shares in the Target Group and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Company.

Based on the preliminary assessment on the unaudited financial information of the Target Group as at 31 December 2022 and the Consideration, it is expected that upon Completion, there will be no material financial impact to the Group's profit or loss account.

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\$678 million. The Company intends to use the net proceeds from the Disposal for the repayment of indebtedness of the Group, investment in new potential business opportunities that have synergies with the Group's existing businesses and for the Group's general working capital.

(7) 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 on or before 24 April 2023 in accordance with the Listing Rules.

(8) 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 SALE AND PURCHASE AGREEMENT" 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).

(9) 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 Directors
"Business Day"	a day (other than any Saturday or Sunday) on which banks in Hong Kong are generally open for business throughout their normal business hours

“BVI”	the British Virgin Islands
“Company”	Tongda Group Holdings Limited (stock code: 698), 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”	the date falling on the fifth Business Day after the fulfilment (or waived, where applicable) of the conditions precedent (or such later date as the Vendor and the Purchaser may agree in writing)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration of HK\$680,000,000 for the Sale Shares payable by the Purchaser to the Vendor under the Sale and Purchase Agreement
“Deposit”	the deposit in the sum of HK\$60,000,000 paid by the Purchaser to the Vendor under the Sale and Purchase Agreement
“Director(s)”	the 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”	collectively, the Company and its subsidiaries

“HK Subsidiary”	a limited liability company to be incorporated in Hong Kong as a direct wholly owned subsidiary of the Target Company as part of the Reorganisation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	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”	30 September 2023, or such later date as the Vendor and the Purchaser may agree in writing
“PRC”	the People’s Republic of China
“Purchaser”	Golden Market Investments Limited, a company incorporated in the BVI with limited liability
“Reorganisation”	the reorganisation whereby (i) the HK Subsidiary shall be incorporated in Hong Kong; (ii) the WFOE shall be established in the PRC; and (iii) the WFOE shall become the sole legal and beneficial owner of the assets and liabilities and patents of Tongda Electrics relating to the Target Business
“Sale and Purchase Agreement”	the agreement dated 29 March 2023 entered into between the Vendor and the Purchaser in respect of the Disposal
“Sale Share(s)”	50,000 shares of the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement and immediately prior to Completion
“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 control panels, metal accessories and casings for high-end electrical appliances, and its products include smart home appliances, such as air-conditioners, washing machines and refrigerators business
“Target Company”	Stedfast Investments Holdings Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Tongda Electrics”	福建省石獅市通達電器有限公司(Tongda Electrics Company Limited Shishi City Fujian), an indirect wholly owned subsidiary of the Company, the sole legal and beneficial owner of the assets and liabilities and patents relating to the Target Business immediately prior to the Reorganisation
“Vendor”	Tong Da Development (BVI) Limited, a company incorporated under the laws of the BVI 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
Wang Ya Nan
Chairman

Hong Kong, 29 March 2023

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.