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Tomson Group

TOMSON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 258)

DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN SHANGHAI CHENG QI

THE DISPOSAL

The Board announces that on 22 September 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, as the vendor, and CMCG and Ustar, as the purchasers, entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell the Sale Shares, representing 100% equity interest in Shanghai Cheng Qi, and CMCG and Ustar have conditionally agreed to acquire 53% and 47% of the Sale Shares respectively, at the Consideration in cash. Shanghai Cheng Qi is a limited liability company established in the PRC and is wholly-owned by the Vendor. Shanghai Cheng Qi is principally engaged in property development.

Upon Completion, Shanghai Cheng Qi will cease to be a subsidiary of the Company and its financial results will be deconsolidated from the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 22 September 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, as the vendor, and CMCG and Ustar, as the purchasers, entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell the Sale Shares, representing 100% equity interest in Shanghai Cheng Qi, and CMCG and Ustar have conditionally agreed to acquire 53% and 47% of the Sale Shares respectively, at the Consideration in cash.

THE EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out as follows:

Date

22 September 2023 (after trading hours)

Parties

Vendor: Owina Limited (奧詠有限公司)

Purchasers: China Marine Chemical Group Co., Limited (中國海化集團有限公司)
Ustar Financial Development Holding Group Limited

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchasers and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of

The Vendor has conditionally agreed to sell the Sale Shares, representing 100% equity interest in Shanghai Cheng Qi, and CMCG and Ustar have conditionally agreed to acquire 53% and 47% of the Sale Shares respectively, together with all rights and obligations attaching thereto as at and after the Completion (including any profit declared, paid or payable or other distribution rights after the Completion), free from all Encumbrances (save and except the encumbrances created under the Property Mortgage for the purpose of securing the Purchasers' repayment obligations under the Loan Agreement).

Consideration and payment

The Consideration represents the NAV of Shanghai Cheng Qi which is to be adjusted as at the Settlement Date, taking into account primarily the rental receivables that are to be received by Shanghai Cheng Qi in connection with the Property and the operating costs during the relevant period, which shall be calculated according to the following formula:

NAV of Shanghai Cheng Qi

= (A) Property Value + (B) Book value of Current Assets + (C) Book value of Non-Current Assets – (D) Book value of Liabilities

Where:

- (A) **Property Value** means the value of the Property of RMB398,000,000, which was arrived at after arm's length negotiations between the Parties;
- (B) **Current Assets** comprise of (i) trade receivables, other receivables and prepayments; and (ii) cash and bank balances of Shanghai Cheng Qi as at the Settlement Date;
- (C) **Non-Current Assets** mean all properties, plants and equipment (other than the Property) of Shanghai Cheng Qi as at the Settlement Date; and

- (D) **Liabilities** comprise of (i) trade accounts payable, other accounts payable and accrued expenses; (ii) employee severance payments; and (iii) taxes payable of Shanghai Cheng Qi as at the Settlement Date.

As at 31 August 2023, the NAV of Shanghai Cheng Qi was RMB403,943,574.

The Consideration was determined after arm's length negotiations between the Parties with reference to, among other things, (i) the valuation of the Property of RMB464,900,000 as at 30 June 2023 performed by an independent property valuer; (ii) the remaining period of the land use rights of the site of the Property of less than 20 years; (iii) all the rights and interests of the Vendor in Shanghai Cheng Qi, the Sale Shares and the Property; (iv) the assets and liabilities of Shanghai Cheng Qi; and (v) the reasons for and benefits of the Disposal as set out in the section headed "Reasons for and Benefits of the Disposal" in this announcement below.

The Vendor shall, within four Business Days prior to the Settlement Date, submit to the Purchasers the amount of the Consideration as adjusted by reference to the Settlement Date in accordance with the above formula, and the Purchasers shall confirm the Consideration in writing within two Business Days prior to the Settlement Date. It is expected that the amount of the Consideration will not materially deviate from the NAV of Shanghai Cheng Qi as at 31 August 2023 as the adjustment will primarily take into account the rental receivables that are to be received by Shanghai Cheng Qi and the operating costs during the relevant period, and in any event, the Disposal is expected to remain a discloseable transaction of the Company under the Listing Rules.

The Consideration shall be settled by CMCG as to 53% and by Ustar as to 47% in accordance with the following schedule:

- (a) an earnest money of RMB30,000,000 shall be payable by the Purchasers' related parties in the PRC to the Vendor's related party in the PRC on the date of signing of the Equity Transfer Agreement, which shall be returned without interest to the Purchasers' related parties in the PRC upon the Vendor's receipt of the Deposit (as defined below);
- (b) a payment of 20% of the Consideration (the "**Deposit**") shall be payable by the Purchasers on the Settlement Date and the Deposit shall form part of the Consideration on the Completion Date;
- (c) 20% of the Consideration (the "**Third Payment**") shall be payable by the Purchasers on 8 December 2023; and
- (d) 60% of the Consideration (the "**Fourth Payment**") shall be payable by the Purchasers on 22 December 2023.

Guarantees

On the date of signing of the Equity Transfer Agreement, the Purchasers shall provide the following guarantees to the Vendor:

- (i) a guarantee executed by Suzhou Tongbao New Material Group Co., Limited* (蘇州同保新材料(集團)有限公司), the controlling shareholder of CMCG, as joint liability guarantor in favour of the Vendor, guaranteeing the due and punctual performance by the Purchasers of their obligations under the Equity Transfer Agreement and other transaction documents;

- (ii) a guarantee executed by Ningxia Tongle New Material Technology Co., Limited* (寧夏同樂新材料科技有限責任公司), the indirect wholly-owned subsidiary of CMCG, as joint liability guarantor in favour of the Vendor, guaranteeing the due and punctual performance by the Purchasers of their obligations under the Equity Transfer Agreement and other transaction documents;
- (iii) a guarantee executed by Mr. He Dong (何棟), the largest ultimate beneficial owner of CMCG, as joint liability guarantor in favour of the Vendor, guaranteeing the due and punctual performance by CMCG of its obligations under the Equity Transfer Agreement and other transaction documents; and
- (iv) a guarantee executed by Mr. Wang Yueqian (王越乾), the sole shareholder of Ustar, as joint liability guarantor in favour of the Vendor, guaranteeing the due and punctual performance by Ustar of its obligations under the Equity Transfer Agreement and other transaction documents.

Conditions precedent

Completion is conditional on the following Conditions being satisfied or, as the case may be, waived, on or before the Long Stop Date:

- (i) the representations and warranties of the Vendor given under the Equity Transfer Agreement remaining true, accurate, complete and not misleading in all material respects;
- (ii) there being no Material Adverse Effect, and the major equipment of the Property such as the elevators, fire and security systems are available (save as disclosed previously);
- (iii) the Board having approved the Disposal in accordance with the Listing Rules, and if the approval from the shareholders of the Company or other approvals or consents are required pursuant to the Listing Rules or other approvals or consents are to be acquired by the Vendor or the Company as requested by the Stock Exchange (if any after signing of the Equity Transfer Agreement), such approvals or consents having been obtained; and
- (iv) the documents required by the Market Regulation Bureau for the registration of the change of the Sale Shares have been submitted to the Market Regulation Bureau.

The Conditions (i) and (ii) above may be waived by the Purchasers by notice in writing to the Vendor. The Condition (iii) above cannot be waived. The Condition (iv) above may be waived by the Vendor by notice in writing to the Purchasers, however, the Vendor may request the Purchasers to perform Condition (iv) after Completion and the Purchasers shall complete such obligation within ten Business Days after Completion.

If the Conditions have not been satisfied or, as the case may be, waived by the Long Stop Date, the Parties may terminate the Equity Transfer Agreement by notice to the other Parties within ten Business Days after the Long Stop Date. If the Conditions are not satisfied because of force majeure events and/or the failure to obtain the approval from the shareholders of the Company (if required pursuant to the Listing Rules or requested by the Stock Exchange), the Vendor shall return without interest 53% and 47% of the Deposit, the Third Payment and the Fourth Payment received from the Purchasers to CMCG and Ustar respectively within three Business Days after the date of termination of the Equity Transfer Agreement. If the Conditions are not satisfied because of the Purchasers' default, the Vendor shall forfeit the Deposit and return without interest 53% and 47% of the Third Payment and the Fourth Payment received from the Purchasers to CMCG and Ustar respectively within three Business Days after the date of termination of the Equity Transfer

Agreement. If the Conditions are not satisfied because of the Vendor's default (other than the failure to obtain the approval from the shareholders of the Company (if required pursuant to the Listing Rules or requested by the Stock Exchange)), the Vendor shall pay an amount equivalent to the Deposit to the Purchasers as damages (53% of which to CMCG and 47% of which to Ustar), and return without interest 53% and 47% of the Deposit, the Third Payment and the Fourth Payment received from the Purchasers to CMCG and Ustar respectively within three Business Days after the date of termination of the Equity Transfer Agreement.

Completion

Subject to the Conditions being satisfied or, as the case may be, waived on or before the Long Stop Date, Completion shall take place on the Completion Date.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property is the sole industrial property development of the Group and it is considered a non-core project. It is distant from the other major property projects of the Group in Pudong New Area, Shanghai of the PRC and it is hard to create synergy effect in operation. The Disposal will enable the Group to monetize the value in its investment in the Property accumulated over a period of time since investment and represents an opportunity to enhance the financial flexibility of the Group at this point of time. The Disposal will further strengthen the cash flow and financial position of the Group.

The Company intends to use the proceeds from the Disposal for general working capital and future investment.

As such, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement were negotiated on an arm's length basis and on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in property development and investment, hospitality and leisure business, securities trading, as well as operation of and investment in media and entertainment business.

The Vendor, an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding.

INFORMATION ON THE PURCHASERS

CMCG is a company incorporated in Hong Kong with limited liability and is mainly engaged in investment holding. As at the date of this announcement, Mr. He Dong (何棟) is the largest ultimate beneficial owner of CMCG.

Ustar is a company incorporated in Hong Kong with limited liability and is mainly engaged in international trade, investment and fund management. As at the date of this announcement, Ustar is wholly-owned by Mr. Wang Yueqian (王越乾).

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Purchasers and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ON SHANGHAI CHENG QI AND THE PROPERTY

Shanghai Cheng Qi is a limited liability company established in the PRC and is wholly-owned by the Vendor. Shanghai Cheng Qi is principally engaged in property development and is in possession of a proper legal title to the Property.

The Property comprises an 8-storey management building and four blocks of 7 to 10-storey industrial buildings located at No. 381, 383, 1 Futexi Road, 27 and 29 Huashen Road, 358 Futebei Road, Pudong New Area, Shanghai, the PRC with an approximate gross floor area of 109,359.25 square meters.

Set out below is certain audited financial information of Shanghai Cheng Qi for the two financial years ended 31 December 2022:

	For the year ended 31 December 2021 <i>HK\$'000</i>	For the year ended 31 December 2022 <i>HK\$'000</i>
Revenue	21,350	20,506
Profit before taxation	10,828	14,472
Profit after taxation	9,323	11,102

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, Shanghai Cheng Qi will cease to be a subsidiary of the Company and its financial results will be deconsolidated from the financial statements of the Group.

It is expected that the Company will record a gain on disposal of approximately HK\$54.50 million, which is calculated by reference to the carrying value of Shanghai Cheng Qi in the Company's consolidated accounts, before any adjustments in accordance with the terms of the Equity Transfer Agreement and before taxation.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day other than: (i) a Saturday or Sunday; or (ii) a public holiday in Hong Kong or the PRC; or (iii) a day on which banking institutions in Hong Kong or the PRC are permitted or required to be closed
“CMCG”	China Marine Chemical Group Co., Limited (中國海化集團有限公司), a company incorporated in Hong Kong with limited liability

“Company”	Tomson Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 258)
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the date when the authorised representative of the Purchasers submits the application for the registration of the change of the Sale Shares to the Market Regulation Bureau, or any earlier date as agreed by the Parties in writing
“Condition(s)”	the condition(s) precedent to the Completion as set out in the paragraph headed “Conditions precedent” under the section headed “The Equity Transfer Agreement” in this announcement
“Consideration”	the total consideration for the Disposal, representing the NAV of Shanghai Cheng Qi which is to be adjusted as at the Settlement Date, which shall be calculated according to the formula as set out in the paragraph headed “Consideration and payment” under the section headed “The Equity Transfer Agreement” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the sale and transfer of the Sale Shares by the Vendor to the Purchasers pursuant to the terms and conditions of the Equity Transfer Agreement
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind or any option, equity, claim, adverse interest or other third party right of any kind or any arrangement by which any right is subordinated to any right of such third party or any contractual right of set-off (including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted)
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Vendor and the Purchasers on 22 September 2023 in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement to be entered into between the Purchasers and a bank, pursuant to which the bank shall provide a facility to the Purchasers for the purpose of paying the Fourth Payment to the Vendor
“Long Stop Date”	27 December 2023

“Market Regulation Bureau”	Shanghai Municipal Administration for Market Regulation (上海市市場監督管理局)
“Material Adverse Effect(s)”	any circumstance or event resulting in an adverse change in Shanghai Cheng Qi or the Property or any parts thereof or a loss relating to the operation, physical condition or net liabilities of Shanghai Cheng Qi or the Property amounting to not less than 15% of the Property Value as set out in the paragraph headed “Consideration and payment” under the section headed “The Equity Transfer Agreement” in this announcement (i.e. RMB59,700,000), such amount of loss shall be determined by the insurer of Shanghai Cheng Qi (if applicable) or the amount of loss as determined by an independent third party appraiser jointly appointed by the Vendor and the Purchasers
“NAV”	net asset value
“Parties”	collectively, the Purchasers and the Vendor
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Property”	Tomson Waigaoqiao Industrial Park (湯臣外高橋工業園區) located at No. 381, 383, 1 Futexi Road, 27 and 29 Huashen Road, 358 Futebei Road, Pudong New Area, Shanghai, the PRC
“Property Mortgage”	the property mortgage to be entered into between the bank under the Loan Agreement and Shanghai Cheng Qi, pursuant to which a mortgage over the Property will be created to secure the Purchasers' repayment obligations under the Loan Agreement, the executed version of which shall be provided to the Purchasers on Completion
“Purchasers”	collectively, CMCG and Ustar
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100% equity interest in Shanghai Cheng Qi
“Settlement Date”	27 October 2023, being the date of payment of the Deposit by the Purchasers to the Vendor
“Shanghai Cheng Qi”	Shanghai Cheng Qi Technology Limited (上海城其科技有限公司), a limited liability company established in the PRC and is wholly-owned by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Ustar”	Ustar Financial Development Holding Group Limited, a company incorporated in Hong Kong with limited liability

“Vendor” Owina Limited (奧詠有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent.

By Order of the Board of
TOMSON GROUP LIMITED
Hsu Feng
Chairman & Managing Director

Hong Kong, 22 September 2023

** For identification purpose only*

As at the date of this announcement, the Board comprises three executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr. Albert Tong (Vice-Chairman) and Mr. Tong Chi Kar Charles (Vice-Chairman), and three independent non-executive Directors, Mr. Cheung Siu Ping, Oscar, Mr. Lee Chan Fai and Mr. Ng Chi Him.