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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 IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 22 December 2023, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$60,000,000, subject to the terms and conditions as set out in the Sale and Purchase Agreement.

Upon Completion, the Target Company will be wholly owned by the Purchaser. As such, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is owned as to 25% each by the Wong Brothers, being controlling Shareholders and connected persons of the Company, hence the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition will constitute a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders approval requirement under Chapter 14A of the Listing Rules.

THE ACQUISITION

On 22 December 2023, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$60,000,000, subject to the terms and conditions as set out in the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

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

Date

22 December 2023

Parties

- (a) the Purchaser (as purchaser); and
- (b) the Vendor (as vendor).

As at the date of this announcement, the Vendor is owned as to 25% each by the Wong Brothers, being controlling Shareholders and connected persons of the Company. For details, please refer to the section headed “Listing Rules Implications” in this announcement.

Subject matter of the Acquisition

The Sale Shares, being the entire issued share capital of the Target Company.

Conditions

Completion is conditional upon and subject to the following conditions:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted;
- (b) all necessary consents 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 thereby having been obtained;

- (c) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained;
- (d) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all respects; and
- (e) the obtaining of a legal opinion (in the form and substance satisfactory to the Purchaser) from a firm of PRC legal advisers appointed by the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby.

The Purchaser may at its absolute discretion at any time waive in writing the conditions set out in (a) and (d) above. The conditions set out in (b), (c) and (e) above are incapable of being waived. If any of the above conditions have not been satisfied (or as the case may be, waived) on or before 4:00 p.m. on 31 January 2024, or such later date as the Vendor and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches on the terms thereof.

Consideration

The Consideration for the Acquisition shall be HK\$60,000,000, which shall be paid by the Purchaser to the Vendor or its nominee(s) in cash at Completion.

Basis of Consideration

The Consideration was on normal commercial terms and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement and with reference to the net asset value of the Target Company as at 31 October 2023, the benefits of the Acquisition as set out in the section headed "Reasons for and Benefits of the Acquisition" and the EBITDA guarantee of not less than HK\$12,000,000 provided by the Vendor to the Purchaser under the Sale and Purchase Agreement.

Completion

Completion shall take place on the date falling three Business Days after the fulfillment (or waiver) of the conditions above in accordance with the Sale and Purchase Agreement.

EBITDA guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor guarantees to the Purchaser that the audited consolidated EBITDA of the Target Company will not be less than HK\$12,000,000 for the financial year ending 31 December 2024. If the actual audited consolidated EBITDA of the Target Company for the financial year ending 31 December 2024 as shown in the audited consolidated financial statements of the Target Company for the year ending 31 December 2024 is less than HK\$12,000,000, then the Vendor shall pay to the Purchaser in cash within seven (7) days after the delivery of such financial statements an amount calculated as follows:

$$A = B - C$$

where, A = the amount payable to the Purchaser

$$B = \text{HK\$}12,000,000$$

C = is the actual audited consolidated EBITDA of the Target Company for the financial year ending 31 December 2024. For the avoidance of doubt, should the audited consolidated EBITDA of the Target Company for the year ending 31 December 2024 be negative, C shall be deemed as zero.

INFORMATION OF THE PARTIES TO THE SALE AND PURCHASE AGREEMENT, THE TARGET COMPANY AND THE TARGET GROUP

The Purchaser

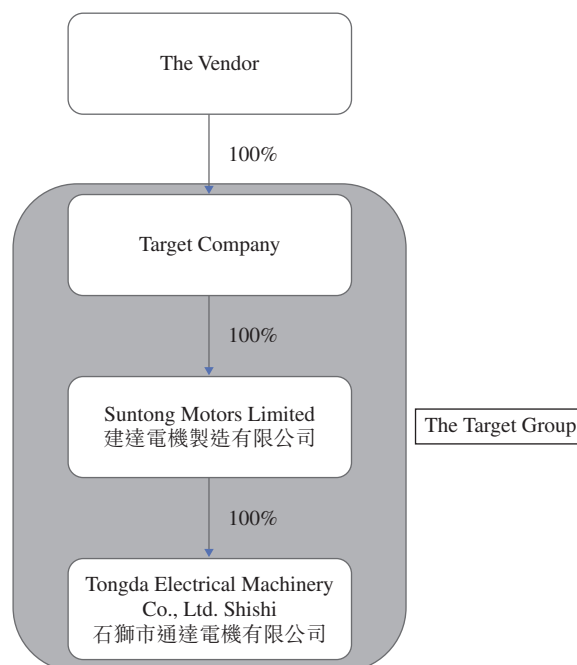
The Purchaser is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. It is an indirect wholly-owned subsidiary of the Company.

The Vendor

The Vendor is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. As at the date of this announcement, it is owned as to 25% each by the Wong Brothers, being controlling Shareholders and connected persons of the Company. Hence, the Vendor is a connected person of the Company.

The Target Company and Target Group

Set out below is the shareholding structure of the Target Company and the Target Group as at the date of this announcement:



The Target Company is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Target Group is principally engaged in the production of small motors, small fans, micro motors and their precision manufacturing.

Financial information of the Target Company

Set out below is a summary of the key financial data of the Target Company based on the audited consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities for the two years ended 31 December 2022 and the ten months ended 31 October 2023:

	For the year ended 31 December		For the
	2021	2022	ten months ended
	HK\$'000	HK\$'000	31 October 2023
			HK\$'000
Revenue	401,679	334,613	216,631
Net profit/(loss) before tax	(63,656)	(2,061)	2,182
Net profit/(loss) after tax	(67,341)	(2,061)	2,182
EBITDA	(49,068)	13,227	22,947

As at 31 October 2023, the unaudited consolidated net assets of the Target Company was approximately HK\$48,536,000.

The original investment costs for the Sale Shares incurred by the Vendor was HK\$110,700,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of manufacture, sale and trading of accessories for electrical appliance products, handset casings, precise injection parts, high-precision components and household goods.

The Group has been continuously exploring various opportunities to expand the Group's businesses and to further diversify its business mix and revenue streams to maximise the return to the Shareholders. Having considered the (i) market potential of the principal business of the Target Group; (ii) the improving financial position of the Target Group; (iii) the EBITDA guarantee provided by the Vendor to the Purchaser under the Sale and Purchase Agreement; and (iv) the principal business of the Target Group of precision manufacturing which complements the existing manufacturing businesses of the Group by (a) elevating its manufacture capability; and (b) consolidate the supply chain, such that the Group could provide the core components as well as decoration parts and casings, the Company is of the view that the Acquisition will create synergy effect for both the existing businesses of the Group and the Target Group, and will benefit the business development of the Group and the Shareholders as a whole.

In view of the aforesaid, the Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Save for Mr. Wang, Mr. Wang Hung Man, Mr. Wong Ming Sik and Mr. Wong Ming Yuet who have abstained from voting on the Board resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder, none of the Directors had a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, or was required to abstain from voting on the relevant Board resolution(s).

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is owned as to 25% each by the Wong Brothers, being controlling Shareholders and connected persons of the Company, hence the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition will constitute a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Tongda Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 698)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected persons”	has the meaning ascribed to it in the Listing Rules and “connected” shall be construed accordingly

“Consideration”	HK\$60,000,000, being the consideration payable by the Purchaser to the Vendor for the Sale Shares
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the 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
“Mr. Wang”	Mr. Wang Ya Nan
“Purchaser”	Tongda Intelligence (BVI) Co Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 December 2023 and entered into between the Purchaser and the Vendor in respect of the Acquisition
“Sale Shares”	all issued shares of the Target Company
“Shareholders”	shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Credence Technology Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Tongda Group (Asia) Limited, a company incorporated in the BVI with limited liability
“Wong Brothers”	Mr. Wang, Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung
“%”	percent.

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

Hong Kong, 22 December 2023

* *For identification purpose only*

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, Mr. Ting Leung Huel Stephen, MH and Mr. Sze Irons, BBS, JP as independent non-executive directors.