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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)

**DISCLOSEABLE TRANSACTION:
ENTERING INTO OF THE ACQUISITION AGREEMENT
IN RELATION TO A LAND IN XIAMEN CITY, THE PRC
AND
CONNECTED TRANSACTION:
PROPOSED FORMATION OF JOINT VENTURE**

On 19 April 2010, after being notified by the relevant PRC authorities of the successful bid of the Company for the Land, the Company entered into the Acquisition Agreement with the relevant PRC Parties pursuant to which Xiamen Housing Bureau has agreed to transfer the Land to the Company at a total cash consideration of RMB63,200,000. It is further estimated by the Directors that the future development and construction costs of the development of the Land will amount to approximately RMB100,000,000.

The entering into of the Acquisition Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules.

On 7 May 2010, the Company entered into the JV Agreement with the Connected Partner pursuant to which the Company and the Connected Partner will form the JV Company such that as to 95% of the equity interests of the JV Company will be owned by the Connected Partner and as to 5% of the equity interests will be owned by the Company and the Company will transfer and the JV Company will accept all rights and obligations, including the payment obligation of the remaining consideration of RMB31,600,000, of the Company under the Acquisition Agreement.

As the Connected Partner is owned as to 100% by the Wong Brothers, the substantial Shareholders of the Company, the Connected Partner is a connected person to the Company (as defined under Chapter 14A of the Listing Rules). Accordingly, the entering into of the JV Agreement constitutes a connected transaction on the part of the Company under the Listing Rules. As each of the percentage ratios (other than the profit ratio) is less than 2.5%, the entering into of the JV Agreement is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules and is exempted from the independent Shareholders' approval requirement.

BACKGROUND OF THE ACQUISITION AGREEMENT

On 29 March 2010, the Company has deposited the Deposit of RMB7,980,000 with the relevant PRC authorities for the bidding of the Land. On or about 8 April 2010, the Company was then notified by the relevant PRC authorities of its successful bid for the Land. The Board has then considered the relevant commercial benefits and risks and a Board meeting has been held on 9 April 2010. In light of the potential risks as concerned by the Directors, it was resolved that the Connected Partner would advance an unsecured and interest-free loan to the Company for the First Stage Consideration (as defined below). After payment of the First Stage Consideration, the Acquisition Agreement was then entered into between the Company and the PRC Parties on 19 April 2010.

THE ACQUISITION AGREEMENT

Date: 19 April 2010

Parties: (1) Xiamen Housing Bureau
(2) The Company
(3) Kaiyuan State-owned Assets
(4) Xiamen Siming Government

Xiamen Housing Bureau is the relevant PRC authority in Xiamen City, the PRC in respect of resources and housing. Kaiyuan State-owned Assets is a company established in the PRC and shall be responsible for verifying the boundary of the Land before the transfer of the Land to the Company in accordance with the terms of the Acquisition Agreement. Xiamen Siming Government is the local municipal government of Siming District, Xiamen City in which the Land is located. To the best of the Directors' knowledge, information and belief, the PRC Parties and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Acquisition Agreement, it was agreed that the Company shall acquire and Xiamen Housing Bureau shall transfer the land use right of the Land to the Company. Such land use right will be ranged for 50 years from 19 April 2010 to 18 April 2060. For further details of the Land, please refer to the section headed “Information of the Land” in this announcement.

Consideration

The total consideration for the Acquisition Agreement would be RMB63,200,000 and shall be settled in cash in the following manner:

- (i) the Deposit of RMB7,980,000 has been paid by the Company at the time of making bidding application;
- (ii) RMB23,620,000 has been paid by the Company on 13 April 2010 (together with the Deposit as the “**First Stage Consideration**”); and
- (iii) the remaining balance of RMB31,600,000 shall be payable by the Company on or before 18 June 2010 (the “**Second Stage Consideration**”).

The consideration for the Land was determined through the auction and bidding process in accordance with the relevant PRC laws and regulations.

The Connected Partner has advanced an aggregate of RMB31,600,000 to the Company for financing the payment of the First Stage Consideration by the Company. Such advancement is interest-free and no security has been given by the Company in favour of the Connected Partner in respect of such advancement.

Pursuant to the terms of the JV Agreement, the Connected Partner shall enter into the Deed of Novation with the Company and the JV Company pursuant to which the Company shall not be liable for repayment of the advancement and such advancement will be deemed as shareholders’ loan granted by the Connected Partner to the JV Company directly.

Effective Date of the Acquisition Agreement

The Acquisition Agreement is effective from the date of execution.

Development of the Land

The Company shall be obliged to complete the development of the Land on or before 19 April 2013 in accordance with the development plan requirements by the relevant PRC planning department. It is further estimated by the Directors that the future development and construction costs of the development of the Land will amount to approximately RMB100,000,000.

Taxation undertaking

The Company undertakes with Xiamen Siming Government that from the third year of acquisition of the Land, the taxation payable by the Company in Xiamen City (other than the taxation for property) for the subsequent five consecutive years shall be not less than RMB10,000,000 per annum.

Information of the Land

The Land is a piece of land located in Siming District, Xiamen City, the PRC with gross floor area of approximately 5,344 square metres. The Land shall be used for development of property for commercial and financial offices.

The total construction area for the development of the Land shall be not more than 29,300 square metres and the property to be developed shall be for office use only. The property to be developed shall be with height less than 100 metres and the construction density shall be not more than 40%.

Xiamen City is one of the first five special economic zones (SEZ) in the PRC and is situated on the southeast coast of Fujian Province, the PRC.

THE JV AGREEMENT

Date: 7 May 2010

Parties: The Company

The Connected Partner

The Connected Partner is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings. As the Connected Partner is owned as to 100% by the Wong Brothers, the substantial Shareholders of the Company, the Connected Partner is a connected person to the Company (as defined under Chapter 14A of the Listing Rules).

The principal terms of the JV Agreement is set out below.

Conditions Precedent

The JV Agreement is subject to the following conditions having been fulfilled:

1. all necessary consents and approvals required to be obtained on the part of the Connected Partner and the Company in respect of the JV Agreement and the transactions contemplated thereunder having been obtained; and

2. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Company) from a PRC legal adviser appointed by the Company in relation to the legality and the validity in respect to the transfer of the rights and obligations of the Acquisition Agreement and the transactions contemplated under the Agreement.

If the conditions are not fulfilled on or before 30 June 2010 (or such later date as the parties to the JV Agreement may agree), the JV Agreement shall cease and terminate and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches thereof.

Formation of the JV Company

The parties to the JV Agreement agreed that the JV Company will be formed such that as to 95% of the equity interests of the JV Company will be owned by the Connected Partner and as to 5% of the equity interests will be owned by the Company. The place of formation of the JV Company shall be determined by the Company and the Connected Partner and the formation of the JV Company shall be in such manner to the satisfaction of both the Company and the Connected Partner. The JV Company shall be formed on or before 15 June 2010 (or such later date as may be agreed between the Company and the Connected Partner).

Capital Commitment

It is agreed that the capital commitment of the Company (including any shareholder's loan advanced by the Company to the JV Company) under the JV Agreement shall be not more than RMB8,160,000, being 5% of the aggregate of the consideration of RMB63,200,000 payable under the Acquisition Agreement and the estimated costs of development of the Land of RMB100,000,000.

The Company intends to finance the capital contribution of JV Company from its internal resources.

As at the date hereof, by the funding provided by the Connected Partner, the Company has paid the First Stage Consideration of RMB31,600,000 to the PRC Parties under the Acquisition Agreement and is accordingly indebted to the Connected Partner. Pursuant to the terms of the JV Agreement, the Connected Partner, the Company and the JV Company shall execute the Deed of Novation pursuant to which the Company shall be released from the repayment of the indebtedness and the JV Company shall assume the indebtedness due to the Connected Partner. Such First Stage Consideration paid shall be deemed as shareholder's loan made by the Connected Partner to the JV Company and the Company will also advance the JV Company a shareholder's loan of approximately RMB1,663,158 in proportion to its interests in the JV Company.

The following table showing the shareholders' loan owed by the JV Company to the parties of the JV Agreement after the aforesaid arrangement:

Shareholders of the JV Company	Shareholders' loan owed by the JV Company
Connected Partner	RMB31,600,000 (95%)
The Company	RMB1,663,158 (5%)

Any further capital commitment and/or shareholders' loan to the JV Company shall be made pro rata by each of the Company and the Connected Partner in accordance with their respective shareholding (5%:95%), subject to the restriction of the cap of capital commitment of the Company of RMB8,160,000 as mentioned above.

Transfer of rights and obligations of the Acquisition Agreement

According to the terms of the JV Agreement, once the JV Company is formed, the Company shall execute such necessary documents to transfer all its rights and obligations of the Company under the Acquisition Agreement to the JV Company (or a wholly owned subsidiary of the JV Company).

After such transfer, the JV Company shall enjoy such rights and shall bear such obligations of the Company under the Acquisition Agreement. In particular, the JV Company shall be obliged to pay the Second Stage Consideration to the PRC Parties in accordance with the terms of the Acquisition Agreement in lieu of the Company and the JV Company shall be responsible for the development of the Land and the corresponding development costs.

As the Land is currently registered under the name of the Company, the parties to the JV Agreement agree that immediately after the JV Company settle the Second Stage Consideration with the PRC Parties, the Company shall procure the registration of the title of the Land under the name of the JV Company and shall assist the JV Company to obtain relevant title documents in respect of the Land.

The Connected Partner agrees to indemnify all costs and expenses paid and to be paid by the Company and the JV Company in relation to the transfer of rights and obligations under the Acquisition Agreement and the transfer of the title of the Land.

Board of directors of the JV Company

The board of directors of the JV Company will comprise not more than five directors, of which not more than four will be appointed by the Connected Partner and not more than one will be appointed by the Company.

The resolutions regarding amendments of the articles of association, dissolution, revision of the registered capital and the amalgamation of the JV Company require the approval by all the directors of JV Company.

The Group will recognize its interests in the JV Company as an investment in its financial statements. The results of the JV Company shall not be consolidated into the financial statements of the Group.

REASONS FOR THE ACQUISITION AGREEMENT AND THE JV AGREEMENT

As at the date of this announcement, the Group is principally engaged in the manufacture and sale of electronic products, electrical accessories, ironware products and electrical appliances in the PRC.

The Directors have been continuing in exploring suitable business opportunities to broaden the revenue base and to diversify the business scope of the Company. The bid for the Land represents an opportunity for the Group to tap into the PRC property development market and the Board is of the view that such opportunity would enhance the Shareholders' value in the long run.

In light of the growing potential of the PRC property market, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Whilst the Directors (including the independent non-executive Directors) consider that the Acquisition Agreement represents a good opportunity for the Group to tap into the PRC property development market, given that (i) the Group does not have extensive experience in PRC property development business; (ii) there will be extensive capital commitment to be payable by the Group if the Company continue to develop the Land by itself; and (iii) it is in the interests of the Company and its Shareholders as a whole for the Group to be prudent before proceeding with new development in the business, the Company determines to enter into the JV Agreement to reduce the associated commercial risks for development of the Land.

The Directors consider that the JV Agreement will substantially reduce the associated risks of the Group for the development of the Land and will also allow the Company to retain interests in the project of the development of the Land.

As such, the Directors (including the independent non-executive Directors) consider the term of the JV Agreement be on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the relevant percentage ratios exceed 5% but less than 25%, the entering into of the Acquisition Agreement constitutes a discloseable transaction on the part of the Company under the Listing Rules.

As the Connected Partner is owned as to 100% by the Wong Brothers, being the substantial Shareholders the Connected Partner is a connected person to the Company (as defined under Chapter 14A of the Listing Rules). Accordingly, the entering into of the JV Agreement constitutes a connected transaction on the part of the Company under the Listing Rules. As each of the percentage ratios (other than the profit ratio) is less than 2.5%, the entering into of the JV Agreement is subject to reporting and announcement requirements under Rule 14A.32 of the Listing Rules and is exempted from the independent Shareholders' approval requirement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acquisition Agreement”	the agreement dated 19 April 2010 entered into between the Company and the PRC Parties in relation to the acquisition of the Land
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of 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 the Stock Exchange
“Connected Partner”	Cloud Ace Limited, a company incorporated in Hong Kong with limited liability and is owned as to 100% by the Wong Brothers
“Deed of Novation”	the deed of novation to be signed among the Company, the JV Company and the Connected Partner upon the incorporation of the JV Company in accordance with the terms of the JV Agreement
“Deposit”	the deposit of RMB7,980,000 paid by the Company at the time of application for bidding of the Land
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“JV Agreement”	the joint venture agreement dated 7 May 2010 entered into between the Company and the Connected Partner in relation to, among others, the formation of the JV Company
“JV Company”	the company to be formed under the JV Agreement for the development of the Land, which will be owned as to 95% by the Connected Partner and as to 5% by the Company
“Kaiyuan State-owned Assets”	廈門市開元國有資產投資有限公司(Xiamen City Kaiyuan State-owned Assets Investments Co., Ltd.), a company established in the PRC
“Land”	the piece of land successfully bid by the Company and acquired under the Acquisition Agreement located in Siming District, Xiamen City, Fujian Province, the PRC with land record number 2010P06
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC Parties”	together Xiamen Housing Bureau, Kaiyuan State-owned Assets and Xiamen Siming Government
“Share(s)”	ordinary 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
“Wong Brothers”	together Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yu and Mr. Wong Ah Yeung, all being executive Directors and substantial Shareholders of the Company through corporate controlled by them

“Xiamen Housing Bureau”	廈門市國土資源與房產管理局(Xiamen State-owned Land Resources and Housing Bureau), the PRC authority in relation to resources and housing in Xiamen City
“Xiamen Siming Government”	廈門市思明區人民政府(Xiamen City Siming District Municipal Government)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 7 May 2010

As at the date of this announcement, the executive Directors are Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu, Wong Ah Yeung, Choi Wai Sang, Wang Ming Che, and independent non-executive Directors are Dr. Yu Sun Say JP, Mr. Ting Leung Huel Stephen and Mr. Cheung Wah Fung, Christopher, JP.