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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)

CONTINUING CONNECTED TRANSACTIONS

On 5 April 2009, Tongda Shanghai, a wholly owned subsidiary of the Company, entered into the First Lease Agreement with Shanghai Baishi pursuant to which Tongda Shanghai has agreed to for the leasing of the Building for a term commencing from 1 June 2009 to 31 May 2010 at a monthly rent of RMB200,000 (equivalent to approximately HK\$237,000).

On 30 March 2010, Tongda Shanghai entered into the Second Lease Agreement with Shanghai Baishi pursuant to which Tongda Shanghai has agreed to for the leasing of the Building for a term commencing from 1 June 2010 to 31 May 2020 at a monthly rent of RMB200,000 (equivalent to approximately HK\$237,000).

On 16 March 2011, Tongda Shanghai entered into the Supplemental Agreement with Shanghai Baishi pursuant to which Tongda Shanghai and Shanghai Baishi has agreed to amend a term of the Second Lease Agreement, such that the expiry of the term of the leasing of the Building was amended from 31 May 2020 to 31 May 2013.

As approximately 58.82% of the registered and paid up capital of Shanghai Baishi is owned by Wong Ah Yeung, an executive Director, Shanghai Baishi is a connected person of the Company. Accordingly, each of the Leases constitutes continuing connected transaction on the part of the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) is less than 5%, each of the Leases are subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules and is exempted from the independent Shareholders' approval requirement.

For the leasing of the Building by Tongda Shanghai to Shanghai Baishi, the Company should have complied with reporting and announcement requirements under the Listing Rules in relation to the First Lease Agreement and the Second Lease Agreement (as amended by the Supplemental Agreement) but failed to do so as and when such obligations arose.

THE FIRST LEASE AGREEMENT

Date: 5 April 2009

Parties: (1) Landlord: Tongda Shanghai, a wholly owned subsidiary of the Company

(2) Tenant: Shanghai Baishi

Shanghai Baishi is principally engaged in manufacturing of ironware parts for electrical appliances. Approximately 58.82% of the registered and paid up capital of Shanghai Baishi is owned by Wong Ah Yeung, an executive Director.

Subject of the First Lease

Pursuant to the First Lease Agreement, Tongda Shanghai agreed with Shanghai Baishi for the leasing of the Building for a term commencing from 1 June 2009 to 31 May 2010 at a monthly rent of RMB200,000 (equivalent to approximately HK\$237,000).

Annual cap

Pursuant to the First Lease Agreement, the annual cap for the year ended 31 May 2010 is RMB2,400,000 (equivalent to approximately HK\$2,848,000).

The annual cap for the year ended 31 May 2010 is determined with reference to the monthly rent as set out in the First Lease Agreement.

The rent was determined with reference to comparable market rent, on normal commercial terms and on terms no less favourable to the Group than terms available to Independent Third Parties.

THE SECOND LEASE AGREEMENT

Date: 30 March 2010

Parties: (1) Landlord: Tongda Shanghai

(2) Tenant: Shanghai Baishi

On 16 March 2011, Tongda Shanghai entered into the Supplemental Agreement with Shanghai Baishi pursuant to which Tongda Shanghai and Shanghai Baishi has agreed to amend a term of the Second Lease Agreement, such that the expiry of the term of the leasing of the Building was amended from 31 May 2020 to 31 May 2013.

Subject of the Second Lease

Pursuant to the Second Lease Agreement (as amended by the Supplemental Agreement), Tongda Shanghai agreed with Shanghai Baishi for the leasing of the Building for a term commencing from 1 June 2010 to 31 May 2013 at a monthly rent of HK\$RMB200,000 (equivalent to approximately HK\$237,000).

Annual cap

Pursuant to the Second Lease Agreement (as amended by the Supplemental Agreement), the annual cap for each of the three years ending 31 May 2013 is RMB2,400,000 (equivalent to approximately HK\$2,848,000).

The annual cap for each of the three years ending 31 May 2013 is determined with reference to the monthly rent as set out in the Second Lease Agreement (as amended by the Supplemental Agreement).

The rent was determined with reference to comparable market rent, on normal commercial terms and on terms no less favourable to the Group than terms available to Independent Third Parties.

REASONS FOR THE LEASES

Each of the First Lease Agreement and the Second Lease Agreement (as amended by the Supplemental Agreement) was arrived at after arm's length negotiation between the parties with reference to comparable market rent, on normal commercial terms and on terms no less favourable to the Group than terms available from Independent Third Parties.

The Directors consider that the Leases will allow Tongda Shanghai to lease out a premises not being occupied by the Group, which will increase the revenue of the Group and enhance the profitability of the Group.

As such, the Directors consider that the terms of the Leases (including the consideration payable thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As approximately 58.82% of the registered and paid up capital of Shanghai Baishi is owned by Wong Ah Yeung, an executive Director, Shanghai Baishi is a connected person of the Company. Accordingly, each of the Leases constitutes continuing connected transaction on the part of the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) is on an annual basis less than 5%, each of the Leases are subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules and is exempted from the independent Shareholders' approval requirement.

The Company has breached the Listing Rules in failing to comply with reporting and announcement requirements under the Listing Rules in relation to the First Lease Agreement and the Second Lease Agreement (as amended by the Supplemental Agreement).

DEFINITIONS

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

“Building”	a factory building situated at No. 555 Sheng Long Road, Jiuting Town, Songjiang Region, Shanghai, the PRC (上海松江區九亭鎮盛龍路555號)
“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
“connected person”	has the meaning ascribed to it in the Listing Rules
“Directors”	directors of the Company
“First Lease”	the leasing of the Building by Tongda Shanghai to Shanghai Baishi from time to time pursuant to the First Lease Agreement
“First Lease Agreement”	the lease agreement dated 5 April 2009 and made between Tongda Shanghai and Shanghai Baishi for the leasing of the Building by Tongda Shanghai to Shanghai Baishi for the term commencing from 1 June 2009 to 31 May 2010
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and its connected persons
“Leases”	the First Lease and the Second Lease
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second Lease”	the leasing of the Building by Tongda Shanghai to Shanghai Baishi from time to time pursuant to the Second Lease Agreement (as amended by the Supplemental Agreement)
“Second Lease Agreement”	the lease agreement dated 30 March 2010 and made between Tongda Shanghai and Shanghai Baishi for the leasing of the Building by Tongda Shanghai to Shanghai Baishi for the term commencing from 1 June 2010 to 31 May 2020

“Shanghai Baishi”	上海百時電器有限公司 (Shanghai Baishi Electric Appliances Company Limited [#]), a company incorporated in the PRC and the tenant under the First Lease Agreement and the Second Lease Agreement (as amended by the Supplemental Agreement)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 16 March 2011 and made between Tongda Shanghai and Shanghai Baishi to amend a term of the Second Lease Agreement
“Tongda Shanghai”	通達(上海)電器裝飾件有限公司 (Tongda (Shanghai) Electric Appliances Parts Company Limited [#]), a company established in the PRC and the landlord under the First Lease Agreement and the Second Lease Agreement (as amended by the Supplemental Agreement)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.8428. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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

Hong Kong, 22 March 2011

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 and 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.

[#] *the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or word.*