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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 REMAINING 30% OF THE ISSUED SHARES IN TONGDA PRECISION TECHNOLOGY COMPANY LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

THE ACQUISITION

The Board is pleased to announce that on 28 August 2018 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor pursuant to which the Purchaser agreed to acquire and the Vendor agreed to dispose of the Sale Shares at the Consideration of HK\$291,720,000. The Consideration shall be satisfied by the Purchaser procuring the Company to allot and issue 182,325,000 Consideration Shares at the Issue Price to the Vendor (or his nominee(s)), credited as fully paid.

LISTING RULES IMPLICATION

As at the date of this announcement, the Target Company is owned as to 30% by the Vendor and 70% by the Purchaser, an indirect wholly-owned subsidiary of the Company. Hence, the Vendor is a substantial shareholder of a subsidiary of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Acquisition and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, and as to whether the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares.

A circular, containing, among other things, (i) details of the Acquisition Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice to convene the EGM, will be despatched to the Shareholders on or before 18 September 2018.

As the Acquisition Agreement is subject to the fulfillment (or waiver) of the conditions precedent as set out in the section headed "Conditions Precedent" in this announcement, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors should exercise caution when dealings in the Shares.

The Board is pleased to announce that on 28 August 2018 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor pursuant to which the Purchaser agreed to acquire and the Vendor agreed to dispose of the Sale Shares at the Consideration of HK\$291,720,000. The Consideration shall be satisfied by the Purchaser procuring the Company to allot and issue 182,325,000 Consideration Shares at the Issue Price to the Vendor (or his nominee(s)), credited as fully paid. Details of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date: 28 August 2018 (after trading hours of the Stock Exchange)

The Purchaser: Tongda (Xiamen) Company Limited

The Vendor: Chen Hsueh Ju

The Vendor is the beneficial owner of 30% of the issued shares of the Target Company, which is owned as to 70% by the Purchaser.

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares. As at the date of this announcement, the Vendor beneficially owns the Sale Shares, representing 30% of the issued shares in the Target Company.

Consideration

Pursuant to the Acquisition Agreement, the Consideration shall be in the sum of HK\$291,720,000, which shall be satisfied by the Purchaser procuring the Company to allot and issue an aggregate of 182,325,000 Consideration Shares at the Issue Price of HK\$1.60 per Share to the Vendor (or his nominee(s)), credited as fully paid, upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation of 30% of the equity interests of the Target Group prepared by Royson Valuation Advisory Limited, an independent valuer, of HK\$301,740,000 under the market approach as at 30 June 2018.

The Consideration Shares

Issue Price

The Consideration Shares will be issued at the Issue Price of HK\$1.60 per Share, which represents:

- (i) a premium of approximately 30.08% over the closing price of HK\$1.23 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 22.89% over the average closing price of HK\$1.302 per Share for the five consecutive trading days immediately preceding the Last Trading Day; and
- (iii) a premium of approximately 7.82% over the average closing price of HK\$1.484 per Share for the thirty consecutive trading days immediately preceding the Last Trading Day.

The Issue Price was arrived at after arm's length negotiations between the parties to the Agreement after taking into account the prevailing market price of the Shares.

Number of Consideration Shares

When allotted and issued, the Consideration Shares represent approximately:

- (i) 2.90% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) 2.81% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Ranking

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue.

Application for listing

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued under the specific mandate and subject to the approval by the Independent Shareholders at the EGM.

Lock up undertakings

The Vendor has undertaken to the Purchaser that, during the relevant periods as detailed below, he will not (and will procure his nominee(s) not to), in respect of the relevant Consideration Shares, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Consideration Shares, save in accordance with the following:

- (a) no disposal of any Consideration Shares is allowed during the period of 1 year from the Completion Date;
- (b) disposal(s) of up to 40% of the initial number of Consideration Shares (i.e. up to 72,930,000 Consideration Shares) is allowed during the period from the 1st anniversary of the Completion Date to the 2nd anniversary of the Completion Date;
- (c) disposal(s) of up to 70% of the initial number of Consideration Shares (i.e. up to 127,627,500 Consideration Shares inclusive of any Consideration Shares disposed of pursuant to (b) above) is allowed during the period from the 2nd anniversary of the Completion Date to the 3rd anniversary of the Completion Date; and
- (d) disposal(s) of up to 100% of the initial number of Consideration Shares (i.e. up to all the 182,325,000 Consideration Shares) is allowed during the period from the 3rd anniversary of the Completion Date and thereafter.

Non-competition and non-solicitation undertakings

For a period of two (2) years following Completion, except for agreed to in writing by the Purchaser, the Vendor shall not on behalf of himself or any other person in any capacity:

- (i) directly or indirectly own, manage, operate or control, or be employed by, any business in the PRC, Hong Kong, Singapore, Malaysia, the United States of America and India which competes with the business of the Target Company or the Target Subsidiaries in the said region; or
- (ii) directly or indirectly solicit or entice away any person who is or has been a customer of the Target Company or the Target Subsidiaries within five (5) years before Completion; or
- (iii) directly or indirectly solicit or endeavour to entice away from or discourage from being employed by the Target Company or the Target Subsidiaries any person who is at the date of the Acquisition Agreement an officer or employee of the Target Company or the Target Subsidiaries; or

- (iv) directly or indirectly employ or engage or attempt to employ or engage or negotiate or arrange the employment or engagement by any other person, firm or company of any person who is at the date of the Acquisition Agreement an officer or employee of the Target Company or the Target Subsidiaries.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (a) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (b) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (c) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) by poll to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares);
- (d) the representations and warranties given by the Vendor in relation to the Acquisition Agreement remaining true and accurate in all respects;
- (e) the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) from a firm of independent professional valuers appointed by the Purchaser with a valuation of 30% of the equity interests of the Target Group under the market approach of not less than HK\$300,000,000;
- (f) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of and permission to deal in the Consideration Shares; and
- (g) certain employees of the Target Subsidiaries designated by the Purchaser having entered into employment contracts with the relevant subsidiaries for a fixed term until 31 December 2021 (which may be automatically renewed at the end of the initial term).

The Vendor shall use its best endeavour to procure the fulfillment of conditions (a), (d), (e) and (g) above, while the Purchaser shall use its best endeavour to procure the fulfillment of conditions (b), (c), (e) and (f) above.

The Purchaser may at any time before Completion by writing to the Vendor waive condition (d) above. All other conditions above are incapable of being waived. If the above conditions have not been satisfied (or otherwise waived) on or before 4:00 p.m. on 30 November 2018, or such later date as the Vendor and Purchaser may agree in writing, the Acquisition Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Subject to the fulfillment or waiver (as the case may be) of the above conditions, Completion shall take place at 4:00 p.m. on the Completion Date.

Immediately upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and their financial results will continue to be consolidated into the Company's consolidated financial statements.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, the Target Company is owned as to 30% by the Vendor and 70% by the Purchaser. The Target Company holds the entire equity interests in Tongda Elastomers, a company established in the PRC with limited liability and principally engaged in the manufacture and sale of rubber products. The Target Company also holds the entire issued share capital of Tongda Singapore, a company incorporated in Singapore with limited liability and is principally engaged in business and management consultancy services. The original acquisition cost of 30% of the equity interests of the Target Group to the Vendor was approximately HK\$10,500,000.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the year ended 31 December 2016 and 31 December 2017 prepared in accordance with Hong Kong Financial Reporting Standards:

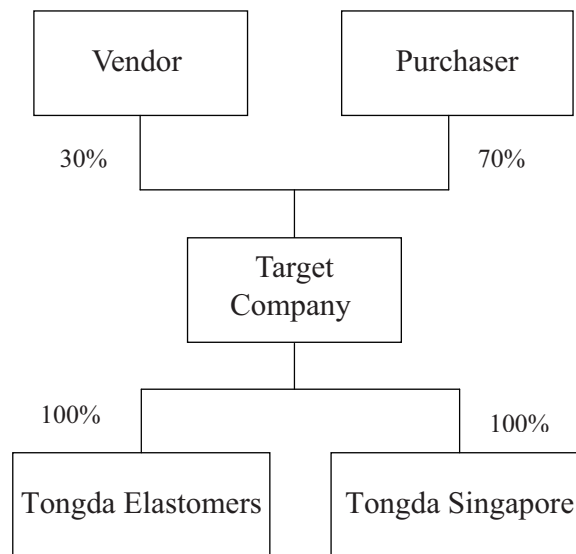
	Year ended 31 December	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	76,954	203,670
Profit after income tax	63,716	172,718

The unaudited net assets of the Target Group as at 31 December 2017 amounted to approximately HK\$249,658,000.

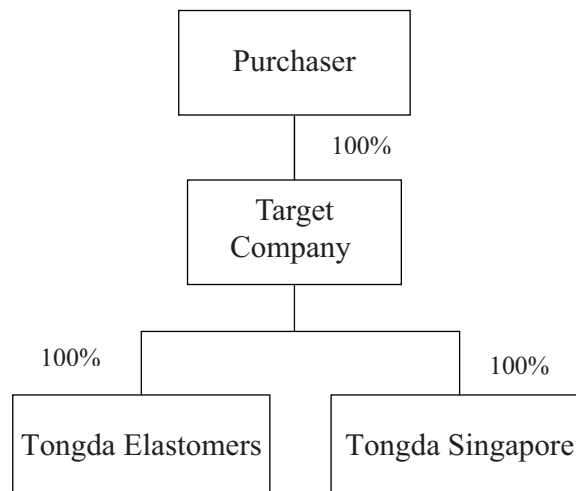
Structure of the Target Group

The following charts show the group structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:

As at the date of this announcement



Immediately after Completion



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a one-stop solution provider of high-precision components for consumer electronics products, principally engaged in the design and production of the casings and components of handsets, electrical appliances, ironware parts, communication facilities and other products, and the provision of a wide range of casings made by high precision plastic, metal and composite materials.

Upon Completion, the Group will further increase its controlling interest in the Target Company, which will enable it to benefit from the additional positive contribution generated from the Target Group. The Group will also have a greater influence over the development of the Target Group and the Acquisition is therefore in line with the long term business strategy of the Group. The Directors considered that the Acquisition will provide an opportunity to enhance the Group's financial performance and return to the Shareholders in the long run.

Based on the above, the Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from the Independent Financial Adviser) consider that the entering into of the Acquisition Agreement and the terms of the Acquisition, including the Consideration, are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

EFFECTS OF THE ACQUISITION ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structures of the Company (i) as at the date of this announcement; and (ii) upon Completion and immediately after the allotment and issuance of the Consideration Shares:

	As at the date of this announcement		Upon Completion and immediately after the allotment and issuance of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Substantial Shareholders				
Landmark Worldwide Holdings Limited (<i>Note 1</i>)	1,508,490,000	23.96	1,508,490,000	23.28
E-Growth Resources Limited (<i>Note 2</i>)	296,000,000	4.70	296,000,000	4.57
Directors				
Mr. Wang Ya Nan	406,810,000	6.46	406,810,000	6.28
Mr. Wang Ya Hua	91,220,000	1.45	91,220,000	1.41
Mr. Wong Ah Yeung	119,300,000	1.89	119,300,000	1.84
Mr. Choi Wai Sang	32,750,000	0.52	32,750,000	0.51
Faye Limited (<i>Note 3</i>)	78,750,000	1.25	78,750,000	1.22
Mr. Wang Ming Che	3,000,000	0.05	3,000,000	0.05
Mr. Wong Ah Yu	96,460,000	1.53	96,460,000	1.49
Dr. Yu Sun Say	21,610,000	0.34	21,610,000	0.33
Mr. Cheung Wah Fung, Christopher	5,950,000	0.09	5,950,000	0.09
Mr. Ting Leung Huel Stephen	6,450,000	0.10	6,450,000	0.10
The Vendor	–	–	182,325,000	2.81
Other public Shareholders	<u>3,630,390,097</u>	<u>57.66</u>	<u>3,630,390,097</u>	<u>56.02</u>
Total	<u>6,297,180,097</u>	<u>100.00</u>	<u>6,479,505,097</u>	<u>100.00</u>

Notes:

1. Landmark Worldwide Holdings Limited is an investment holding company incorporated in the BVI with limited liability, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yeung, each an executive Director and Wong Ah Yu, a non-executive Director.
2. E-Growth Resources Limited is an investment holding company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan, an executive Director.
3. 78,750,000 of these shares are held by Faye Limited, a company incorporated in the BVI and the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang, an executive Director.

LISTING RULES IMPLICATION

As at the date of this announcement, the Target Company is owned as to 30% by the Vendor and 70% by the Purchaser, an indirect wholly-owned subsidiary of the Company. Hence, the Vendor is a substantial shareholder of a subsidiary of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Acquisition and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, and as to whether the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve by way of poll, among other matters, the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and his associate(s) does not hold any Shares as at the date hereof, and no Shareholder is required to abstain from voting to approve the ordinary resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, at the EGM.

A circular, containing, among other things, (i) details of the Acquisition Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice to convene the EGM, will be despatched to the Shareholders on or before 18 September 2018.

As the Acquisition Agreement is subject to the fulfillment (or waiver) of the conditions precedent as set out in the section headed “Conditions Precedent” in this announcement, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 28 August 2018 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks 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 and the issued Shares of which are listed on the Stock Exchange (stock code: 698)

“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Acquisition Agreement
“Completion Date”	the date falling on the third Business Days after the date of fulfillment of the conditions precedent set out in the Acquisition Agreement or such later date as the Purchaser and the Vendor may agree
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Purchaser for the Sale Shares
“Consideration Shares”	182,325,000 new Shares to be allotted and issued by Company to the Vendor for the purpose of settlement of the Consideration, at the Issue Price of HK\$1.60 each, representing approximately 2.81% of the enlarged issued share capital of the Company immediately after the allotment and issuance of Consideration Shares
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors

“Independent Financial Adviser”	INCU Corporate Finance Limited, a licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser appointed to advise and make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who have a material interest in the Acquisition Agreement and the transactions contemplated thereunder
“Issue Price”	the issue price of HK\$1.60 per Consideration Share
“Last Trading Day”	28 August 2018, being the last trading day of the Shares immediately prior to the release of this announcement
“Listing Committee”	the Listing Committee of the Stock Exchange
“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, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Tongda (Xiamen) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	an aggregate of 1,500,000 issued shares of the Target Company, representing 30% of its issued shares, which are beneficially owned by the Vendor as at the date of the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Tongda Precision Technology Company Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and the Target Subsidiaries
“Target Subsidiaries”	Tongda Elastomers and Tongda Singapore
“Tongda Elastomers”	通達(廈門)精密橡塑有限公司 (Tongda (Xiamen) Elastomers Co., Ltd.*), a company established in the PRC with limited liability
“Tongda Singapore”	Tongda Precision Technology (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability
“Vendor”	Chen Hsueh Ju
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

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

Hong Kong, 28 August 2018

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