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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)

VERY SUBSTANTIAL DISPOSAL DISPOSAL OF THE BUSINESS

THE DISPOSAL

The Board is pleased to announce that on 22 December 2023 (after trading hours), the Company, the Seller and the Purchaser entered into the Business Transfer Agreement, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Business in accordance with the terms and conditions of the Business Transfer Agreement.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Business Transfer Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.60(7) of the Listing Rules, a circular containing, among other things, (i) further details of the Business Transfer Agreement, (ii) a notice convening the EGM, and (iii) other information as required to be disclosed under the Listing Rules shall be despatched to the Shareholders within 15 business days after publication of this announcement. As more time is required to prepare and finalise information to be included in the circular, the circular is currently expected to be despatched to the Shareholders on or before 29 February 2024.

WARNING

Closing is subject to the satisfaction and/or waiver of the conditions precedent under the Business Transfer Agreement as set out in the section headed “*Conditions Precedent*” of this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and, if in any doubt, are recommended to consult their professional adviser(s).

THE DISPOSAL

The Board is pleased to announce that on 22 December 2023 (after trading hours), the Company, the Seller and the Purchaser entered into the Business Transfer Agreement in relation to the Disposal.

The principal terms of the Business Transfer Agreement are summarised as follows:

Date

22 December 2023

Parties

- (1) Tongda Precision Technology Company Limited (通達精密科技有限公司), as the Seller;
- (2) Tectum Pacific Pte. Ltd., as the Purchaser; and
- (3) the Company, as the guarantor.

Subject Matter

The Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, free from all encumbrances as at Closing, the Business as a going concern.

As part of the Business, the following assets will be transferred from the Seller to the Purchaser:

- (a) the entire equity interest in Tongda Xiamen OpCo and all issued share of TPT Singapore;
- (b) certain receivables of the Seller in connection with the Business at Closing and related interest (if any);
- (c) all finished goods and other applicable inventories of the Seller for the exclusive use in the Business; and
- (d) all of the Seller's cash and cash equivalents, minus an amount equal to HK\$59,598,100.

The assets held by Tongda Xiamen OpCo and TPT Singapore mainly comprise manufacturing equipment, inventories, employees and intellectual properties relating to the Business.

As part of the Business, from Closing, the Purchaser will assume certain liabilities of the Seller in connection with the Business at Closing and related interest (if any).

Upon Closing, the Seller will cease to hold any shares in the Target Companies, and the Target Group will cease to be subsidiaries of the Company. Upon Closing, the financial results of the Business (including the Target Group) will no longer be consolidated into the consolidated financial statements of the Company.

Consideration

The Consideration shall be HK\$2,015,000,000 in cash, equal to the sum of:

- (a) HK\$1,904,250,000, which shall be paid by the Purchaser to the Seller on Closing; and
- (b) HK\$110,750,000 (the “**Retention Amount**”), which shall be transferred by the Purchaser to an escrow account on Closing. Such amount, after deducting a reasonable estimate of the amount of any outstanding claim by the Purchaser (if any) (“**Outstanding Claim**”), shall be paid out to the Seller and/or the Purchaser in accordance with the joint written instructions of the Seller and the Purchaser on the first Business Day falling on or after 180 days from the Closing Date (the “**Retention Amount Payment Date**”). The amount of the Outstanding Claim shall be retained in the escrow account and be paid out in accordance with the joint written instructions of the Seller and the Purchaser after such claim is resolved in accordance with the Business Transfer Agreement.

Pursuant to the Business Transfer Agreement, the Consideration is allocated as follows: (i) HK\$1,563,000,000 for the entire equity interest in Tongda Xiamen OpCo; (ii) HK\$7,000,000 for all issued share of TPT Singapore; and (iii) HK\$445,000,000 for the receivables, finished goods, and cash and cash equivalents as referred to in the sub-paragraphs (b), (c) and (d) in the section headed “*Subject Matter*” above and net of the assumed liabilities referred to in the section headed “*Subject Matter*” above.

Pursuant to the Business Transfer Agreement, adjustment may be made to the Retention Amount in the following manner:

- (a) on the Retention Amount Payment Date, if the parties agree to apply the Retention Amount towards satisfaction of a claim by the Purchaser, or if there is a determination of the amount payable in respect of such claim, the Seller and the Purchaser shall issue joint written instructions to the escrow agent to pay the amount so agreed or ordered to the Purchaser; and
- (b) if there is no outstanding claim on the Retention Amount Payment Date, or if there is any remaining Retention Amount after the payment made pursuant to paragraph (a) above, the Seller and the Purchaser shall issue joint written instructions to the escrow agent to pay the Retention Amount or such remaining Retention Amount to the Seller.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser with reference to, among other things, the unaudited value of net assets of the Business as at 30 June 2023, the business prospects of the Business and the benefits of the Disposal as set out in the section headed "*Reasons for and Benefits of the Disposal*". The Directors consider that the Consideration is justifiable based on the quantitative analysis set out below:

- (a) from the earnings perspective and based on the unaudited profit after tax of the Business for the year ended 31 December 2022 of approximately HK\$295.0 million, the Consideration would represent a price to earnings ratio ("**P/E Ratio**") of the Business of approximately 6.83 times;
- (b) based on the profit attributable to the owners of the Company for the year ended 31 December 2022 of approximately HK\$137.3 million, the P/E Ratio of the Company would be approximately 8.82 times based on its average market capitalisation of approximately HK\$1,211.1 million calculated using the average trading price of the Shares during the last five trading days immediately prior to the date of this announcement ("**Average Market Capitalisation**");

- (c) the Board has also reviewed the historical P/E Ratios of five companies which are engaged in similar business in the PRC and which are listed on the Stock Exchange or the Shenzhen Stock Exchange (the “**Peer Companies**”), and the P/E Ratios of such Peer Companies ranged from 2.98 times to 301.48 times. The Peer Company with the highest P/E Ratio of 301.48 times is vastly abnormal compared with the P/E Ratios of the remaining Peer Companies whose P/E Ratios ranged from 2.98 times to 36.38 times, and the Board therefore disregarded such Peer Company in determining the Consideration. The Peer Company with the second highest P/E Ratio of 36.38 times also has a much higher P/E Ratio than the Business and the remaining three Peer Companies, and the Board is of the view that such Peer Company is less comparable with the Business in view of its much more diversified customer and product portfolio, leading manufacturing capabilities and leading position in the handset and auto markets, both of which are incomparable to the Business. If the aforementioned two Peer Companies (the “**Excluded Peer Companies**”) are disregarded, the average P/E Ratios of the remaining Peer Companies would be 4.18 times, which is lower than the P/E Ratio of the Business;
- (d) from the asset perspective and based on the unaudited net asset value of the Business as at 30 June 2023 of approximately HK\$1,168.0 million, the Consideration would represent a price to book ratio (“**P/B Ratio**”) of the Business of approximately 1.73 times;
- (e) based on the net asset value of the Company as at 30 June 2023 of approximately HK\$8,031.7 million, the P/B Ratio of the Company would be approximately 0.16 times based on its Average Market Capitalisation. The P/B Ratio of the Business as set out in the preceding paragraph is higher than that of the Company; and
- (f) the Board has also reviewed the historical P/B Ratios of the Peer Companies. The P/B Ratios of the Peer Companies ranged from 0.27 times to 2.64 times and the average P/B Ratio is 1.4 times, which is lower than the P/B Ratio of the Business. If the P/B Ratios of the Excluded Peer Companies are also disregarded, the average P/B Ratio of the remaining Peer Companies would be 0.73 times, which is also lower than the P/B Ratio of the Business.

Taking into account that (i) the P/E Ratio of the Business is higher than the average P/E Ratio of the Peer Companies (not including the Excluded Peer Companies), and (ii) the P/B Ratio of the Business is higher than that of the Company and the average P/B Ratio of the Peer Companies (not including the Excluded Peer Companies), the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

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

- (a) the Company having obtained requisite Shareholders' approval in relation to the Disposal in accordance with the Listing Rules;
- (b) the entry into the following agreements on terms agreed between the Seller and the Purchaser, and satisfaction of all conditions (if any) thereunder:
 - (i) agreements between the Seller's Group (excluding the Target Group) and the Target Group for the transfer of assets, equipment, pre-payments, payables, receivables, inventories, intellectual property rights and/or employees as specified under the Business Transfer Agreement; and
 - (ii) agreement(s) between the Seller's Group (excluding the Target Group) and the Target Group in relation to certain lease agreements as specified under the Business Transfer Agreement;
- (c) the repayment and/or release of all liabilities created by the Target Group pursuant to financing agreements as specified under the Business Transfer Agreement, or the counterparties' waiver of right to terminate or default right exercisable as a result of the Business Transfer Agreement, and (where applicable) such confirmation remaining in full force and effect as at Closing;

- (d) each of the guarantees as specified under the Business Transfer Agreement having been released and discharged in full;
- (e) the Seller having provided evidence that all inter-company balances between the Target Group and the Seller's Group have been fully settled; and
- (f) the Purchaser or the Target Group having entered into all documents required for the continuance of the Business after Closing with each of the Key Customer and top customers of the Business.

The Purchaser may at any time waive in whole or in part any of the aforementioned conditions precedent other than the condition precedent set out in paragraph (a) above. If the aforementioned conditions precedent are not satisfied or waived on or before 30 September 2024 or such other date as may be agreed between the Purchaser and the Seller, the Purchaser may terminate the Business Transfer Agreement, provided that the Purchaser shall not have right to terminate if its failure to perform any of its pre-Closing obligations under the Business Transfer Agreement has been the principal cause of the failure of Closing to occur. Neither the Seller nor the Purchaser shall have any claim against the other party, except in respect of any antecedent breach.

Closing

Following satisfaction or waiver of all the conditions precedent to the Business Transfer Agreement, Closing shall take place on the Closing Date.

Indemnity

The Seller agrees to indemnify the Purchaser or the Target Group against:

- (a) any liability of the Seller (excluding the Target Group) in respect of the Business not assumed by the Purchaser, and any losses incurred by the Purchaser or the Target Group in respect of Business contracts by reason of non-performance by the Seller or the Target Group prior to Closing; and

- (b) losses which the Purchaser or the Target Group may sustain by reason of any breach of the leakage warranties as set forth in the Business Transfer Agreement, such leakage warranties primarily comprising (i) the Seller warranting that there has not been any leakage of value from the Target Group by the Seller, including for example through dividend paid to the Seller or the Seller's Group (excluding the Target Group and the Business) from the locked-box date (being 30 June 2023) to the date of the Business Transfer Agreement, and (ii) the Seller undertaking to procure that there will be no such leakage of value between the date of the Business Transfer Agreement and the Closing Date.

The Seller has also given customary pre-Closing tax indemnities in favour of the Purchaser.

The Seller agrees to indemnify the Purchaser or the Target Group against losses which the Purchaser or the Target Group may sustain by reason of certain issues identified under the Business Transfer Agreement.

Save for claims in relation to any breach of the leakage warranties as set forth in the Business Transfer Agreement, the maximum aggregate liability of the Seller in respect of all claims under the Business Transfer Agreement will not exceed 100% of the Consideration, being HK\$2,015,000,000, except in the case of fraud, wilful misconduct or wilful concealment by the Seller, the Target Group or any of their respective directors, officers, employees or agents.

In the event of any breach of the leakage warranties, the Seller shall indemnify the Purchaser or the Target Group against losses which the Purchaser or the Target Group may sustain by reason of any breach of the leakage warranties. If there is any leakage by the Target Group from the locked-box date to the Closing Date, the Seller shall reimburse the Purchaser for an amount equal to the leakage amount.

Guarantee

Subject to a cap of HK\$155,000,000, the Company guarantees to the Purchaser the due and punctual performance by the Seller of its warranties, indemnities and undertakings as set forth in the Business Transfer Agreement (the "**Guaranteed Obligation**"), and agrees to indemnify the Purchaser or the Target Group against all losses which the Purchaser or the Target Group may sustain by reason of any breach by the Seller of the Guaranteed Obligation that arises on or before the day falling one year after the Closing Date.

Termination

The Seller and the Purchaser may by mutual written consent terminate the Business Transfer Agreement at any time prior to Closing. The Seller and the Purchaser may also terminate the Business Transfer Agreement if the other party does not comply with its Closing obligations. In addition, the Business Transfer Agreement may be terminated by the Purchaser at any time prior to Closing upon occurrence of any of the following events:

- (a) any event occurring which has or is likely to have a material adverse effect on the Business;
- (b) the Key Customer ceasing to be a customer of the Business or any of the Key Customer or the Seller's Group materially breaching the terms of any contractual arrangement relating to the Business, or the Key Customer notifying the Seller's Group that it intends to terminate its commercial relationship relating to the Business; or
- (c) the Key Person being dead, becoming permanently disabled, ceasing to be employed by a member of the Target Group or failing to execute an employment agreement with the Purchaser.

Non-Compete Undertaking

Each of the Seller and the Company undertakes with the Purchaser and the Target Group that no member of the Seller's Group (excluding the Target Group and the Business), and no executive director of the Company agreed by the Seller and the Purchaser will, during the two years commencing on Closing or such shorter period of time recognised by applicable law as being binding on the Seller or the Purchaser (as applicable), for its own account or for that of any person:

- (a) directly or indirectly carry on, be engaged in or be economically interested in any business in India which is of the same type to the business of supplying liquid silicone rubber moulding, metal injection moulding, compression moulding, computer numerical machining, metal stamping and any combination thereof;
- (b) solicit any person or company who has within two years prior to Closing been an end customer of the Business; or
- (c) subject to customary carve-outs, induce or seek to induce the senior employees who are immediately prior to Closing employed in the Target Group or the Business to become employed by the Seller's Group.

Failure to comply with such non-compete undertaking by the Seller would constitute a breach of the Business Transfer Agreement by the Seller, and would entitle the Purchaser to claim damages from the Seller, which are subject to the maximum liability as set out in the section headed “*Indemnity*” above.

The non-compete undertaking under the Business Transfer Agreement was requested by the Purchaser to protect the Purchaser’s interests and was in commercial nature beneficial to the Purchaser. Such undertaking was agreed to after arm’s length negotiations between the Seller and Purchaser.

To facilitate the Disposal, the Seller agrees to provide such non-compete undertaking as there are no material downsides to the Group. Taking into account that (i) the Target Group are the only subsidiaries of the Group that are principally engaged in the Business, (ii) the Group has no intention to operate in and further develop the Business after Closing, and (iii) such non-compete undertaking has no material adverse effect for the Group’s other principal businesses, the Directors (including all independent non-executive Directors) are of the view that the terms of the non-compete undertaking are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is a globally leading solution provider of high-precision structural parts for smart mobile communication and consumer electronics products. The Group provides one-stop solution to customers, starting from product design, technical R&D to manufacturing. The Group’s products mainly cover handset casings and high-precision components, metaverse-related hardware accessories, household and sports goods, network communications facilities, aluminium components of battery for new energy vehicles and panels for smart electrical appliances.

During 2023, the recovery in China’s economy after the COVID-19 pandemic was relatively slow, together with global economic activities slowing down as a result of inflation and rising interest rates, which have put significant pressure on consumer confidence and business operations. As a supplier of high-precision parts and components for consumer products, the Group was affected by the difficult external operating environment and the weak consumer market. For the six months ended 30 June 2023, the Group’s total revenue from continuing operations dropped by 29.9%, from HK\$4,039.1 million in the corresponding period last year to HK\$2,831.8 million. The Group has continued to review its strategic planning in a timely manner and, in light of the development potential, opportunities and risks of each of its major businesses, deploy resources prudently, and the Group has continued to optimise its business portfolio and adjust its operating structure.

The Group currently relies mainly on cashflow from operating activities and different interest-bearing borrowings from financial institutions to support the Group's operating activities and other capital expenditures. However, the interest rate is expected to remain high in the coming year. Accordingly, although the Group does not have any imminent funding needs, the Directors are of the view that it is in the best interest of the Company and its Shareholders as a whole to repay the maximum amount of the Group's indebtedness that the Group has available cash to repay under the current economic and credit environment. As at 30 June 2023, the Group had interest-bearing bank and other borrowings of approximately HK\$2.8 billion, amongst which approximately HK\$2.0 billion carry a floating interest rate ("**Floating-Rate Indebtedness**"), which is the type of indebtedness that incurs the highest finance cost expenditures to the Group. As at 30 June 2023, the Group had a cash balance of approximately HK\$1.4 billion, amongst which approximately HK\$0.6 billion was recorded in the financial accounts of 通達創智(廈門)股份有限公司 (Tongda Smart Tech (Xiamen) Co., Ltd.), being a non-wholly owned subsidiary of the Company whose shares are listed on the main board of the Shenzhen Stock Exchange, and its subsidiaries (the "**Tongda Smart Tech Group**"). As the HK\$0.6 billion cash balance is under the accounts of the Tongda Smart Tech Group (which was debt-free as at 30 June 2023), the Company is unable to utilise such cash balance to repay the Group's indebtedness. In addition, the Group requires cash for its operating activities, and it is estimated that the minimum amount of cash required to support the overall operations of the Group (excluding the Tongda Smart Tech Group, whose operations would be supported with the HK\$0.6 billion under their own accounts) would be approximately HK\$0.4 billion. Accordingly, the cash balance that is available to the Company for the repayment of the Group's indebtedness is approximately HK\$0.4 billion. The Company intends to use approximately 80% of the net proceeds from the Disposal (being approximately HK\$1.5 billion) for the repayment of its Floating-Rate Indebtedness, which would enable the Group to largely reduce its finance cost expenditures and improve its liquidity and gearing ratio, thereby leading to a more stable balance sheet and enhancing the Group's overall profitability and business performance. The improvement of the Group's gearing ratio would give the Company stronger bargaining power in negotiations for any future debt facilities that the Group may take out, which would in turn lead to more favourable terms and lower interest rate and finance cost expenditures for the Group. In addition, the Group has witnessed a decrease in its net profits since 2018, and the Group's turnover reached its peak in 2021 before starting a downward trend since 2022, with its turnover having shrank by almost 30% in the first half of 2023 compared to the same period last year. The external economic environment remains full of uncertainties and against the backdrop of a tightening credit environment, the Directors are of the view that it is unlikely that interest rates would show a decreasing trend in the near future. Accordingly, the

Directors are of the view that a reduction in indebtedness level would be beneficial to the Group and would enhance the Group's future prospects as well as the Group's future fundraising capability. The Directors have also considered alternative methods of fundraising for repayment of indebtedness. However, in view of the prevailing capital markets conditions, in particular the stagnant equity and bond markets, as well as the small market capitalisation of the Company (being less than HK\$2 billion), the Directors are of the view that the Disposal would be the most appropriate means to raise funds for repayment of the Group's indebtedness.

The Board has observed that foreign-branded customers of the Business are moving their production bases from the PRC to overseas. If the Group did not proceed with the Disposal, it is likely that the Group would need to set up production facilities for the Business overseas, which would result in more capital investment and higher risks that are inevitably coupled with such overseas expansion. On the other hand, by disposing of the Business, the Group would free up more working capital as well as manpower which can and will be used to further expand its remaining businesses with established scale and potential for development, including its handset casings business, its household and sports goods business, its network communication business and its EA Business.

The Group's handset casing business currently covers all major handset brands worldwide. In the past few years, with the assistance of internationally renowned consultants and the Group's own efforts in restructuring, the Group has made remarkable improvements in its operation and management, which have given the Group great competitive advantage in terms of cost-efficiency and have enabled the Group to expand its market share with existing customers. Meanwhile, the Group has started mass-production of its new model handset casings for the new model smartphone of an internationally renowned technology brand. The Group expects to be able to supply more different components for different new model smartphones in the future, which will help increase the overall sales and gross profit margin of the Group's handset casing business.

In respect of the household and sports goods business, the Group has been cooperating with a number of giant household and sports goods brands in Europe and the U.S. for a long period of time. During the six months ended 30 June 2023, the Group successfully completed the spin-off and listing of its household and sports goods business on the Main Board of the Shenzhen Stock Exchange, which further enhanced the Group's operational strength in the relevant market. Meanwhile, as a move to expand its household and sports goods business, the Group has built several new factories which are now in operation. All of the above factors have strengthened the cooperation intention between the existing giant brand customers and the Group, and at the same time increased the attractiveness of cooperation to new customers. Apart from the existing giant brand customers in Europe and the U.S., the Group has commenced new business relationships with a number of giant consumer brand customers, including the world's top 50 Spanish retailer, a high-end consumer brand customer in the U.S. and a Chinese coffee shop chain. During the six months ended 30 June 2023, the Group also became a qualified supplier to a supermarket chain in the U.S.. The Group is confident that the abovementioned achievements will provide momentum for a rapid sales growth in the future.

For the network communication business, the Group expects that the seventh generation of wireless network (Wi-Fi 7) router applications will be popularised, driving the demand for network communication products. In addition, the Olympic Games to be held in Paris in the coming year will also help its related customers in network communication to promote their new model products. Meanwhile, the Group will start providing cooling modules for artificial intelligence (A.I.) server. The Group believes the abovementioned factors will be favourable to the development of the network communication business of the Group in the coming year and will bring satisfactory sales growth to the Group.

In addition, the Group has been engaging in the business of manufacturing of control panels, metal accessories and casings for high-end electrical appliances, and its products include smart home appliances, such as air-conditioners, washing machines and refrigerators (the “**EA Business**”) for over 20 years with matured technology and competitive advantage over its industry peers. The Group has a long-established business relationship with Haier Group Corporation, a Chinese multinational home appliances and consumer electronics company and one of the largest electrical appliance providers in the PRC market. In the second half of 2023, the PRC government has implemented policies and provided subsidies that aim to stimulate the growth of the industry of the EA Business (the “**EA Market**”), such as “The Notice from 13 Departments including the Ministry of Commerce on Certain Measures to Promote Household Consumption (商務部等13部門關於促進家居消費若干措施的通知 (商消費發號))”, which was released on 12 July 2023. With the PRC government’s incentivising policies, the Directors are confident in the business prospects of the EA Business. In view of the current policy environment (which is favourable to the EA Market), and the improving market conditions for the EA Market, after the Disposal, the Group will devote more resources to actively solicit opportunities to acquire businesses that could potentially create synergy with the EA Business and expand the scale and profitability of the EA Business.

The Group is also actively exploring the application of its existing production facilities and technologies for high precision electronic components in the development of high margin non-electronic consumer goods customers and has obtained initial positive results. The Group will continue and deepen its explorations through different channels and forms, with the goal of increasing the Group’s capacity utilisation and high margin customers.

In view of the above, the Group has decided to dispose of the Business, and the Directors (including all independent non-executive Directors) are of the view that the Disposal, the terms and conditions of the Business Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Save for the Disposal as contemplated under the Business Transfer Agreement, the Company currently has no intention to make further disposal of its existing business and/or assets, or further downsize or discontinue the Group’s existing business.

INFORMATION ON THE PARTIES AND THE BUSINESS

Information on the Seller

The Seller is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Seller is primarily engaged in trading of high-precision components and investment holding.

Information on the Purchaser

As at the date of this announcement, the Purchaser is wholly-owned by Tectum Global Pte. Ltd. (“**Tectum Global**”), a private company incorporated in Singapore, which is in turn wholly-owned by NT Tectum SPV (“**Tectum SPV**”), an exempted company incorporated with limited liability in the Cayman Islands. Tectum SPV is wholly-owned by NT Tectum CI, an exempted company incorporated with limited liability in the Cayman Islands, which is in turn wholly-owned by Novo Tellus PE Fund 3, L.P. (“**NT3**”), a private equity fund incorporated in the Cayman Islands, the general partner of which is ultimately controlled by Mr. Wai San Loke.

It is contemplated that prior to Closing, Tectum SPV and NT Tectum CI will obtain financing from equity investors. Upon completion of such equity financing, Tectum SPV will become (i) 66.67%-owned by NT Tectum CI, which will be controlled by NT3, the general partner of which is ultimately controlled by Mr. Wai San Loke; and (ii) 33.33%-owned by 65 Equity Partners, an independently managed wholly-owned investment platform of Temasek, a global investment company headquartered in Singapore.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners, both as at the date of this announcement and upon completion of the aforementioned equity financing by the Purchaser, are Independent Third Parties.

Information on the Business

As at the date of this announcement, the Target Companies are indirect wholly-owned subsidiaries of the Company, and are primarily engaged in manufacturing and sale of high-precision components. As part of the Disposal, the Company will undergo certain internal reorganisation, whereby Tongda Optoelectronics Technology Co. Ltd. Shishi* (石獅市通達光電科技有限公司), an indirect wholly-owned subsidiary of the Company, will enter into a business transfer agreement with Tongda Shishi OpCo, pursuant to which the former will transfer to the latter certain assets and liabilities relating to the Business (comprising, among other things, manufacturing equipment, inventories, rights and obligations under contracts, employees as well as intellectual properties). Such internal reorganisation will be completed before Closing.

Although the Business has been recorded under the handset casings and high-precision components segment in the Company's financial statements, the Group has always operated the Business independent from its handset casings business. There is no overlap between the key management and the employees of the two businesses. The manufacturing of high-precision components (i.e. the Business) and the manufacturing of handset casings are carried out in different production workshops (車間), and there are separate bookkeeping and financial records for the Business and the handset casings business. While there exists certain overlap in customers, which is inevitable as there are a limited number of major manufacturers ("OEM") to serve the smartphone brands in the market, the Group enters into separate contracts with such customers for the production of high-precision components under the Business and the production of handset casings. Furthermore, the end customers that are behind the OEMs of the Business and the handset casings business are different and independent, and there exists no overlap in such end customers between the two businesses. Accordingly, the internal reorganisation and the Disposal would not have any material impact on the Group's handset casings business or other business segments of the Group.

Set out below is the financial information of the Business based on unaudited pro forma financial accounts of the Business, assuming that the internal reorganisation had been completed on 1 January 2021 and 1 January 2022, respectively:

| | For the year ended | |
|-------------------|---------------------------|-----------------|
| | 31 December | |
| | 2021 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Profit before tax | 226,222 | 348,146 |
| Profit after tax | 177,643 | 294,991 |

The unaudited consolidated net assets value of the Business to be disposed of as at 30 June 2023 (based on unaudited pro forma financial accounts of the Business, assuming that the internal reorganisation had been completed on 30 June 2023) was approximately HK\$1,168,040,000.

Based on unaudited pro forma financial accounts of the Business for the six months ended 30 June 2023, assuming that the internal reorganisation had been completed on 1 January 2023, the loss before tax of the Business is HK\$28,116,000, and the loss after tax of the Business is HK\$35,434,000.

FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Based on the preliminary assessment on the unaudited consolidated net assets value of the Business to be disposed of as at 30 June 2023 and the estimated net proceeds from the Disposal, it is expected that upon Closing, the Group will record a gain on the Disposal in the amount of approximately HK\$639.7 million.

The estimated gain on the Disposal set out in the preceding paragraph was arrived at on the assumption that Closing took place on 30 June 2023, and the actual gain or loss as a result of the Disposal to be recorded by the Group is subject to any changes to the aforementioned unaudited financial information on the Closing Date, the performance of the Business from 1 July 2023 to the Closing Date as well as the review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

Net proceeds from the Disposal, which have deducted expenses in relation to the Disposal, are estimated to be approximately HK\$1,807,780,000. The Company intends to use approximately 80% of the net proceeds from the Disposal for the repayment of some existing indebtedness of the Group in the three months after Closing, and the remaining approximately 20% of the net proceeds from the Disposal for the Group's general working capital in the six to twelve months after Closing.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Business Transfer Agreement and the transactions contemplated thereunder.

To the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Business Transfer Agreement and therefore no other Shareholder is required to abstain from voting on the proposed resolution(s) approving the Business Transfer Agreement at the EGM.

In order to enhance deal certainty, and at the request of the Purchaser, Mr. Wang Ya Nan, Landmark Worldwide Holdings Limited and E-Growth Resources Limited, each directly holding 691,395,000 Shares, 2,375,250,000 Shares and 444,000,000 Shares, representing approximately 7.10%, 24.40% and 4.56% of the total number of Shares in issue, respectively, have each entered into a voting undertaking with the Purchaser, pursuant to which they have agreed to, among other things, vote in favour of the resolution(s) to be proposed at the EGM relating to the approval of the Business Transfer Agreement or any actions that are reasonably necessary for the implementation of the Disposal. For the avoidance of doubt, each of Mr. Wang Ya Nan, Landmark Worldwide Holdings Limited and E-Growth Resources Limited has no relationship with the Purchaser other than both being parties to the aforementioned voting undertaking. Each of Mr. Wang Ya Nan, Landmark Worldwide Holdings Limited and E-Growth Resources Limited is not a party to the Business Transfer Agreement, and is not a close associate of the Purchaser. The Disposal does not confer upon Mr. Wang Ya Nan, Landmark Worldwide Holdings Limited and E-Growth Resources Limited or their close associate a benefit (whether economic or otherwise) not available to the other Shareholders.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.60(7) of the Listing Rules, a circular containing, among other things, (i) further details of the Business Transfer Agreement, (ii) a notice convening the EGM, and (iii) other information as required to be disclosed under the Listing Rules shall be despatched to the Shareholders within 15 business days after publication of this announcement. As more time is required to prepare and finalise information to be included in the circular, the circular is currently expected to be despatched to the Shareholders on or before 29 February 2024.

WARNING

Closing is subject to the satisfaction and/or waiver of the conditions precedent under the Business Transfer Agreement as set out in the section headed “*Conditions Precedent*” of this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and, if in any doubt, are recommended to consult their professional adviser(s).

DEFINITIONS

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

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| “Average Market Capitalisation” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “Board” | the board of Directors |
| “Business” | the business of manufacturing high-precision micro components as currently conducted by the Seller’s Group, comprising the assets and assumed payables set out under the section headed “ <i>Subject Matter</i> ” subsisting at Closing |
| “Business Day(s)” | a day (other than a Saturday, a Sunday or a public holiday, or a day on which a black rainstorm warning or a number 8 or higher typhoon signal is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for business in Singapore, the PRC and Hong Kong |

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| “Business Transfer Agreement” | the business transfer agreement dated 22 December 2023 entered into between the Company, the Purchaser and the Seller in respect of the Disposal |
| “Closing” | the completion of the Disposal in accordance with the terms and conditions of the Business Transfer Agreement |
| “Closing Date” | the first (1st) Business Day falling 15 Business Days following satisfaction or waiver of the last of the conditions precedent set out in the section headed “ <i>Conditions Precedent</i> ”, or such other date as may be agreed in writing between the Purchaser and the Seller |
| “Company” | Tongda Group Holdings Limited (stock code: 698), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Stock Exchange |
| “Consideration” | the total consideration payable by the Purchaser to the Seller under the Business Transfer Agreement |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of the Business by the Seller to the Purchaser pursuant to the terms and conditions of the Business Transfer Agreement |
| “EA Business” | has the meaning ascribed to it under the section headed “ <i>Reasons for and Benefits of the Disposal</i> ” |
| “EA Market” | has the meaning ascribed to it under the section headed “ <i>Reasons for and Benefits of the Disposal</i> ” |
| “EGM” | the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Business Transfer Agreement and the transactions contemplated thereunder |

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| “Excluded Peer Companies” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “Floating-Rate Indebtedness” | has the meaning ascribed to it under the section headed “ <i>Reasons for and Benefits of the Disposal</i> ” |
| “Group” | collectively, the Company and its subsidiaries |
| “Guaranteed Obligation” | has the meaning ascribed to it under the section headed “ <i>Guarantee</i> ” |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and its connected persons |
| “Key Customer” | key customer of the Business to be separately agreed in writing between the Seller and the Purchaser |
| “Key Person” | the key employee of the Business to be agreed by the Seller and the Purchaser in writing |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “NT3” | has the meaning ascribed to it under the section headed “ <i>Information on the Purchaser</i> ” |
| “OEM” | has the meaning ascribed to it under the section headed “ <i>Information on the Business</i> ” |
| “Outstanding Claim” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “P/B Ratio” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |

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| “P/E Ratio” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “Peer Companies” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “PRC” | the People’s Republic of China, and solely for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Purchaser” | Tectum Pacific Pte. Ltd., a company incorporated with limited liability in Singapore |
| “Retention Amount” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “Retention Amount Payment Date” | has the meaning ascribed to it under the section headed “ <i>Consideration</i> ” |
| “Seller” | Tongda Precision Technology Company Limited (通達精密科技有限公司), a company incorporated with limited liability in Hong Kong and an indirect wholly-owned subsidiary of the Company |
| “Seller’s Group” | Seller and its affiliates, which for the avoidance of doubt, includes the Group |
| “Share(s)” | ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Companies” | collectively, Tongda Xiamen OpCo and TPT Singapore |
| “Target Group” | Tongda Xiamen OpCo, TPT Singapore and Tongda Shishi OpCo, taken as a whole |

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| “Tectum Global” | has the meaning ascribed to it under the section headed “ <i>Information on the Purchaser</i> ” |
| “Tectum SPV” | has the meaning ascribed to it under the section headed “ <i>Information on the Purchaser</i> ” |
| “Tongda Shishi OpCo” | Tongda (Shishi) Precision Technology Co Ltd* (通達(石獅)精密科技有限公司), a company incorporated with limited liability in the PRC and a direct wholly-owned subsidiary of Tongda Xiamen OpCo as at the date of this announcement |
| “Tongda Smart Tech Group” | has the meaning ascribed to it under the section headed “ <i>Reasons for and Benefits of the Disposal</i> ” |
| “Tongda Xiamen OpCo” | Tongda (Xiamen) Elastomers Co Ltd.* (通達(廈門)精密橡塑有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Seller as at the date of this announcement |
| “TPT Singapore” | Tongda Precision Technology (Singapore) Pte. Ltd., a company incorporated with limited liability in Singapore and a direct wholly-owned subsidiary of the Seller as at the date of this announcement |
| “U.S.” | the United States of America |
| “%” | per cent. |

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

Hong Kong, 22 December 2023

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.

* *For identification purpose only*