THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tongda Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

通達集團
TONGDA GROUP

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)

(i) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ISSUED SHARES IN TONGDA PRECISION TECHNOLOGY COMPANY LIMITED; (ii) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (iii) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

INCU

INCU Corporate Finance Limited

A letter from the independent committee (the "**Independent Board Committee**") of the board of directors of the Company is set out on pages 25 and 26 of this circular. A letter from INCU, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 27 to 60 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Strategic Financial Relations Limited, Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 26 November 2018 at 11:30 a.m. is set out on pages 80 to 82 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the extraordinary general meeting (i.e Saturday, 24 November 2018 at 11:30 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

9 November 2018

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"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
"Announcement"	the announcement of the Company dated 28 August 2018 in respect of the Acquisition Agreement and the transactions contemplated thereunder
"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)
"Comparable Companies"	companies that are comparable to the Target Group in terms of business nature and associated risks selected by the Independent Valuer for conducting the fair value of a 30% equity interest of the Target Group
"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 Day 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 under the Listing Rules

"Consideration"	the consideration payable by the Purchaser for the Sale Shares
"Consideration Share(s)"	182,325,000 new Shares to be allotted and issued by the Company to the Vendor for the purpose of settlement of part 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 issue of the Consideration Shares
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Strategic Financial Relations Limited, Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 26 November 2018 at 11:30 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder; and the grant of the specific mandate for the allotment and issue of the Consideration Shares
"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ended 31 December 2017
"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" or "INCU"	INCU Corporate Finance Limited, a licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser 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

"Independent Valuer" or "Royson"	Royson Valuation Advisory Limited, an independent professional valuer commissioned by the Company for the purpose of issuing the Valuation Report
"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 the Announcement
"Latest Practicable Date"	6 November 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PE2017"	the eight-month period ended 31 August 2017
"PE2018"	the eight-month period ended 31 August 2018
"PRC"	the People's Republic of China, which for the purpose of this circular, 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"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 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
"Valuation"	the fair value of a 30% equity interest of the Target Group prepared by the Independent Valuer under the market approach as at 30 June 2018
"Valuation Report"	the valuation report to be dated 9 November 2018 on the fair value of a 30% equity interest of the Target Group prepared by the Independent Valuer as at 30 June 2018
"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 circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

TONGDA GROUP
通達集團

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)

Executive Directors:
Mr. Wang Ya Nan *(Chairman)*
Mr. Wang Ya Hua *(Vice Chairman)*
Mr. Wong Ah Yeung
Mr. Wang Ming Che

Non-executive Directors:
Mr. Wong Ah Yu
Ms. Chan Sze Man

Independent non-executive Directors:
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*
Mr. Cheung Wah Fung, Christopher, *SBS, JP*
Mr. Ting Leung Huel Stephen

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
Room 1201-02, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

9 November 2018

To the Shareholders

Dear Sir or Madam,

(i) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ISSUED SHARES IN TONGDA PRECISION TECHNOLOGY COMPANY LIMITED AND (ii) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

On 28 August 2018 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Acquisition Agreement 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.

The purposes of this circular are to provide you with further information regarding the Acquisition and a notice to convene the EGM.

THE ACQUISITION AGREEMENT

Date:	28 August 2018 (after trading hours of the Stock Exchange)
The Vendor:	Chen Hsueh Ju
The Purchaser:	Tongda (Xiamen) Company Limited

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 Latest Practicable Date, 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 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.

Basis of the Consideration

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$303,200,000 under the market approach as at 30 June 2018.

The Directors have reviewed the experience and qualification of the Independent Valuer as set out in the Appendix I to this circular and considered that the Independent Valuer has sufficient experience and qualification to perform the Valuation.

The Directors considered that the methodology, inputs and assumptions adopted in the Valuation Report are fair and reasonable. The Guideline Publicly-traded Comparable Method (the "**GPTC Method**") under the market approach is a common valuation methodology adopted in appraising equity of an enterprise. Under the GPTC Method, the Independent Valuer would (a) identify and select publicly-traded enterprises with financial and operating characteristics similar to the enterprise being valued; and (b) once publicly traded enterprises are identified, valuation multiples can be derived, adjusted for comparability, and then applied to the subject enterprise to estimate the value of its equity or invested capital.

The Directors have reviewed the Comparable Companies as set out in the Appendix I to this circular and have discussed with the Independent Valuer on their criteria for selecting the Comparable Companies. The Directors are given the understanding that the Comparable Companies were selected because they are comparable to the Target Group in terms of business nature and associated risks. In particular, the Comparable Companies were selected primarily based on the following criteria: (i) similar business (i.e. sale and manufacture of plastic injection, precision parts and components for computers or electronic devices); (ii) profit-making; and (iii) the shares of which are listed on the Stock Exchange for over two years.

The Directors noted that the Independent Valuer had conducted a comprehensive research and came up with an exhaustive list of 5 Hong Kong listed companies, namely K & P International Holdings Limited ("**KPI**") (stock code: 675), EVA Precision Industrial Holdings Limited ("**EVA**") (stock code: 838), V.S. International Group Limited ("**VSI**") (stock code: 1002), Karrie International Holdings Ltd ("**KIH**") (stock code: 1050) and TK Group (Holdings) Limited ("**TKG**") (stock code: 2283), as the Comparable Companies.

The Directors further noted the following:

(1) KPI, through its subsidiaries, manufactures and sells electronic and related components and parts comprising keypads, synthetic rubber and plastic parts and components, and liquid crystal displays (LCD). KPI also designs, manufactures, and sells consumer electronic products comprising electronic calculators, alarm clocks, and LCD products. KPI has been listed on the Stock Exchange since 1997. KPI has its own production facilities in different countries, including the PRC. Its products are mainly sold to customers in Asia and Europe. For the year ended 31 December 2017, KPI recorded a gross profit margin of 18.3% and 87.9% of its revenue was contributed by the business segment of precision parts and components, which is deemed to be relevant to the Valuation. Such business segment has been the major profit contributor to KPI in the past two financial years. For the trailing 12-month period from 1 July 2017 to 30 June 2018, KPI recorded an EBITDA and the earnings before interest and tax ("**EBIT**") of approximately HK$25.1 million and approximately HK$11.1 million respectively;

(2) EVA, through its subsidiaries, designs and fabricates metal stamping moulds, manufactures metal stamping components, and provides assembly services in the PRC. EVA has been listed on the Stock Exchange since 2005. EVA has its own production facilities in the PRC and serves customers in the PRC. For the year ended 31 December 2017, EVA recorded a gross profit margin of 24.8% and 43.7% of its revenue was contributed by the business segment of plastic injection which is deemed to be relevant to the Valuation. Such business segment has been profit-making in the past two financial years. For the trailing 12-month period from 1 July 2017 to 30 June 2018, EVA recorded an EBITDA and an EBIT of approximately HK$388.5 million and approximately HK$153.4 million respectively;

(3) VSI, through its subsidiaries, manufactures and sells plastic molded products and parts. VSI also assembles electronic products, and designs and fabricates molds. VSI has been listed on the Stock Exchange since 2002. VSI has its manufacturing facilities in the PRC and Vietnam. It serves customers in the PRC, the U.S. and Europe. For the year ended 31 July 2017, VSI recorded a gross profit margin of 16.8% and 43.5% of its revenue was contributed by the business segment of plastic injection and moulding which is deemed to be relevant to the Valuation. Such business segment has been profit-making in the past two financial years. For the trailing 12-month period from 1 February 2017 to 31 January 2018, VSI recorded an EBITDA and an EBIT of approximately HK$94.9 million and approximately HK$31.6 million respectively;

(4) KIH, through its subsidiaries, manufactures and sells computer casings, video cassette housings and moulds, office automation products, plastic and metal parts, moulds, and provides electronic manufacturing services. KIH has been listed on the Stock Exchange since 1996. KIH has its manufacturing facilities in the PRC and Hong Kong and investment properties in the PRC. It serves customers in the PRC, Japan, the U.S. and Europe. For the year ended 31 March 2018, KIH recorded a gross profit margin of 14.5% and 54.0% of its revenue was contributed by its metal and plastic business which is deemed to be relevant to the Valuation. Such business segment has been profit-making in the past two financial years. For the same period, KIH recorded an EBITDA and an EBIT of approximately HK$318.4 million and approximately HK$259.2 million respectively; and

(5) TKG manufactures plastic products and components. TKG engages in the design and fabrication of plastic injection molds and the mechanical design and manufacturing of plastic components. TKG has been listed on the Stock Exchange since 2013. TKG establishes its manufacturing facilities on the leased properties which are owned by its connected parties in the PRC. It serves customers in the PRC, Southeast Asia, Europe and the U.S.. For the year ended 31 December 2017, TKG recorded a gross profit margin of 33.7% and 65.1% of its revenue was contributed by its plastic components manufacturing business which is deemed to be relevant to the Valuation. Such business segment has been profit-making in the past two financial years. For the trailing 12-month period from 1 July 2017 to 30 June 2018, TKG recorded an EBITDA and an EBIT of approximately HK$493.4 million and approximately HK$395.1 million respectively.

Based on the characteristics of the Comparable Companies above, the Directors noted that the Comparable Companies are engaged in similar but not identical business as the Target Group (i.e. sale and manufacture of plastic injection, precision parts and components for computers or electronic devices). Similar to the Target Group, all of the Comparable Companies are profit-making and have been listed on the Stock Exchange for over two years. Out of the five Comparable Companies, all of them have their own production facilities in the PRC and three of them serve customers in the U.S., among other countries. In view of the above, the Directors considered that the Comparable Companies are comparable to the Target Group in terms of business nature and associated risks.

The Directors have discussed with the Independent Valuer and are given the understanding that there are no comparable companies that are perfectly comparable with the Target Group in terms of business nature due to (i) the comparable companies are engaged in more than one business segment rather than single business; and (ii) the comparable companies, even though they are engaged in plastic injection or manufacturing of plastic components, do not have end products that are the same as the tri-proof and high precision components produced by the Target Group. Nevertheless, the Comparable Companies have a significant portion of their revenue contributed by the plastic injection or production business segment. The inclusion of 5 comparable companies also reduces any potential Valuation variance arising from the Comparable Companies not being perfectly comparable businesses as the Target Group. In view of the selection criteria, the characteristics of the Comparable Companies, and the number of Comparable Companies selected, the Directors considered the Comparable Companies to be fair and representative for the purpose of the valuation. The Directors have also reviewed the assumptions adopted in the Valuation Report and considered them to be fair and reasonable.

Taking into account the above, the Directors considered that the preliminary valuation of 30% of the equity interests of the Target Group prepared by the Independent Valuer of HK$303,200,000 under the market approach as at 30 June 2018, which is a slight premium over the amount of the Consideration of HK$291,720,000, to be fair and reasonable. The Valuation is supported by the substantial improvement in the financial performance of the Target Group for FY2017, with revenue and profit after income tax increasing by 271% and 171% respectively as compared to FY2016. Although profit after tax (excluding the exchange difference) of the Target Group decreased from approximately HK$47.2 million in PE2017 to approximately HK$22.0 million in PE2018, such decrease was mainly attributable to an increase in research and development costs of approximately HK$23.5 million. The Directors are of the view that the said investment in research and development will enable the Target Group to diversify its product mix and improve the quality of its tri-proof and high-precision components.

The Directors are aware that the valuation of 100% of the Target Group based on the Valuation Report would be more than HK$1,010.7 million, which is significantly higher than the net asset value of the Target Group of approximately HK$212.1 million as at 30 June 2018 and the initial set up capital of HK$35 million. However, the Directors considered that these figures may not reliably or truly reflect the value of the Target Group, given that the net asset value and the initial set up capital cannot reflect the future earnings and the value of the intangible assets of the Target Group, including but not limited to its relationship with the U.S. customer and its experienced expert and management teams.

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;

(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; and

(iv) a premium of approximately 60.00% over the closing price of HK$1.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 the 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

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.

As at the Latest Practicable Date, conditions (a), (b), (e) and (g) above have been satisfied.

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.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

	(i) As at the Latest Practicable Date		(ii) Upon Completion and immediately after the allotment and issuance of the Consideration Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Substantial Shareholders				
Landmark Worldwide Holdings Limited *(Note 1)*	1,508,490,000	23.96	1,508,490,000	23.28
E-Growth Resources Limited *(Note 2)*	296,000,000	4.70	296,000,000	4.57
Directors				
Mr. Wang Ya Nan	435,930,000	6.92	435,930,000	6.73
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. 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	3,712,770,097	58.97	3,712,770,097	57.30
Total	6,297,180,097	100.00	6,479,505,097	100.00

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% 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.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in Hong Kong with limited liability on 6 October 2015. At the time of its incorporation, the Target Company had an issued share capital of HK$5,000,000 divided into 5,000,000 shares, of which 3,500,000 shares were allotted and issued to the Purchaser and 1,500,000 shares were allotted and issued to the Vendor or his nominee. There has not been any change to the Target Company's shareholding since its incorporation. The Target Company's principal activity is investment holdings and trading of tri-proof (i.e. waterproof, dustproof and shockproof) and high-precision components manufactured by Tongda Elastomers.

With regards to the background of the Vendor, the Vendor has been the project director of Tongda Elastomers since April 2016 and is responsible for (i) organising the project team, engineering team, molding team, quality control team; (ii) planning and coordinating of resources and project management, including development cost management and product pricing; and (iii) managing the overall project profitability and planning and execution of annual sales target. Prior to joining the Target Group, the Vendor was employed by a company incorporated in Hong Kong with limited liability and principally engaged in the manufacturing and sales of handset components, from March 2015 to April 2016 as a program director. The Vendor obtained his bachelor of Laws from Chungyu Institute of Technology, Taiwan in 2010. Save as disclosed herein, the Vendor does not have any other relationship with the Group or its connected persons.

In 2015, the Vendor was first introduced to the Directors on a social occasion. The Vendor and his team of skilled workers have extensive experience and expertise in the manufacturing and project management of tri-proof components for handsets. The Vendor's former employer had a business relationship with a major U.S. customer for the supply of tri-proof components that are used in handsets. At that time, the Vendor was planning to quit his job in search of career advancement and/or to start a new business venture that could make use of his expertise in relation to the production of tri-proof components for handsets. However, the Vendor and his team of skilled workers did not have sufficient capital to carry out the new business venture on their own. After the Vendor explained to the Directors about the details of the new business venture, the Directors expressed an interest in the project and continued to explore with the Vendor over any potential opportunity for business cooperation. Given that the Group was then engaged in, among others, the design and production of casings and parts for handsets and had the financial resources to make capital investments in the new business venture, the Vendor and his team of skilled workers also considered the Group to be an ideal business partner.

The Vendor and the Group subsequently agreed to set up the Target Group for carrying out the new business venture and agreed on their respective shareholding in the Target Company. Under the business cooperation, the Vendor and his team of skilled workers would focus on the day-to-day operations of the Target Group including the production of the tri-proof components for handsets whereas the Group would mainly be responsible for providing sufficient funding to and making capital investments in the Target Group as well as business development.

In order to take advantage of the growing business opportunities with its major U.S. customer and to expand the production capacity of the Target Group, significant investments in the form of various shareholder loans were made by the Purchaser to the Target Company for the acquisition of new plant and machinery. The amount of plant and machinery of the Target Group increased from approximately HK$28,401,000 for the year ended 31 December 2016 to HK$104,864,000 for the year ended 31 December 2017, representing a year-on-year growth of 269%. The number of employees of the Target Group also increased from 564 as at 30 June 2016 to 3,625 as at 30 June 2018 in order to cope with the business expansion of the Target Group.

In December 2017, the Target Group further expanded its scope of products to high-precision components that are applied in handsets.

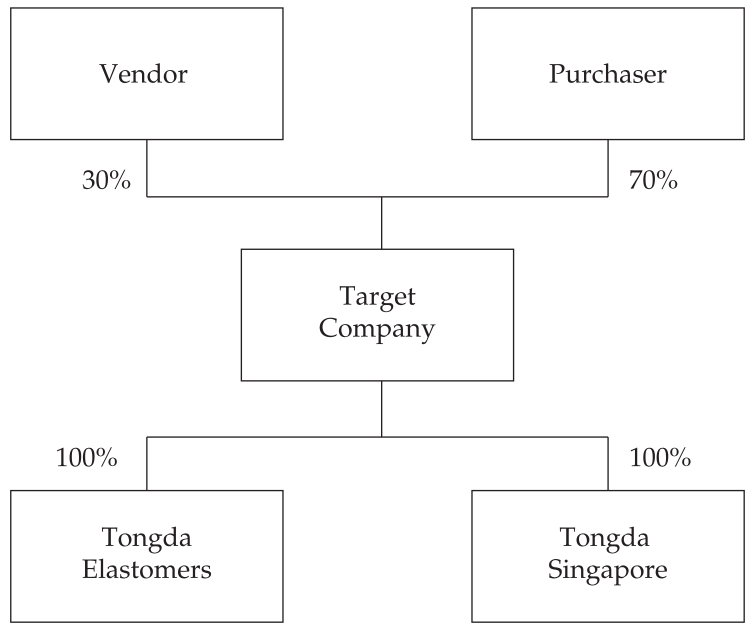
As at the Latest Practicable Date, the Target Group has entered into a long term master supply agreement with one of the largest electronics contract manufacturer of the major U.S. customer pursuant to which the Target Group has agreed to supply and the said manufacturer has agreed to purchase handset components for a term of five years commencing from April 2016.

As at the Latest Practicable Date, 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 tri-proof and high-precision components. 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, which represented the aggregate amount of initial capital contributed by the Vendor, as a minority shareholder, to the Target Company, Tongda Elastomers and Tongda Singapore for 30% of the respective equity interests.

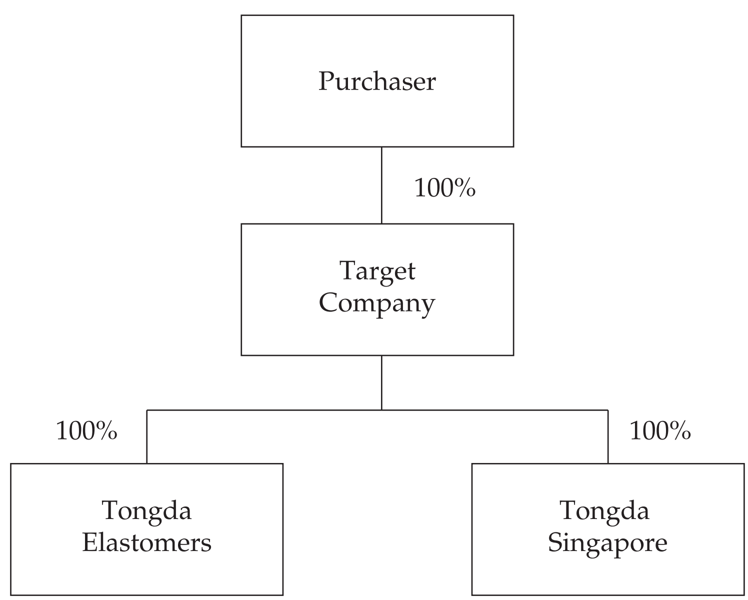
Structure of the Target Group

The following charts show the group structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

As at the Latest Practicable Date



Immediately after Completion



Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for FY2016, FY2017, PE2017 and PE2018 prepared in accordance with Hong Kong Financial Reporting Standards:

	FY2016	**FY2017**	**PE2017**	**PE2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	204,263	757,490	240,233	547,606
Gross Profit	100,171	286,981	115,462	116,952
Profit/(loss) before income tax	76,954	203,670	65,684	7,168
Profit/(loss) after income tax	63,716	172,718	48,384	2,244
Profit/ (loss) after tax (excluding the exchange difference)	63,849	167,833	47,153	21,975

	As at 31 December 2016	**As at 31 December 2017**	**As at 31 August 2018**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	312,265	1,073,250	1,273,214
Total liabilities	235,591	823,592	1,061,850

The unaudited net assets of the Target Company as at 31 August 2018 amounted to approximately HK$211.4 million.

Note: Since the Target Group commenced to generate revenue in June 2016, the financial information for FY2016 represents the performance from June 2016 to December 2016.

The revenue of the Target Group is mainly attributable to the sale of tri-proof (i.e. waterproof, dustproof and shockproof) and high-precision components to external parties. As at 31 August 2018, the major assets of the Target Group in the total amount of approximately HK$1,273.2 million comprises of (a) property, plant and equipment of approximately HK$329.2 million; (b) long term deposits for purchase of property, plant and equipment of approximately HK$35.7 million; (c) pledged deposits of approximately HK$8.0 million; (d) cash and cash equivalents of approximately HK$113.6 million; (e) inventory of approximately HK$335.5 million; (f) trade and bills receivables of approximately HK$241.9 million; (g) amount due from remaining Group company of approximately HK$115.9 million; and (h) other assets of approximately HK$93.4 million. As at 31 August 2018, the major liabilities of the Target Group in the total amount of HK$1,061.8 million comprises of (a) interest bearing borrowings of approximately HK$101.0 million; (b) trade and bills payables of approximately HK$ 346.9 million; (c) tax payable of approximately HK$15.7 million; (d) amount due to remaining Group company of approximately HK$538.6 million; and (e) other liabilities of approximately HK$59.6 million.

The revenue of the Target Group for FY2016 was significantly lower than the figure for FY2017 as the Target Group has only commenced its operation and generated revenue since June 2016. The Target Group's substantial increase in profit for FY2017 was mainly attributable to the increase in the amount of sales orders from its major U.S. customer. Since commencement of its business, the Target Group has built up its reputation in the market as a reliable supplier of tri-proof components for handsets. It had also maintained a good relationship with its major U.S. customer, which enabled the Target Group to obtain a greater market share in the supply of such products. As a result, revenue of the Target Group increased from approximately HK$204,263,000 for FY2016 to approximately HK$757,490,000 for FY2017, representing a year-on-year growth of 271%. The revenue of the Target Group increased from approximately HK$240.2 million for PE2017 to approximately HK$547.6 million for PE2018, representing a significant increase of approximately 128.0%. Such increase was mainly due to the growth in the shipment volume of tri-proof and high-precision components.

The gross profit of the Target Group in PE2018 was approximately HK$117.0 million, representing an increase of about 1.3% from approximately HK$115.5 million in PE2017. Gross profit margin dropped from 48.1% in PE2017 to 21.4% in PE2018. The management of the Company considered that the decrease in the gross profit in PE2018 was mainly attributable to the gross profit margin being normalised in PE2018, which in turn was due to additional costs incurred arising from the introduction of mould production, as part of the manufacturing process, since the second half year of 2017. Given that the Target Group was not involved in the mould production in the early stages of its operation, the cost was at its minimal and the gross profit margin in PE2017 was boosted, compared with that of PE2018.

The Target Group recorded an exchange gain of HK$1.2 million in PE2017 but an exchange loss of HK$19.7 million in PE2018, which had an impact on its profits. For a better measure of the actual profitability of the Target Group, profit after tax (excluding the exchange difference) in PE2018 was approximately HK$22.0 million, representing a decrease of approximately 53.4% from approximately HK$47.2 million in PE2017. Such decrease was mainly attributable to the increase in research and development expenses of approximately HK$23.5 million. The Directors considered that the increase in investment in research and development will enable the Target Group to diversify its product mix and improve the quality of its tri-proof and high-precision components, which in turn will enhance its market share. For illustrative purpose, setting aside the research and development expenses and exchange differences, the Target Group would record profits of approximately HK$75.3 million in PE2018, which would be similar to the profits of approximately HK$77.0 million in PE2017.

As at 31 August 2018, the unaudited total assets and total liabilities of the Target Group were approximately HK$1,273.2 million and HK$1,061.9 million respectively. The financial position of the Target Group remained stable from 31 December 2017 to 31 August 2018.

Based on the above historical financial information, the Target Group possessed strong sales during FY2016, FY2017 and PE2018. The Board considered that the seasonality nature in the Target Group's business could further increase the demand for and sales of tri-proof and high-precision components in the second half of 2018. In particular, the Board took into account the new smartphone launched by the Target Group's major U.S. customer in the third quarter of 2018 and the upcoming festive season, which is generally a high season for smartphones. In addition to smartphone, the Company will supply waterproof components for its U.S. customer's computer products in the fourth quarter in 2018. Therefore, the Company anticipates increasing focus on production of tri-proof and high-precision components in the new smartphone and further penetration of computer supply chain will lead to sales and margin expansion in the fourth quarter of 2018.

The Board has noted that the gross profit margin of the Comparable Companies has an average of 21.0% and a median of 18.1% for their respective latest financial year, ranging from 14.2% to 33.7%. Given that the gross profit margin of the Target Group was approximately 48.1% in PE2017 and approximately 37.9% in FY2017, which exceeded the range of gross profit margin of the Comparable Companies, the Board is of the view that such high profit margin will not be sustainable. The Board considers that the gross profit margin of the Target Group of approximately 20.3% in PE2018 represents its normalised gross profit. As such, the Board considered that the drop in gross profit margin still lies within an acceptable range and does not indicate a deterioration of the Target Group's business.

On the contrary, the Board considered that the Target Group's business is promising and will become a major growth driver for the Group's handset business. The Target Group has achieved strong sales during FY2016, FY2017 and PE2018 and has been gaining market share and diversifying its product mix since its operation. The Target Group started off its operation with the production of only handsets components in early 2016. However, with a strong team of engineering experts and management, the Target Group has developed into producing various tri-proof and high-precision components for both handsets and computers. The Target Group's continuous devotion in product diversity and its experienced expert and management teams will have a positive impact on the Group.

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.

The Directors considered that the Acquisition is a good opportunity for the Group to consolidate its control in the Target Company and increase its investments in the tri-proof and high-precision components business for the following reasons:

(i) the Directors considered that the tri-proof and high-precision components business will likely become a major growth driver for the Group's handset business. As set out in the 2017 annual report of the Company, the tri-proof and high-precision components business enlarged its production significantly during the year ended 31 December 2017. The Target Group has also completed the research and development of new products, which has been put into mass production for customers. Such products include the liquid-silicone rubber, precision insert molding parts and precision rubber molding parts. As the variety, volume and difficulty of the components for new models have all increased significantly, income contribution per handset has also increased correspondingly. Therefore, the Directors considered that the Acquisition will enhance the Group's financial performance and return to the Shareholders due to the additional positive contribution generated from the Target Group;

(ii) upon completion of the Acquisition, the Target Company and the Target Subsidiaries will become wholly-owned subsidiaries of the Company. This would facilitate better implementation of the business strategies and business expansion plans of the Company in respect of the Target Group. Under the business cooperation, the approval of both the Vendor and the Group is required in relation to any capital injection to the Target Group for expansion of its production facilities whereas upon Completion, the Group will no longer require to obtain such consent from the Vendor. In addition, in order to take advantage of the growing business opportunities with its major U.S. customer and to expand the production capacity of the Target Group, significant investments in the form of various shareholder loans were made by the Purchaser to the Target Company for the acquisition of new plant and machinery in FY2017. However, the Vendor was not required to provide any funds for the said addition of new plant and machinery due to his limited financial resources and the understanding between the Vendor and the Group under the business cooperation that the Vendor would only be focusing on the day-to-day operations of the Target Group. Therefore, the Directors considered that it will be more beneficial for the Group to proceed with the Acquisition in order to increase the return on capital investment by the Group in the long run;

(iii) The Board considers that the one-off payment of Consideration will bring about long-term financial benefits to the Group and the Shareholders given that the future profits of the Target Group will not be shared with the Vendor upon Completion. The accumulated profits of the Target Group shared by the Vendor from the date of incorporation up to 31 August 2018 amounted to approximately HK$71.5 million, of which approximately HK$12.1 million was paid by the Target Group to the Vendor as dividends in June 2018. In view of the business expansion of the Target Group, in particular, the strong demand for tri-proof and high precision components from the U.S. customer, the management of the Group expects that the accumulated earnings to be shared by the Vendor will continue to grow without a ceiling amount under the current profit-sharing arrangement unless the Group acquires the Vendor's equity interests in the Target Group; and

(iv) the Consideration will be settled through the allotment and issue of Consideration Shares, and thus the Consideration does not equal to the actual cash payout to the Vendor. The Consideration Shares will be issued at HK$1.60 per Share, representing a premium of approximately 60.00% over the closing price of HK$1.00 per Share on the Latest Practicable Date. For illustrative purpose only, the value of the Consideration Shares amounts to approximately HK$182.33 million, based on the closing price of HK$1.00 per Share on the Latest Practicable Date. The Board considers that the issue of Consideration Shares with the lock up undertakings and the premium issue price will motivate the Vendor to further contribute to the success of the Target Group; and

(v) the future prospects of the Target Group will remain positive given that the Company intends to retain the existing management team which will not cause any interruption to the operations of the Target Group after Completion. As one of the conditions precedent to the Completion, certain employees of the Target Subsidiaries designated by the Purchaser, including the Vendor, has entered into employment contracts with the Target Group for a fixed term until at least 31 December 2021. In the event that the relevant employments contracts are not renewed after 31 December 2021, the Directors considered that there are other qualified workers in the market who have similar skills and expertise in the manufacturing and project management of tri-proof and high-precision components that could fill up the potential vacancies left behind by the Vendor and his team of skilled workers. As such, the Directors are of the view that the operations of the Target Group are sustainable in the long term.

Based on the above, the Directors 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.

As none of the Directors have any material interest in the Acquisition, they are not required to abstain from voting on the Board resolutions for approving the Acquisition Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, 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.

The EGM will be convened and held on which the relevant resolution(s) will be put forward for the Independent Shareholders to vote and approve 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 Latest Practicable Date, and no Shareholder is required to abstain from voting to approve the ordinary resolution 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.

INDEPENDENT BOARD COMMITTEE

Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition Agreement. INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Strategic Financial Relations Limited, Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 26 November 2018 at 11:30 a.m. is set out on pages 80 to 82 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the EGM (i.e. Saturday, 24 November 2018 at 11:30 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the opinion that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder and the grant of the specific mandate for the allotment and issue of the Consideration Shares.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 25 and 26 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from INCU set out on pages 27 to 60 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Tongda Group Holdings Limited
Wang Ya Nan
Chairman

TONGDA GROUP

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)

9 November 2018

To the Independent Shareholders

Dear Sir or Madam

(i) CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 30% OF THE ISSUED SHARES IN TONGDA PRECISION TECHNOLOGY COMPANY LIMITED AND (ii) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 9 November 2018 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to consider the Acquisition Agreement and the transactions contemplated thereunder as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INCU has been appointed to advise us and the Independent Shareholders as to whether (i) the Acquisition Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole.

Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 27 to 60 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 24 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Acquisition Agreement and the advice of INCU, we are of the opinion that (i) the Acquisition is conducted in the ordinary and usual course of business of the Group and the Acquisition Agreement was entered into on normal commercial terms; and (ii) the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Tongda Group Holdings Limited

Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	**Mr. Cheung Wah Fung, Christopher,** *SBS, JP*	**Mr. Ting Leung Huel Stephen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from INCU, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition Agreement and the transactions contemplated thereunder.

INCU Corporate Finance Limited
Unit 1701, 17/F., Wings Building,
110-116 Queen's Road Central,
Central, Hong Kong

9 November 2018

*To: The Independent Board Committee and
the Independent Shareholders of
Tongda Group Holdings Limited*

Dear Sir or Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. Details of the Acquisition are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 9 November 2018, (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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.

Immediately upon Completion, members of 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.

As at the Latest Practicable Date, 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. 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 Latest Practicable Date, 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.

During the last two years, there was no previous engagement between us and the Company or the Target Company or any of their respective subsidiaries or associates, prior to our engagement as the Independent Financial Adviser in relation to the Acquisition and the transactions contemplated thereunder. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition Agreement and the transactions contemplated thereunder, and accordingly, are eligible to give independent advice and recommendations on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Yu Sun Say, GBM, GBS, SBS, JP, Mr. Cheung Wah Fung, Christopher, SBS, JP and Mr. Ting Leung Huel Stephen, has been formed to advise the Independent Shareholders on the terms of the Acquisition Agreement 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, taking into account our recommendations.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Acquisition Agreement, the Valuation Report prepared by the Independent Valuer, and certain published information from the public domain, including but not limited to, the annual reports of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**") and 31 December 2017 (the "**2017 Annual Report**"), and the interim report of the Company for six months ended 30 June 2018 (the "**2018 Interim Report**"). We have also (i) discussed with the Directors and the management of the Group with respect to the terms of and the reasons for entering into of the Acquisition Agreement, the businesses and future outlook of the Group; and (ii) interviewed with the Independent Valuer to assess, among others, whether the methodologies and assumptions used in the Valuation are reasonable. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses or affairs and future prospects of the Group, the Vendor, the Purchaser and the Target Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations in respect of the Acquisition Agreement and the transactions contemplated thereunder, we have taken into consideration of the following principal factors and reasons:

I. Background and financial performance of the Group

Background of the Group

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.

The Group was also principally engaged in its notebook and tablet casings manufacturing business prior to the spin-off of Tongda Hong Tai Holdings Limited and its subsidiaries (the "**THT Group**") completed on 16 March 2018. As disclosed in the announcement of the Company dated 16 March 2018, the Group has spun off the THT Group so as to concentrate resources on its development of handset-related core businesses. Since completion of the spin-off, the Group has no longer been involved in the computer hardware business.

Historical financial information of the Group

(a) Operating results of the Group for FY2015, FY2016 and FY2017

Set forth below are the audited consolidated financial results of the Group for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 ("**FY2015**", "**FY2016**" and "**FY2017**", respectively) as extracted from the 2016 Annual Report and the 2017 Annual Report.

	FY2015 (audited) *HK$'000* *(Note 1)*	**FY2016** (audited) *HK$'000*	**FY2017** (audited) *HK$'000*
Revenue *(Note 2)*	6,074,061	7,825,077	8,562,830
– electrical fittings (Note 3)	4,780,254	6,439,335	7,070,067
– ironware parts	471,902	524,331	469,754
– communication facilities business and others	821,905	861,411	1,023,009
Gross profit	1,512,029	1,885,355	2,231,094
Profit before tax	872,260	1,196,551	1,255,631
Less: Income tax expense	134,285	176,077	196,976
Profit for the year	737,975	1,020,474	1,058,655
Profit for the year attributable to the owners of the Company	702,839	1,003,996	1,006,125

Note:

(1) Key financial figures for FY2015 are shown in the table above for comparative purpose.

(2) As disclosed in the 2016 Annual Report and 2017 Annual Report, the reporting segments of the Group were (i) the production of electrical fittings (the "**Electrical Fittings Division**"), (ii) ironware parts (the "**Ironware Parts Division**"), and (iii) communication facilities and other products (the "**Communication Facilities and Others Division**").

(3) The notebook and tablet casings manufacturing business, which was discontinued upon the spin-off of the THT Group, was included in the Electrical Fittings Division during FY2015, FY2016 and FY2017.

(i) FY2016

For FY2016, the majority of the Group's revenue was mainly generated from the Electrical Fitting Division, which contributed 82.3% of the total revenue of the Group. The Group's revenue increased, by approximately 28.8%, from approximately HK$6,074.1 million in FY2015 to approximately HK$7,825.1 million in FY2016. Such increase was mainly attributable to the significant sales growth in the handsets and high-precision components, which has driven the revenue of the Electrical Fitting Division to increase by about 34.7% to approximately HK$6,439.3 million in FY2016 from previous year, as a result of focusing on technology advancement and expansion on production capacity of such business by the Group.

Gross profit in FY2016 was approximately HK$1,885.4 million, representing an increase of approximately HK$373.4 million from approximately HK$1,512.0 million in FY2015. Gross profit margin remained stable at 24.1% in FY2016 (FY2015: 24.9%).

Profit attributable to the owners of the Company in FY2016 amounted to approximately HK$1,004.0 million, representing a rise of approximately 42.9% from approximately HK$702.8 million in FY2015. Such increase was mainly attributable to the increase in revenue and gross profit mentioned above.

(ii) FY2017

For FY2017, the largest business segment of the Group remained as the Electrical Fitting Division, which contributed 82.6% of the total revenue of the Group. The revenue of the Group for FY2017 increased to approximately HK$8,562.8 million from that of FY2016, representing an increase of approximately 9.4%.

Gross profit in FY2017 was approximately HK$2,231.1 million, representing an increase of approximately HK$345.7 million from approximately HK$1,885.4 million in FY2016. Gross profit margin slightly improved from approximately 24.1% in FY2016 to approximately 26.1% in FY2017.

Profit attributable to owners of the Company in FY2017 remained stable at approximately HK$1,006.1 million (FY2016: approximately HK$1,004.0 million).

(b) Operating results of the Group for 1H2018

Set forth below are the unaudited consolidated financial results of the Group for six months ended 30 June 2017 and 30 June 2018 ("**1H2017**" and "**1H2018**" respectively) as extracted from the 2018 Interim Report.

	1H2017 (unaudited) *HK$'000* *(Note 1)*	**1H2018** (unaudited) *HK$'000*
Revenue *(Note 2)*	3,618,238	4,150,302
– handset casings and high-precision components	2,355,479	2,894,931
– smart electrical appliances casings	381,767	505,625
– household and sports goods	267,718	356,629
– network communications facilities and others	368,939	309,676
– notebook computers (Note 3)	244,335	83,441
Gross profit	919,523	958,745
Profit before tax	385,819	502,773
Less: Income tax expense	86,303	85,488
Profit for the year	299,516	417,285
Profit for the year attributable to the owners of the Company	290,499	418,943

Note:

1. Key financial figures for 1H2017 are shown in the table above for comparative purpose.

2. According to the 2018 Interim Report, as a result of reorganisation of business units and spin-off of the THT Group, the Group's management changed the reporting segments as (i) handset casings and high-precision components; (ii) smart electrical appliances casings; (iii) household and sports goods; (iv) network communications facilities and others; and (v) notebook computers.

3. The notebook computers segment was discontinued upon the spin-off of the THT Group.

For 1H2018, the Group's revenue grew from HK$3,618.2 million in the 1H2017 by 14.7% to HK$4,150.3 million. Profit attributable to owners of the Company increased from approximately HK$290.5 million in 1H2017 by 44.2% to approximately HK$418.9 million. As disclosed in the 2018 Interim Report, the Group mainly benefited from the growth in shipment volume of handset casings, resulting in an increase in revenue by 14.7% as compared with 1H2017.

The Group's gross profit for 1H2018 increased by 4.3% to approximately HK$958.7 million and the gross profit margin was 23.1%, which was 2.3 percentage points lower than 25.4% for 1H2017. As disclosed in the 2018 Interim Report, the decrease in gross profit margin was mainly due to the decrease of gross profit margin of handset casings, which is the largest business segment in proportion of sales. As the trend changed in 2017, the Group has shifted the handset market from metal casings to a new casing product, namely, In-Mold Transfer (IMT) uni-body casings, which in turn decreased the gross profit margin by 2.6 percentage points correspondingly. As advised by the management of the Group, such drop was mainly attributable to (i) the initial production costs of the production of IMT uni-body casings in 1H2018; (ii) the hindrance in the production of the network communication facilities business during factory reallocation from Shenzhen to Dongguan; and (iii) the decrease of gross profit margin of household and sports goods segment, mainly due to a significant shipping volume on a particular household goods with a high gross profit margin that incurred in 1H2017.

Profit attributable to owners of the Company increased 44.2% from approximately HK$290.5 million in 1H2017 to approximately HK$418.9 million in 1H2018, and the net profit margin attributable to owners of the Company increased to 10.1% (1H2017: 8.0%), which was mainly attributable to the increase in gross profit, write-back of impairment of trade receivables and net gain from exchange differences.

(c) Financial positions of the Group as at 31 December 2016, 31 December 2017 and 30 June 2018

Set out below are (i) the key financial figures of the financial positions of the Group as at 31 December 2015, 2016 and 2017, as extracted from the 2016 Annual Report and the 2017 Annual Report; and (ii) the key financial figures of the Group's financial position as at 30 June 2018, as extracted from the 2018 Interim Report.

	As at 31 December 2015 (audited) *HK$'000* *(Note)*	**As at 31 December 2016** (audited) *HK$'000*	**As at 31 December 2017** (audited) *HK$'000*	**As at 30 June 2018** (unaudited) *HK$'000*
Non-current assets	3,053,854	3,876,065	5,102,899	5,852,957
Current assets	5,535,008	6,713,928	8,520,803	8,636,182
Non-current liabilities	1,484,465	1,590,928	1,357,977	1,759,479
Current liabilities	3,065,079	4,332,760	6,380,428	6,224,298
Net assets attributable to owners of the Company	4,057,186	4,667,898	5,834,417	6,467,290
Gearing ratio	35.5%	39.5%	45.0%	41.6%

Note: Key financial figures as at 31 December 2015 are shown in the table above for comparative purpose.

(i) As at 31 December 2016

As at 31 December 2016, the Group's net assets attributable to owners of the Company amounted to approximately HK$4,667.9 million, representing an increase of approximately HK$610.7 million compared to that of approximately HK$4,057.2 million as at 31 December 2015. Such increase was mainly attributable to the total comprehensive income attributable to the owners of the Company (mainly generated by the Group's operations and gain on property revaluation) of approximately HK$803.0 million for the year.

Gearing ratio (consolidated net debt divided by total equity) increased from approximately 35.5% as at 31 December 2015 to approximately 39.5% as at 31 December 2016. Such increase was mainly attributable to an increase in bank and other borrowings of approximately HK$604.2 million.

Based on 5,780,450,000 issued Shares as at 31 December 2016, the net asset value per Share as at 31 December 2016 amounted to approximately HK$0.81.

(ii) As at 31 December 2017

As at 31 December 2017, the Group's net assets attributable to owners of the Company amounted to approximately HK$5,834.4 million, representing an increase of approximately HK$1,166.5 million compared to that of approximately HK$4,667.9 million as at 31 December 2016. Such increase was mainly attributable to total comprehensive income attributable to the owners of the Company (mainly generated by the Group's operations and gain on property revaluation) of approximately HK$1,064.1 million for the year.

Gearing ratio (consolidated net debt divided by total equity) increased from approximately 39.5% as at 31 December 2016 to approximately 45.0% as at 31 December 2017. Such increase was mainly attributable to the increase in bank and other borrowings of approximately HK$1,375.5 million.

Based on 6,051,725,553 issued Shares as at 31 December 2017, the net asset value per Share as at 31 December 2017 amounted to approximately HK$0.96.

(iii) As at 30 June 2018

As at 30 June 2018, the Group's net assets attributable to owners of the Company amounted to approximately HK$6,467.3 million, representing an increase of approximately HK$632.9 million compared to that of approximately HK$5,834.4 million as at 31 December 2017. Such increase was mainly attributable to the net effect of (i) total comprehensive income attributable to the owner of the Company (mainly generated by the Group's operations and gain on property revaluation) of approximately HK$818.2 million for the year; and (ii) special interim dividend declaration in relation to the spin-off of the THT Group.

Gearing ratio (consolidated net debt divided by total equity) decreased from approximately 45.0% as at 31 December 2017 to approximately 41.6% as at 30 June 2018. Such decrease was mainly attributable to a significant increase in net assets attributable to owners of the Company as mentioned above.

Based on 6,297,180,097 issued Shares as at 30 June 2018, the net asset value per Share as at 30 June 2018 amounted to approximately HK$1.03.

II. Background and information of the Target Group

Background of the Target Group

The Target Company was incorporated in Hong Kong with limited liability on 6 October 2015. At the time of its incorporation, the Target Company had an issued share capital of HK$5,000,000 divided into 5,000,000 shares, of which 3,500,000 shares were allotted and issued to the Purchaser and 1,500,000 shares were allotted and issued to the Vendor or his nominee. There has not been any change to the Target Company's shareholding since its incorporation. The Target Company's principal activity is investment holdings and trading of tri-proof (i.e. waterproof, dustproof and shockproof) and high-precision components manufactured by Tongda Elastomers. 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 tri-proof and high-precision components for mobiles or electronic devices. 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 provision of business and management consultancy services to Target Company and Tongda Elastomers which in turn receive monthly management fee.

As disclosed in the Letter from the Board, with regards to the background of the Vendor, the Vendor has been the project director of Tongda Elastomers since April 2016 and is responsible for (i) organising the project team, engineering team, molding team, quality control team; (ii) planning and coordinating of resources and project management, including development cost management and product pricing; and (iii) managing the overall project profitability and planning and execution of annual sales target. Prior to joining the Target Group, the Vendor was employed by a company incorporated in Hong Kong with limited liability and principally engaged in the manufacturing and sales of handset component, from March 2015 to April 2016 as a program director. The Vendor obtained his bachelor of Laws from Chungyu Institute of Technology, Taiwan in 2010. Save as disclosed herein, the Vendor does not have any other relationship with the Group or its connected persons.

In 2015, the Vendor was first introduced to the Directors on a social occasion. The Vendor and his team of skilled workers have extensive experience and expertise in the manufacturing and project management of tri-proof components for handsets. The company that the Vendor was then working for also had a business relationship with a major U.S. customer for the supply of tri-proof components that are used in handsets. At that time, the Vendor was planning to quit his job in search of career advancement and/or to start a new business venture that could make use of his expertise in relation to the production of tri-proof components for handsets. However, the Vendor and his team of skilled workers did not have sufficient capital to carry out the new business venture on their own. After the Vendor explained to the Directors about the details of the new business venture, the Directors expressed an interest in the project and continued to explore with the Vendor over any potential opportunity for business cooperation. Given that the Group was then engaged in, among others, the design and production of casings and parts for handsets and had the financial resources to make capital investments in the new business venture, the Vendor and his team of skilled workers also considered the Group to be an ideal business partner.

The Vendor and the Group subsequently agreed to set up the Target Group for carrying out the new business venture and agreed on their respective shareholding in the Target Company. Under the business cooperation, the Vendor and his team of skilled workers would focus on the day-to-day operations of the Target Group including the production of the tri-proof components for handsets whereas the Group would mainly be responsible for providing sufficient funding to and making capital investments in the Target Group as well as business development.

In order to take advantage of the growing business opportunities with its major U.S. customer and to expand the production capacity of the Target Group, significant investments in the form of various shareholder loans were made by the Purchaser to the Target Company for the acquisition of new plant and machinery. The amount of plant and machinery of the Target Group increased from approximately HK$28,401,000 as at 31 December 2016 to HK$104,864,000 as at 31 December 2017, representing a year-on-year growth of 269%. The number of employees of the Target Group also increased from 564 as at 30 June 2016 to 3,625 as at 30 June 2018 in order to cope with the business expansion of the Target Group.

In December 2017, the Target Group further expanded its scope of products to high-precision components that are applied in handsets.

As at the Latest Practicable Date, the Target Group has entered into a long term master supply agreement with one of the largest electronics contract manufacturer of the major U.S. customer pursuant to which the Target Group has agreed to supply and the said manufacturer has agreed to purchase handset components for a term of five years commencing from April 2016.

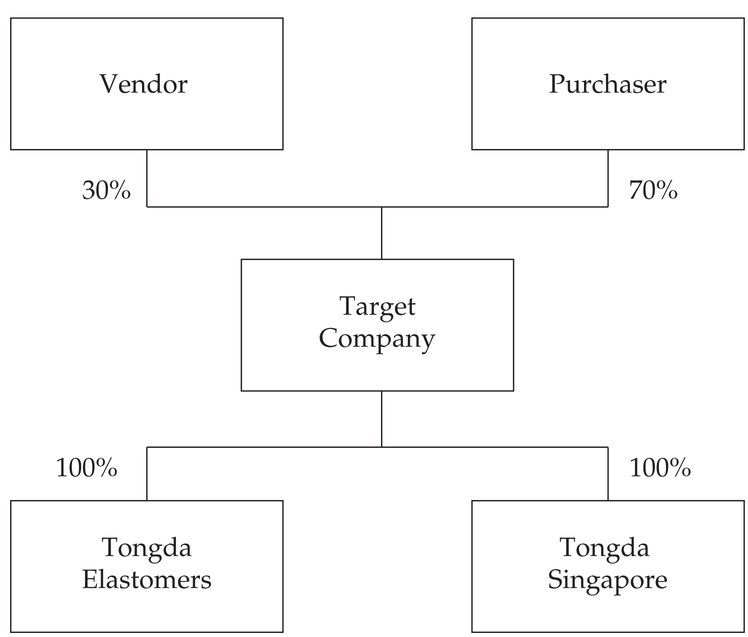
The original acquisition cost of 30% of the equity interests of the Target Group to the Vendor was approximately HK$10,500,000, which represented the aggregate amount of initial capital contributed by the Vendor, as a minority shareholder, to the Target Company, Tongda Elastomers and Tongda Singapore for 30% of the respective equity interests.

As at the Latest Practicable Date, the Target Company is owned as to 30% by the Vendor and 70% by the Purchaser.

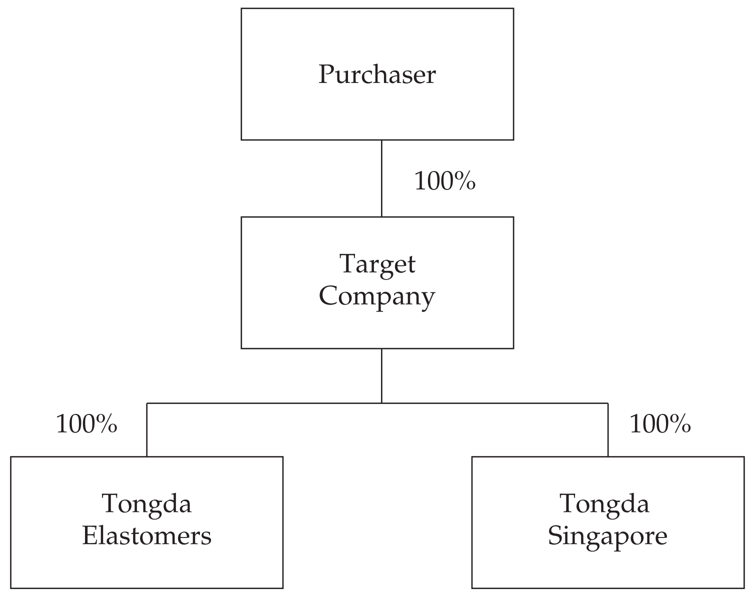
Structure of the Target Group

The following charts show the group structure of the Target Group (i) before the Completion; and (ii) immediately after Completion:

(i) Before the Completion



(ii) Immediately after Completion



III. Historical financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for FY2016 and FY2017 and the eight months ended 31 August 2017 and 31 August 2018 ("**PE2017**" and "**PE2018**" respectively) prepared in accordance with Hong Kong Financial Reporting Standards:

	FY2016 (unaudited) *HK$'000* *(Note)*	**FY2017** (unaudited) *HK$'000*	**PE2017** (unaudited) *HK$'000*	**PE2018** (unaudited) *HK$'000*
Revenue	204,263	757,490	240,233	547,606
Gross Profit	100,171	286,981	115,462	116,952
Profit/(loss) before tax	76,954	203,670	65,684	7,168
Profit/(loss) after tax	63,716	172,718	48,384	2,244
Profit/(loss) after tax (excluding the exchange difference)	63,849	167,833	47,153	21,975

	As at 31 December 2016 (unaudited) *HK$'000*	**As at 31 December 2017** (unaudited) *HK$'000*	**As at 31 August 2018** (unaudited) *HK$'000*
Total assets	312,265	1,073,250	1,273,214
Total liabilities	235,591	823,592	1,061,850

Note: Since the Target Group commenced to generate revenue in June 2016, the financial information for the year ended 31 December 2016 represents the performance from June 2016 to December 2016.

We noted that the revenue of the Target Group for FY2016 was significantly lower than the figure for FY2017 as the Target Group has only commenced its operation and generated revenue since June 2016. The increase in revenue for FY2017 was mainly attributable to the increase in the amount of sales orders from its major U.S. customer. Since commencement of its business, the Target Group has built up its reputation in the market as a reliable supplier of tri-proof components for handsets. It had also maintained a good relationship with its major U.S. customer, which enabled the Target Group to obtain a greater market share in the supply of such products.

The revenue of the Target Group was mainly generated from sales of tri-proof and high-precision components to external parties. The revenue of the Target Group increased from approximately HK$240.2 million for PE2017 to approximately HK$547.6 million for PE2018, representing a significant increase of approximately 128.0%. Such increase was mainly due to the growth in the shipment volume of tri-proof and high-precision components.

However, it is noted that the gross profit in PE2018 was approximately HK$117.0 million, representing an increase of about 1.3% from approximately HK$115.5 million in PE2017. Gross profit margin dropped from 48.1% in PE2017 to 21.4% in PE2018. As advised by the management of the Company, the gross profit margin became normalised in PE2018, taking into account the costs incurred in the introduction of mould production, as a part of the business production, in the second half year of 2017. As advised by the Company's management, since the Target Group did not involve in the mould production in the early stage of its operation, the cost was at its minimal and the gross profit margin in PE2017 was boosted, compared with that of PE2018.

In respect of the profits, the Target Group recorded an exchange gain of approximately HK$1.2 million in PE2017 but an exchange loss of approximately HK$19.7 million in PE2018, creating a non-operational impact on the profits. In order to reflect the actual profitability of the Target Group, we have taken out the exchange differences from the profits after tax for analytical purpose. Profit after tax (excluding the exchange difference) in PE2018 was approximately HK$22.0 million, representing a decrease of approximately 53.4% from approximately HK$47.2 million in PE2017. Such decrease was mainly attributable to increase in research and development ("**R&D**") expenses of approximately HK$23.5 million. As advised by the management of the Company, given that the Target Group has been gaining market share and diversifying its product mix these years, the Target Group increases investments in technological R&D so as to strengthens technological achievements to develop high-precision components. For illustrative purpose, set aside the R&D expenses and exchange differences, the Group would record a profit for PE2018 of approximately HK$75.3 million, which is approximate to HK$77.0 million for the corresponding period.

As at 31 August 2018, the unaudited total asset and total liabilities of the Target Group were approximately HK$1,273.2 million and HK$1,061.9 million respectively. The financial position remained stable from 31 December 2017 to 31 August 2018.

Analysis

As advised by the management of the Company, the seasonality nature in the Target Group's business could increase the demand of tri-proof and high-precision components. The Target Group expects the new smartphone launch by the U.S. customer and sales growth during festive seasons will give stronger support to its sales revenue in the second half of each year. In addition to smartphone, the Company will supply waterproof components for its U.S. customer's computer products in the fourth quarter in 2018 ("**Q42018**"). Therefore, the Company anticipates increasing focus on production of tri-proof and high precision components in the new smartphone and further penetration of computer supply chain will lead to sales and margin expansion in Q42018.

In this regard, we have reviewed the sales breakdown for FY2016, FY2017 and PE2018 by the periods from January to August (the "**First Period**") and from September to December (the "**Second Period**") provided by the Group as set out below:

	FY2016		**FY2017**		**PE2018**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
First Period	16,106	7.9%	240,233	31.7%	547,606	100.0%
Second Period	188,157	92.1%	517,257	68.3%	N/A	N/A
	204,263	100.0%	757,490	100.0%	547,606	100.0%

It is noted that the majority of the total revenue for FY2016 was from the sales during the Second Period, which contributed around 92.1% of the total sales amount. Nevertheless, we understand that such high percentage may be affected by the fact that the Target Group commenced its operation since June 2016 and thus the sales for FY2016 may not reflect the full year effect of operation.

In this regard, we further studied the sales pattern in FY2017, which reflects the full year effect of operation and we noted that such seasonality factor continued to exist in FY2017 as evidenced by the strong sales for the Second Period in FY2017, representing approximately 68.3% of the total sales amount and about 2.2 times of the sales for the First Period in the same year.

Based on the above, we are of the view that the historical sales pattern is consistent with the seasonality nature as advised by the Group's management and concur that there is a strong seasonality impact on the Target Group's sales for the Second Period of each year.

Furthermore, as advised by the Group's management, based on the pre-sale orders from the U.S. customer, the Company expects that the seasonality impact on the Target Group's sales will continue to exist in the Second Period of 2018.

We also noted that the gross profit margin has been decreased from FY2017 to PE2018, and are advised by the Group's management that the gross profit margin has become normalised in PE2018. In this regard, we have also made the gross profit margin of the Target Group reference to the companies with principal business comparable to the Target Company (the "**Comparable Companies**"), where the selection criteria were set as the same under the comparable analysis section headed "Evaluation of the Consideration" below. Set out below is the gross profit margin of the Comparable Companies extracted from their respective latest published annual reports:

Stock code	Company name	Gross profit margin (extracted from respective latest published annual reports)
675	K & P International Holdings Limited	18.3%
838	EVA Precision Industrial Holdings Limited	24.8%
1002	V.S. International Group Limited	16.8%
1050	Karrie International Holdings Ltd.	14.5%
2283	TK Group (Holdings) Limited	33.7%
822	Ka Shui International Holdings Limited	17.8%
3336	Ju Teng International Holdings Ltd	14.2%
1991	Ta Yang Group Holdings Limited	27.5%
	Maximum	33.7%
	Minimum	14.2%
	Median	18.1%
	Average	21.0%

According to the above table, we found that the gross profit margin of the Comparable Companies has an average of 21.0% and a median of 18.1% for their respective latest financial year, ranging from 14.2% to 33.7%. The gross profit margins of Target Group in PE2017 of about 48.1% and that in FY2017 of about 37.9% do not appear to be usual, lying outside of the range obtained from the Comparable Companies. We are of the same view with the Group's management that the gross profit margin in PE2018 has become normalised.

In view of the above, we noted that the gross profit margin for PE2018 still lies within an acceptable range, which is perceived to be normal as discussed above. After discussion with the management of the Group and reviewing the cost structure of the Target Group, we understood that the Target Group has been gaining market share and diversifying its product mix throughout these years. The Target Group started off its operation with the production of only handsets components in early 2016; however, with a strong team of engineering experts and management, the Target Group is also producing various tri-proof and high-precision components for both handsets and computers. Given that the Target Group recorded profits since its commencement of operations, we concur with the view of the Group's management that continuous devotion in product diversity and experienced expert and management teams will bring a positive contribution to the Group from the Acquisition and the Acquisition is in the interest of the Company.

IV. Reasons for and benefits of the Acquisition

Upon Completion, the Group will further increase its controlling interest in the Target Company, which will enable it to benefit from 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.

As discussed in the section headed "Historical financial information of the Target Group" above, the Target Group has recorded profits since the commencement of its operation in 2016. Based on the historical performance pattern, it is expected that the Target Group will continue to generate positive cash flow to the Group and the future prospects will remain positive after Completion given that the Company intends to retain the existing management team which will not cause any interruption to the operations of the Target Group after Completion. As one of the conditions precedent to the Completion, certain employees of the Target Subsidiaries designated by the Purchaser, including the Vendor, have entered into employment contracts with relevant subsidiaries for a fixed term until at least 31 December 2021.

In addition, the Group will gain full control over the Target Group and enjoy greater operational flexibility and efficiency by shortening the decision-making process upon Completion. As advised by the management of the Group, the current practice requires approval from both Vendor and the Group in relation to the expansion of production scale requiring additional capital injection. The full control will simplify the decision-making procedure and facilitate a more direct and responsive process without getting consent from the minority shareholder. We also noted that the capital injection and significant investments were made in the form of various shareholder's loans by the Purchaser to the Target Company and the Group expects that the Target Group will need additional capital injection future expansion in production line. Instead of making further shareholder's loans and sharing profits with the Vendor, the Acquisition, without any adverse impact on the operation of the Target Group, will allow the Group to have a full control to formulate the future business strategy and eliminate the time of decision making of the Target Group and to enjoy the entire profits and cash flow streams from the Target Group.

The Board considers that the one-off payment of Consideration will bring about long-term financial benefits to the Group and the Shareholders given the future profits of the Target Group will not be shared with the Vendor upon the Completion. As advised by the Group's management, the accumulated profits shared by the Vendor from the date of incorporation up to 31 August 2018 amounted to approximately HK$71.5 million of which approximately HK$12.1 million was paid by the Target Group to the Vendor as dividends in June 2018. In view of the strong demand from the U.S. customer, the management of the Group expects that, under the current profit-sharing arrangement, such amount will continue to grow without a ceiling amount. Alternatively, the Consideration of HK$291,720,000 will function as a cap to limit the amount payable to the Vendor.

Also, the Consideration will be settled through the allotment and issue of Consideration Shares, in other words, the Consideration does not equal to the actual cash payout to the Vendor. The Consideration Shares will be issued at HK$1.60 per Share, representing a premium of approximately 60.0% over the closing price of HK$1.00 per Share on the Latest Practicable Date. For illustrative purpose only, the value of the Consideration Shares amounts to approximately HK$182.3 million, based on the closing price of HK$1.00 per Share on the Latest Practicable Date. The Board considers that the issue of Consideration Shares with the lock up undertakings and the premium issue price will motivate the Vendor to further contribute to the Group.

Based on our review of the financial results of the Group, we noted that the revenue contributed by Target Group represented approximately 8.8% and 9.8% to the Group's total revenue for FY2017 and for PE2018 respectively. As disclosed from the 2017 Annual Report, handset segment, in which the principal business of the Target Group belongs, remains as the main highlight of growth as the Group will seek to further enlarge its market share. The management of the Group also advised that a good relationship with the major U.S. customer will allow the Target Group to obtain a greater market share in the supply of tri-proof components for handsets in the long run. While the connection between the Target Group and the major U.S. customer will enable the Group to have a stable source of income in the future, we concur with the Directors' view that the Acquisition is in line with the Group's long-term strategy.

Having considered that (i) the acquisition of the remaining interests in the Target Group which has shown ability to generate profits since the commencement of its operation in 2016 and the positive future business prospect will maximise the profit attributable to the Shareholders; (ii) the Acquisition will consolidate the control over the Target Group by the Company which provides operational flexibility and efficiency in developing strategies and implementing business decisions for the Target Group in the future; (iii) the Consideration will function as a cap to limit the amount payable to the Vendor; (iv) the one-off payment of the Consideration will bring about long-term financial benefits to the Group and the Shareholders given the future profits of the Target Group will not be shared with the Vendor; (v) the Acquisition will not hinder the operation of the Group; (vi) the Considerations Shares will be issued at a significant premium, as compared to the closing price of the Share as at the Latest Practicable Date; and (vii) the Acquisition is in line with the long-term business strategy of the Group, we concur with the Directors' view that the Acquisition, including the Consideration, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

V. Principal terms of the Acquisition Agreement

1. *Consideration*

The Consideration for the Sale Shares is 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.

As advised by the management of the Company, the Consideration was determined after arm's length negotiations between the Purchaser and Vendor with reference to the preliminary valuation of 30% of the equity interests of the Target Group prepared by the Independent Valuer of HK$301,740,000 under the market approach as at 30 June 2018.

In addition, as advised by the management of the Company, in determining the method of Consideration, having taken into account that (i) the Consideration Shares will be issued at the Issue Price which was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account the prevailing market price of the Shares and is considered as fair and reasonable (please refer to following section in this letter for evaluation of the Issue Price of the Consideration Shares); (ii) the Consideration Shares will be subject to the lock up undertakings; (iii) external borrowings usually take longer time to arrange and incur financial cost; and (iv) the Vendor is confident in the future prospect of the Group and would like to retain interests in the business through holding the Consideration Shares, the Board considered that the direct issue of the Consideration Shares would be the best option. Please refer to our analysis set out under the section headed "Evaluation of the Consideration" below.

2. *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.

We consider the lock up undertakings indicates the level of confidence of the Vendor in the Group's future growth and prospects after the Acquisition. In our opinion, the lock up undertaking is in the interests of the Company and the existing Shareholders as a whole as it would prevent the Consideration Shares being sold in the market in short term which may exert pressure on the price of the Shares.

3. Management and employee retention

We note from the Acquisition Agreement that as one of the conditions precedent to Completion, certain employees of the Target Subsidiaries designated by the Purchaser shall have entered into employment contracts with relevant subsidiaries for a fixed term until 31 December 2021 (which may be automatically renewed at the end of the initial term).

We consider the retention and certain existing employees of the Target Subsidiaries will ensure the daily operation of the Target Subsidiaries not being materially affected by the Acquisition after Completion.

4. 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.

We consider the above clauses in the Acquisition Agreement provides an additional protection for the Group to restrict the abuse of the Group's confidential information and knowledge by the Vendor and former employee after Completion and to a certain extent prevent future competition and the loss of existing customers and employees of the Group.

VI. Evaluation of the Consideration

1. Assessment on the Valuation Report

To assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report prepared by Royson, the Independent Valuer.

In assessing the independence of Royson, we interviewed the relevant staff of Royson and inquiry on any current or prior relationship between Royson and the Group, the Vendor, the Target Group and the core connected persons of any of them, and Royson confirmed that it is independent of and not connected with these persons. We have also reviewed and enquired with Royson the qualification and experience of Royson in relation to the preparation of the Valuation Report. We note that it possesses experience in, among others, business valuations, derivatives valuation, intangible assets valuation for listed issuers in Hong Kong, and property valuations with services covering property, plants, machinery, equipment and land parcels. We also understand that the valuer-in-charge is a certified public accountant and has worked in the valuation field for over 8 years and participated in over 600 assignments regarding business valuation, derivatives valuation, intangible assets valuation and purchase price allocation for various listed companies and private entities. In addition, we have reviewed Royson's engagement letter including their scope of work. Based on the review and the interview, we are satisfied with the terms of the engagement of Royson and its qualification and experience for preparation of the Valuation Report.

For our due diligence purpose, we have reviewed and enquired into the methodology used and principal bases and assumptions adopted in the Valuation Report. We note that the Valuation Report is prepared on the basis of fair value and in conformity with the International Valuation Standards (2017 Edition) published by International Valuation Standards Council and Royson has adopted the market approach for the Valuation Report. As advised by Royson, they have considered the three generally recognised valuation approaches, namely the cost approach, income approach and market approach.

Regarding the cost approach, Royson considered that it is not appropriate to be used in the Valuation Report as in the cost approach as it cannot reflect the fair value of the Target Group which is driven by the future earnings to be generated. Accordingly, Royson considered that the adoption of cost approach in this case may not be appropriate for the Valuation Report.

Regarding the income approach, it relies on explicit forecasts for the upcoming years which require many assumptions not directly observable in the market. This approach is subject to the assumption that the business enterprise has been maintaining stable economic benefits and growth rate. As advised by Royson, the income approach requires more judgement and assumptions on projects of future financial results and it would be difficult to justify the projection growth of the revenue. Therefore, the adoption of income approach in this case may not be appropriate for the Valuation Report.

The market approach is simpler to understand and employs more observable market data. Royson advised that the market approach is an appropriate method for the Valuation Report as there was a reasonable number of comparable publicly traded companies and transactions available in the market. In determining the value, there are two methods under the market approach which are from (i) the guideline transactions method; and (ii) the guideline publicly-traded comparable method ("**GPTC Method**"). As advised by Royson, the Target Group has historical earnings records and with stable cash flows from operations. With a reasonable number of publicly traded companies available in the market, the GPTC Method under the market approach is the most appropriate method for the valuation. We have noted that Royson selects the period from July 2017 to June 2018 (the "**Selected Period**"), instead of the latest full financial year, as the underlying period to derive the appraised amount of the Target Group. After reviewing the historical financial performance of the Target Group, we note that the Selected Period is able to reflect (i) the normalised gross profit margin since 2nd half of 2017 due to the change in cost structure, as discussed under the section headed "Historical financial information of the Target Group"; and (ii) the sales growth in the first half of FY2018. As such, we concur with Royson that the financial performance of the Selected Period is able to reflect the latest operational efficiency and profitability of the Target Group and thus the basis of the valuation is fair and reasonable. Based on the above, we agree with Royson that the GPTC Method is an appropriate valuation methodology in valuing the equity interest of the Target Group.

For the purpose of our assessment, we also reviewed (i) the selection criteria and information of comparable companies adopted; and (ii) the underlying calculations in the Valuation Report.

As noted from the Valuation Report, five comparables have been selected based on the following criteria: (1) principally engaged in sale and manufacture of plastic (injection and precision parts and components for computers and electronic devices); (2) with operation profits in the trailing 12 months preceeding the period end date of the respective published interim/annual reports; and (3) listed in Hong Kong for over 2 years.

We understood from the Valuation Report that no direct comparable was identified due to the uniqueness of the Target Group's principal business. However, as the selection criteria has included comparables which are principally engaged in sale and manufacture of plastic (injection and precision parts and components for computers and electronic devices), the five comparables are considered to have a similar principal business with the Target Group in a way that a significant portion of their revenues was contributed by plastic injection or manufacturing of plastic components, which serve as a part of the electronic devices.

In order to assess the fairness and reasonableness of the selection criteria of the comparables adopted by the Valuer, we have performed comparison analyses based on the website of the Stock Exchange and Bloomberg as summarised below:

Comparables	**(1) Principally engaged in sale and manufacture of plastic**	**(2) Earnings before interest and tax in the trailing 12 months preceeding the period end date of the respective published interim/annual reports**	**(3) Listing date in Hong Kong**
K & P International Holdings Limited (stock code: 675)	Principally engaged in the manufacture and sales of precision parts and components.	HK$11.1 million	2 January 1997
EVA Precision Industrial Holdings Limited (stock code: 838)	Principally engaged in the manufacture of stamping molds and plastic injection molds.	HK$153.4 million	11 May 2005
V.S. International Group Limited (stock code: 1002)	Principally engaged in the manufacture and sales of plastic molded products and parts.	HK$31.6 million	8 February 2002
Karrie International Holdings Ltd (stock code: 1050)	Principally engaged in manufacture and sales of metal and plastic products, including computer server casings, moulds, plastic and metal parts and household products.	HK$259.2 million	16 December 1996
TK Group (Holdings) Limited (stock code: 2283)	Principally engaged in the manufacture, sales, subcontracting, fabrication and modification of molds and plastic components in the PRC.	HK$395.1 million	20 December 2013

Based on the above selection criteria, we consider the selected comparable companies Royson has chosen are fair and reasonable, as the comparable companies (i) have a similar principal business with the Target Group; (ii) have a profit-making track record which reflects the prevailing business value, using the trailing 12-month financial data. Also, the 2-year listing period (i) has eliminated companies with high fluctuations in price in the early period of their listing period; and (ii) ensured the actual operational performance is reflected in the financial results after listing. The inclusion of the above comparable companies has accommodated the uniqueness nature of the principal business of the Target Group, minimising the variance from those non-perfectly comparable companies.

Having considered that the selected comparable companies are engaged in part of similar business to that of Target Group and for our due diligence purpose, we have reviewed the recent financial statements of the selected comparable companies and noted that all the comparable companies fulfill the aforementioned selection criteria. Hence, we consider that the selected comparable companies are fair and representative samples based on the above selection criteria and hence are satisfied with the results of Royson in identifying the selected comparable companies that are sufficiently comparable to the Target Group.

Besides, we have discussed with Royson regarding the adjustments of "discount for lack of marketability" ("**DLOM**") and were given to understand that the adjustment of DLOM was adopted in the Valuation Report after taking into account the limited liquidity of the shares of the Target Group in the open market and the size of adjustment of DLOM was determined by Royson with reference to the Mergerstat® Review 2016 by FactSet Mergerstat, LLC. The Mergerstat Review is the leading publication to capture all the information for U.S. companies, including privately held, publicly traded and cross-border transactions and is a popular reference for business valuation field. Supplementary, Royson has cross-checked the suggested range with various relevant research papers (both formal and informal) and valuation journals on valuation premiums and discounts which are publicly available. Currently, there is no widely used empirical study conducted on valuation premiums and discounts for private companies in Hong Kong. Therefore, Royson considers the information and data presented in the Mergerstat® Review as a good reference against which an appropriate discount for the subject valuation is assessed. Taking into account that such rate of DLOM, which we concur, is reasonable to appraise the value of equity interest of a private company with profitable track records like the Target Group.

Based on all of the above work done by us in assessing the valuation and having considered, in particular, (i) our assessment on the methodology of, and the basis and assumptions adopted for, the Valuation Report; (ii) our review on the selection criteria and information of the selected comparable companies, which are considered as fair and representative samples; and (iii) the independence, qualification and experience of Royson, we consider that there is no substantial factors identified which may cause us to doubt the fairness and reasonableness of the methodology adopted and the basis used in arriving at the valuation.

According to the Valuation Report, the fair value of the Sale Shares was HK$303,200,000 as at 30 June 2018, which is a slight premium over the amount of the Consideration of HK$291,720,000, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

We are aware that the valuation of 100% of the Target Company based on the valuation would be more than HK$1,010.7 million, which is significantly higher than the net asset value of the Target Group of approximately HK$212.1 million as at 30 June 2018 and the initial set up capital of HK$35 million. However, we consider these figures may not reliably or truly reflect the value of the Target Group, given the net asset value and the initial set up capital cannot reflect the future earnings and the value of the intangible assets of the Target Group, including but not limited to the relationship with the U.S. customer and stable skilled technicians.

Further details of the basis and assumptions of the valuation are included in the Valuation Report as contained in Appendix I to this circular.

2. Comparable analysis

The Consideration of HK$291,720,000 also represents (a) the price-to-book ratio (the "**P/B Ratio**") (based on the 30% of the net asset value of HK$212.1 million as at 30 June 2018) of the Target Group of approximately 4.58 times; and (b) the price-to-earnings ratio (the "**P/E Ratio**") of the Target Group of approximately 5.63 times based on the profit of approximately HK$172.72 million.

In order to assess the fairness and reasonableness of the Consideration, we have taken into account the P/E Ratio and the P/B Ratio, which are considered the most widely used and accepted financial valuation methods, of the Comparable Companies.

In our assessment, we have attempted to identify Comparable Companies which (i) are currently listed on the Stock Exchange for 24 months; and (ii) principally engaged in manufacturing and sale of tri-proof and high-precision components for mobiles or electronic devices. However, due to the unique business nature, we are not able to identify any direct comparable based on the above-mentioned selection criteria. Considering the listing period of 24 months as afair and representative criterion for selecting Comparable Companies, the 24-month listing period (i) has eliminated companies with high fluctuations in price in the early period of their listing period; and (ii) ensured the actual operational performance is reflected in the financial results after listing.

In view of the above, we have therefore revised the selection criteria for those Comparable Companies that (i) are currently listed on the Stock Exchange for over 24 months; (ii) are engaged in manufacturing of casings, moulds and non-electronic components for electrical appliances; and (iii) the majority of the revenue was generated from the principal business mentioned in (ii) as disclosed in the annual report for the latest financial year.

The following Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. Set out below is the Comparable Companies analysis:

Stock Code	Company name	Principal business	Market capitalisation *(Note 1)* *(approximately HK$ million)*	P/E Ratio *(Note 2)* *(times)*	P/B Ratio *(Note 3)* *(times)*
675	K & P International Holdings Limited	the precision parts and components businesses.	245.64	29.62	0.92
838	EVA Precision Industrial Holdings Limited	the manufacture of stamping molds and plastic injection molds.	1,277.81	9.56	0.48
1002	V.S. International Group Limited	plastic injection and molding, assembly of electronic products, and mould design and fabrication.	348.43	22.47	0.71
1050	Karrie International Holdings Ltd.	metal and plastic business, electronics manufacturing services business, consumer and services business, real estate business.	2,212.79	12.12	1.86
2283	TK Group (Holdings) Limited	the manufacture, sales, subcontracting, fabrication and modification of molds and plastic components in the PRC.	5,082.89	16.84	5.58
822	Ka Shui International Holdings Limited	the die casting of alloy and plastic injection businesses.	344.10	10.12	0.40
1991	Ta Yang Group Holdings Limited	the manufacturing and sale of silicone rubber and related products for consumer electronic devices, keypads for computers and notebooks, mobile phone handsets and automotive peripheral products.	522.71	N/A *(Note 4)*	1.18
3336	Ju Teng International Holdings Ltd	the manufacture and sales of casings for notebook computer and handheld devices.	1,652.47	21.48	0.24
		Analysis:	Maximum	29.62	5.58
			Minimum	9.56	0.24
			Median	16.84	0.82
			Average	17.46	1.42
			The Target Group	5.63 *(Note 5)*	4.60 *(Note 6)*

Source: Official website of the Stock Exchange – www.hkex.com.hk

Notes:

(1) Market capitalisation of the Comparable Companies is based on the respective closing share prices as at the Last Trading Day extracted from the website of the Stock Exchange.

(2) P/E Ratio of the Comparable Companies is calculated by dividing the market capitalisation as at the Last Trading Day by the net profit attributable to the shareholders of the company as extracted from their respective published annual reports.

(3) P/B Ratios of the Comparable Companies and the Company are calculated by dividing the market capitalisation as at the Last Trading Day by equity attributable to the shareholders of the company as extracted from their respective published annual reports.

(4) No P/E Ratio is calculated for Ta Yang Group Holdings Limited as net loss was recorded in its latest financial year.

(5) Based on 30% of the profit of the Target Group for FY2017 of approximately HK$51.8 million, the Consideration represents a P/E Ratio of approximately 5.63 times.

(6) The net asset value of the Target Group attributable to the Sale Shares is calculated as approximately HK$63.4 million, based on 30% of the net asset value of the Target Group as at 31 August 2018. The Consideration represents a P/B Ratio of approximately 4.60 times.

(i) P/E Ratio

As illustrated in the table above, P/E Ratio of the Comparable Companies ranges from a minimum of approximately 9.56 times to a maximum of approximately 29.62 times (the "**Comparable P/E Range**") with an average of approximately 17.46 times and a median of approximately 16.84 times. The implied P/E Ratio of the Target Group of approximately 5.63 times is much lower than the average, median and lower end of the Comparable P/E Range.

(ii) P/B Ratio

As illustrated in the table above, P/B Ratios of the Comparable Companies range from a minimum of approximately 0.24 times to a maximum of approximately 5.58 times (the "**Comparable P/B Range**") with an average of approximately 1.42 times and a median of approximately 0.82 times. The implied P/B Ratio of the Target Group of approximately 4.60 times is higher than the median, average but within the Comparable P/B Range.

We note that the implied P/B Ratio of the Target Group is relatively higher than the average of the Comparable Companies. Nevertheless, as with other valuation metrics, the P/B Ratio should not be used in isolation, in particular for fast-growing companies. In other words, companies with a relatively high P/B ratio are not necessarily overvalued. We consider the Target Group as fast-growing companies, based on its sales growth pattern and the expanding production capacity from FY2016 to PE2018, and therefore we have taken into account the following factors as an overall assessment: (i) the implied P/B Ratio of the Target Group is still within the range of the P/B Ratios of the Comparable Companies; (ii) as advised by the Company's management, based on the historical sales growth and the pre-sale order from customer, the Group expects the book value of equity to grow in the short-coming future; (iii) the P/E Ratio of the Target Group is below the range of the P/E Ratios of the Comparable Companies; and (iv) other factors as discussed in the paragraph headed "Reasons for and benefits of the Acquisition".

Based on the above, we concur with the Directors view that the Consideration is determined based on normal commercial terms, is fair and reasonable as far as the Independent Shareholders are concerned and in interests of the Company and the Shareholders as a whole.

3. Issue price analysis

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

As noted from the Letter from the Board, 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;

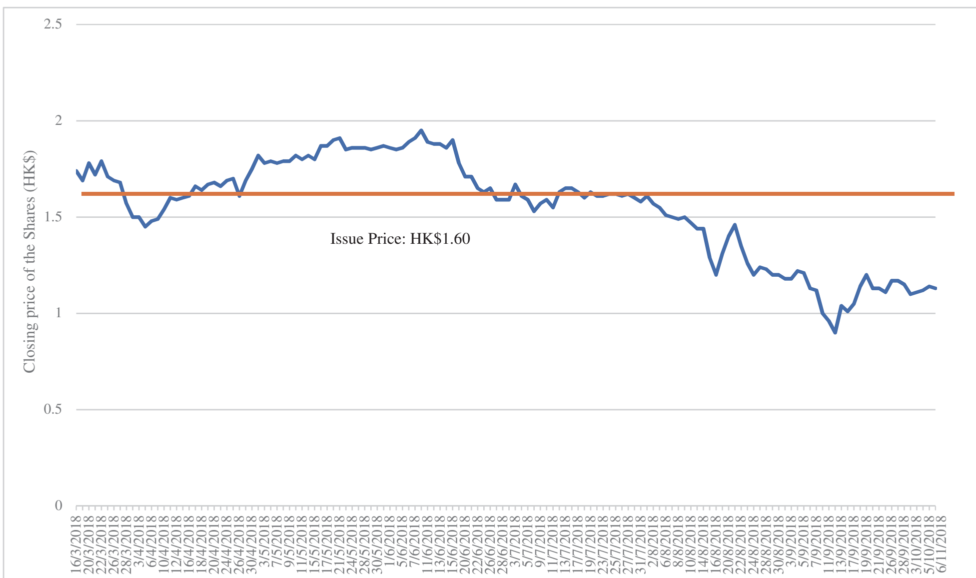
(ii) a premium of approximately 22.89% over the average closing price of HK$1.302 per Share for the five consecutive trading days immediately preceding the Last Trading Day;

(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; and

(iv) a premium of approximately 60.00% over the closing price of HK$1.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the closing price level of the Shares during the period from 16 March 2018 (being the date of completion of spin-off and listing of the THT Group on the Stock Exchange prior to the date of the Acquisition Agreement) to the Latest Practicable Date, i.e. 6 November 2018 (the "**Review Period**"), which provided a general overview of the recent Share price performance with a high relevancy to the Group's existing principal businesses, as the price fluctuation before the spin-off is excluded. The chart below illustrates the closing price level of Shares during the Review Period:

Historical price movement of the Shares during the Review Period



From the above chart, we note that the closing prices of the Shares are on a decreasing trend during the Review Period. The closing price reached its highest at HK$1.95 on 8 June 2018, and lowest at HK$0.9 on 12 September 2018, marking an average of HK$1.49 which is approximate to the Issue Price.

Having taken into account that the Issue Price (i) falls within the range of the closing price during the Review Period; (ii) is approximate to the average closing price during the Review Period; and (iii) represents 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, we consider that the Issue Price is at reasonable level based on the historical Share price movement.

4. Comparable transactions analysis

As part of our analysis, we have, on a best effort basis, reviewed acquisition transactions, including connected transactions, announced by companies listed on the Main Board of the Stock Exchange which involved the issue of consideration shares (the "**Comparable Transactions**") during the period three months immediately prior to the date of the Acquisition Agreement. We note that no transactions announced on the website of the Stock Exchange in relation to the acquisition of companies engaging in business similar to the principal business of the Target Group. However, the Comparable Transactions were transacted at the time close to the date of the Acquisition Agreement under similar market conditions and investment sentiments. Considering that the review period of approximately three months immediately prior to the date of the Acquisition Agreement is adequate and appropriate to capture the most recent market practice and reflect the general trend of the Comparable Transactions, we are of the view that the Comparable Transactions, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, can provide a general reference to the Independent Shareholders as they can reflect market trends of the terms involved in issuing shares as full or partial settlement of consideration for acquisitions.

The Comparable Transactions have been selected exhaustively base on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

			Premium/(discount) of the issue price to the closing price on	
Date of announcement	**Listed issuer**	**Stock code**	**last trading day prior to/on the date of the relevant announcement**	**last 5 consecutive trading days prior to/on the date of the relevant announcement**
28/08/2018	Birmingham Sports Holdings Limited	2309	(6.20%)	(7.90%)
13/08/2018	China Literature Limited	772	19.40%	19.49%
10/08/2018	Artgo Holdings Limited	3313	8.43%	11.94%
10/08/2018	Huaxi Holdings Company Limited	1689	(3.85%)	(3.47%)
07/08/2018	HKBN Ltd.	1310	(5.38%)	(5.48%)
03/08/2018	China First Capital Group Limited	1269	(4.74%)	(1.76%)
30/07/2018	V1 Group Limited	82	27.70%	35.50%
20/07/2018	Huscoke Resources Holdings Limited	704	–	0.68%
20/07/2018	China New City Commercial Development Limited	1321	123.00%	113.00%
09/07/2018	Pine Technology Holdings Limited	1079	5.26%	2.04%
05/07/2018	China Baoli Technologies Holdings Limited	164	(22.58%)	(15.00%)
25/06/2018	ENN Energy Holdings Limited	2688	(1.23%)	4.49%
20/06/2018	ICO Group Limited	1460	5.90%	10.00%
19/06/2018	Kiu Hung International Holdings Limited	381	170.27%	140.38%

Date of announcement	Listed issuer	Stock code	Premium/(discount) of the issue price to the closing price on last trading day prior to/on the date of the relevant announcement	last 5 consecutive trading days prior to/on the date of the relevant announcement
15/06/2018	China First Capital Group Limited	1269	(4.82%)	(9.78%)
15/06/2018	China Metal Resources Utilization Limited	1636	(0.20%)	(1.60%)
14/06/2018	China National Culture Group Limited	745	17.65%	19.05%
05/06/2018	Jiayuan International Group Limited	2768	(3.54%)	(5.79%)
		Maximum	170.27%	140.38%
		Minimum	(22.58%)	(15.00%)
		Average	18.06%	16.99%
		Issue Price	30.08%	22.89%

Source: website of the Stock Exchange and announcements of respective companies

As illustrated in the table above, this issue prices of the Comparable Transactions ranged widely (i) from a discount of approximately 22.58% to a premium of approximately 170.27% to/over the closing price of the last trading day prior to the date of relevant announcement with an average premium of approximately 18.06%; and (ii) from a discount of approximately 15.00% to a premium of approximately 140.38% to/over the average closing price of the last five consecutive trading days with an average premium of approximately 16.99%.

We note that the Issue Price represents a premium of approximately 30.08% over the closing price of the Shares on the Last Trading Day and a premium of approximately 22.89% over the average closing price of the Shares on last five consecutive trading days. The Issue Price falls within the range of the discount/premium of the issue prices in the Comparable Transactions at each of the last trading day and last five trading days (jointly, the "**Comparison Days**") and is priced higher than the average in the Comparison Days.

Based on the above, we consider that the Issue Price is reasonable compared to those in the Comparable Transactions.

VII. Possible financial and shareholding effects of the Acquisition

a. *Dilution effect on shareholding of the existing public Shareholders*

The following table illustrates the shareholding structures of the Company (i) before the Completion of Acquisition; and (ii) upon Completion and immediately after the allotment and issue of the Consideration Shares:

	Before the Completion of Acquisition		**Upon Completion and immediately after the allotment and issue of the Consideration Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Substantial Shareholders				
Landmark Worldwide Holdings Limited *(Note 1)*	1,508,490,000	23.96	1,508,490,000	23.28
E-Growth Resources Limited *(Note 2)*	296,000,000	4.70	296,000,000	4.57
Directors				
Mr. Wang Ya Nan	435,930,000	6.92	435,930,000	6.73
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. 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	3,712,770,097	58.97	3,712,770,097	57.30
Total	6,297,180,097	100.00	6,479,505,097	100.00

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.

Pursuant to the Acquisition Agreement, the Consideration of HK$291,720,000 will be satisfied by the issue of an aggregate of 182,325,000 Consideration Shares. As illustrated from the above, the allotment and issue of the Consideration Shares will dilute the shareholding interest of the existing public Shareholders by 1.67%, from approximately 58.97% before the Completion of Acquisition to 57.30% upon completion and immediately after the allotment and issue of the Consideration Shares. However, having considered, (i) the Consideration is fair and reasonable and will be mainly settled by way of issuing Consideration Shares which enables the Group to retain a higher level of cash resources for general working capital; (ii) other methods of financing the Acquisition such as external loan financing will incur finance cost, and will lower future profitability of the Group; (iii) the Consideration represents a lower P/E Ratio and P/B Ratio than the Comparable Companies and the Company; (iv) the lock up arrangement prevents the Consideration Shares being sold in the market in the short term; and (v) the benefits of the Acquisition attributable to the Group as mentioned previously under the section headed "Reasons for and benefits of the Acquisition", we consider that the dilution effects on shareholding of the existing public Shareholders to be acceptable.

b. *Possible financial effects of the Acquisition*

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.

1. Net asset value

The financial results of the Target Group are currently consolidated in the Group before Completion with the Company's indirect interest of only 70%. Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Group, and its financial results will be fully consolidated with that of the Group.

As advised by the Company, the equity attributable to owners of the Company is expected to increase by approximately HK$63.4 million upon Completion, based on 30% interests of the net asset value of the Target Group as at 31 August 2018.

As a result of the allotment and issue of the Consideration Shares, the share capital of the Group will also be increased upon Completion.

2. Earnings

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated accounts of the Group. Considering the Target Group recorded net profit for the latest two financial years, the Acquisition is expected to bring additional income stream and positive effect on earnings upon Completion; accordingly, profit attributable to the owners of the Company is expected to increase upon Completion.

3. Working capital

According to the Letter from the Board, none of the Consideration will be settled in cash. Accordingly, the Company considers that working capital of the Group will not be materially affected after the allotment and issue of Consideration Shares.

The actual financial effect of the Acquisition to the Group upon Completion will only be ascertained based on the financial position of the Target Company on the Completion Date.

Based on the aforementioned financial effects of the Acquisition on the Company, in particular, the positive impact on the profit contribution attributable to the owners of the Company with increase in the equity attributable to owners of the Company, we are of the opinion that the Acquisition is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having taken into account, in particular, (i) reasons and benefits of the Acquisition; (ii) the basis of determination of the Consideration and the Issue Price; and (iii) the positive financial effects of the Acquisition, we are of the view that the Acquisition is conducted in the ordinary and usual course of business of the Group and the Acquisition Agreement was entered into on normal commercial terms and the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Royson Valuation Advisory Limited, an independent valuer, in connection with its valuation of a 30% equity interest in the business enterprise of Tongda Precision Technology Co. Ltd as at 30 June 2018.

Royson Valuation Advisory Limited
Unit 1806, 18/F, The L. Plaza
Nos. 367-375 Queen's Road Central
Hong Kong

9 November 2018

Tongda Group Holdings Limited
Room 1201-1202, 12/F, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs or Madams

RE: VALUATION OF A 30% EQUITY INTEREST IN TONGDA PRECISION TECHNOLOGY CO. LTD.

INTRODUCTION

We have been engaged by Tongda Group Holdings Limited (the "**Company**" and together with its subsidiaries as the "**Group**") to express an independent opinion of the fair value of a 30% equity interest in the business enterprise of Tongda Precision Technology Co. Ltd. (通達精密科技有限公司) (the "**Target Company**", together with its subsidiaries as the "**Target Group**") as at 30 June 2018 (the "**Appraisal Date**") for transaction purpose and our valuation will also be used in connection with a public document of the Company.

The Target Company is an investment holding company incorporated in Hong Kong with limited liability. As at the Appraisal Date, the Target Company is owned as to 70% by the Company and 30% by an independent third party (the "**Vendor**"). The Target Company holds the entire equity interests in Tongda (Xiamen) Elastomers Co., Ltd (通達(廈門)精密橡塑有限公司, "**Tongda Elastomers**"), a company established in the People's Republic of China (the "**PRC**") with limited liability and principally engaged in the manufacture and sale of tri-proof (i.e. waterproof, dustproof and shockproof) and high-precision components. The Target Company also holds the entire issued share capital of Tongda Precision Technology (Singapore) Pte. Ltd. ("**Tongda Singapore**"), a company incorporated in Singapore with limited liability and is principally engaged in provision of business and management consultancy services to the Target Group.

BASIS OF VALUE

This appraisal is performed on the basis of fair value and in conformity with the International Valuation Standards (2017 Edition) published by International Valuation Standards Council. Fair value is defined as the price a willing buyer would pay a willing seller in a transaction on the open market.

PREMISE OF VALUE

Our opinion of value relies on a going-concern premise. This premise assumes that the Target Group is an ongoing business enterprise with management operating in a rational way with a goal of maximising shareholder value.

SCOPE OF ANALYSIS

Our appraisal opinion is based on the assumptions stated herein and information provided by the management of the Company/the Target Group (collectively, the "**Management**").

During the course of our valuation analyses, we conducted discussions with the Management in relation to the Target Group's history, operations and prospects of the business and were provided with unaudited and/or audited financial and operational information regarding the Target Group.

Without independent verification, we have relied upon these data as accurately reflecting the results of the operations and financial position of the Target Group. We have reviewed for the reasonableness of these data, in light of the industry and economic data discussed in this report and the results of our interviews with the Management, and we have no reason to believe that the data are unreasonable. However, as valuation consultants, we have not audited these data and express no opinion or other form of assurance regarding their accuracy or fairness of presentation.

We also have no reason to believe that any material facts have been withheld from us. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information. Any variation to the assumptions in the valuation could seriously affect our opinion of value.

LIMITING CONDITIONS

This appraisal reflects facts and conditions existing at the Appraisal Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. We assume, without independent verification, the accuracy of all data provided to us. Our report is to be used for the specific purposes stated herein and any other use is invalid. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document to be prepared or distributed to third parties to be made without our written consent.

INFORMATION ABOUT THE COMPANY

The Company is a listed company on the Main Board of The Hong Kong Stock Exchange Limited (stock code: 698). The Group is a one-stop solution provider of high-precision components for consumer electronics products, principally engaged in the production of electrical fittings which includes 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.

After spin-off of Tongda Hong Tai Holdings Limited, which was principally engaged in its notebook and tablet casings manufacturing business and listed on the Main Board of the Stock Exchange on 16 March 2018, the Group concentrate and streamline resources on its development of handset-related core businesses.

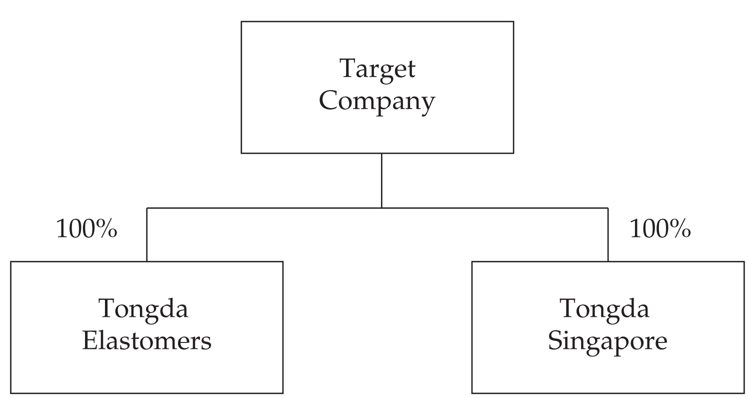
As at the Appraisal Date, the Company holds an 70% equity interest in the Target Group indirectly. The Group is contemplating to acquire the remaining 30% equity interest in the Target Group.

INFORMATION ABOUT THE TARGET GROUP

The Target Group is principally engaged in the manufacture and sale of tri-proof and high-precision components. It mainly supplies tri-proof and high-precision components to U.S. customer for smartphones.

The operation of the Target Group is subject to seasonal factors. Over 80% of its annual turnover is generated in the second half of each calendar/financial year because the timing of launching new handset products is usually in the latter half of the year.

The group structure of the Target Group as at the Appraisal Date was:



As per the management accounts for the period from 1 July 2017 to 30 June 2018 (the "**Period**"), the unaudited revenue and the profit before taxation of the Target Group for the Period were approximately HK$961,876,000 and HK$163,852,000 respectively. Depreciation and amortisation expenses and finance costs for the Period amounted to approximately HK$30,138,000 and HK$21,707,000 respectively. During the Period, the Target Group recorded the net non-recurring income of approximately HK$2,909,000, which mainly represented exchange gains and government grants. The normalised earnings before interest, tax, depreciation and amortisation of the Target Group for the Period (the "**Normalised T12 EBITDA**") is then calculated by adding up the profit before taxation, depreciation and amortisation expenses and finance costs, and then subtracting the non-recurring income from the result, resulting in approximately HK$212,788,000.

As at the Appraisal Date, the net assets value of the Target Group was approximately HK$212,145,000, included the cash balance, net amount due to the Group, total bank borrowings of approximately HK$164,201,000, HK$383,534,000 and HK$103,011,000 respectively. The net debts of the Target Group as at the Appraisal Date (i.e. the sum of the net amount due to the Group and the total bank borrowings, less cash balance) was approximately HK$322,344,000.

VALUATION METHODOLOGY

In selecting the most appropriate valuation methodology for this appraisal, we have considered the following principal factors:

1. The nature of the business of the Target Group from its inception;

2. The financial condition of the Target Group;

3. The global economic outlook in general and the specific economic and competitive elements affecting the business of the Target Group, its industry and its markets;

4. The nature, the regulatory framework and prospect of the relevant industry;

5. The potential of the target markets to be served;

6. Past operating results;

7. The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of projects;

8. The current stage of development of the Target Group; and

9. The business risks of the Target Group and inherent uncertainties in its operations.

OVERVIEW OF THE THREE MAIN VALUATION APPROACHES

In this valuation, we have considered the three generally recognised valuation approaches, namely the market approach, income approach and cost approach. The approach or approaches deemed most relevant will then be selected for use.

Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. Third-party transactions in the equity of an enterprise generally represent the best estimate of fair value if they are done at arm's length. In using transactions from similar enterprises, there are two primary methods. The first, often referred to as the *Guideline Transactions Method*, involves determining valuation multiples from sales of enterprises with similar financial and operating characteristics and applying those multiples to the subject enterprise. The second, often referred to as the *Guideline Publicly-traded Comparable Method* (the "**GPTC Method**"), involves identifying and selecting publicly-traded enterprises with financial and operating characteristics similar to the enterprise being valued. Once publicly traded enterprises are identified, valuation multiples can be derived, adjusted for comparability, and then applied to the subject enterprise to estimate the value of its equity or invested capital.

Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset/the business entity is determined by reference to the value of income, cash flow or cost savings generated by the asset/the business entity. A fundamental basis for the income approach is that investors expect to receive a return on their investments and that such a return should reflect the perceived level of risk in the investment. A commonly used methodology under the income approach is a *discounted cash flow* ("**DCF**") *analysis*. A DCF analysis involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. This discount rate should consider the time value of money, inflation, and the risk inherent in ownership of the asset or security interest being valued.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Selected Approach

In arriving at our opinion of value, we relied primarily on the GPTC Method under the market approach. We consider that cost approach is not applicable as it cannot reflect the fair value of the Target Group which is driven by the future earnings to be generated. For the income approach, it relies on explicit financial forecasts which require many assumptions. On the other hand, the market approach is simple to understand and employs more observable market data. It is commonly employed in the valuation of a non-controlling stake. In addition, the Target Group has historical earnings records and stable cash flows from operations. With a reasonable number of publicly traded companies available in the market, we conclude that the GPTC Method is the most appropriate method for this valuation.

GUIDELINE PUBLICLY-TRADED COMPARABLE METHOD

In the GPTC method, the fair value is based on prices at which stocks of similar companies are trading in a public market. A "value measure" is usually a multiple computed by dividing the price of the guideline company's stock as at the valuation date by some relevant economic variable observed or calculated from the guideline company's financial statements.

Selection of Comparable Companies

A major requirement in applying the GPTC method is to identify companies that are comparable to the subject company in terms of business nature and associated risks. We have selected comparable companies primarily based on the following criteria:

(1) similar business. It is the first and most important criteria we considered. The comparable companies should be principally engaged in a similar business as the Target Group (i.e. sale and manufacture of plastic injection, precision parts and components for computers and/or electronic devices);

(2) profit-making. The Target Group has a profit-making track record and in order to reflect the prevailing business value, we considered using the trailing 12-month financial data as of the Appraisal Date as input could form a meaningful basis for this valuation. Thus, the appropriate comparable companies should also have operating profits for the same period in order to enhance the comparability;

(3) listed in Hong Kong for over 2 years. There is a reasonable number of entities with similar business as the Target Group listed in Hong Kong. It allows us to focus our selection of comparable companies on the Hong Kong capital market. As part of our analysis, we will perform reviews on the historical financial information and share price trends of the comparable companies to further assess the relevancy to the Target Group. A period of 2-year is deemed to be a sufficient but not excessive reference period for such review as it covers over 100 trading weeks (i.e. 52 weeks per year) and two financial year endings.

Based on the above criteria, we conducted a comprehensive research and came up with below exhaustive list of 5 comparable companies. There are no comparable companies that are perfectly comparable with the Target Group in terms of business due to (i) they have more than one business segment rather than a single business; and (ii) they engage in plastic injection or manufacturing of plastic components, but the end product is not exactly the same tri-proof and high precision components as that of the Target Group. Nevertheless, the comparable companies selected have a significant, if not major, portion of revenue contributed by the plastic injection or production segment. The inclusion of 5 comparable companies also accommodate the fact of not perfectly comparable business. As such, the below list of comparable companies are considered as fair and representative for the purpose of this valuation. A description of their business operation is summarized below:

Selected Comparable Company	**Principal Business**	**Market Capitalisation** *(HK$ million)**
1. K & P International Holdings Limited (“**KPI**”) *(stock code: 675)*	KPI, through its subsidiaries, manufactures and sells electronic and related components and parts comprising keypads, synthetic rubber and plastic parts and components, and liquid crystal displays (LCD). KPI also designs, manufactures, and sells consumer electronic products comprising electronic calculators, alarm clocks, and LCD products. KPI has been listed on the Stock Exchange since 1997. KPI has its own production facilities in different countries, including the PRC. Its products are mainly sold to customers in Asia and Europe. For the year ended 31 December 2017, KPI recorded a gross profit margin of 18.3% and 87.9% of its revenue was contributed by the business segment of precision parts and components, which is deemed to be relevant to this valuation. Such business segment has been the major profit contributor to KPI in the past two financial years. For the trailing 12-month period from 1 July 2017 to 30 June 2018, KPI recorded an EBITDA and the earnings before interest and tax (“**EBIT**”) of approximately HK$25.1 million and HK$11.1 million respectively.	288

Selected Comparable Company	Principal Business	Market Capitalisation *(HK$ million)**
2. EVA Precision Industrial Holdings Limited ("**EVA**") *(stock code: 838)*	EVA, through its subsidiaries, designs and fabricates metal stamping moulds, manufactures metal stamping components, and provides assembly services in the PRC. EVA has been listed on the Stock Exchange since 2005. EVA has its own production facilities in the PRC and serves customers in the PRC. For the year ended 31 December 2017, EVA recorded a gross profit margin of 24.8% and 43.7% of its revenue was contributed by the business segment of plastic injection which is deemed to be relevant to this valuation. Such business segment has been profit-making in the past two financial years. For the trailing 12-month period from 1 July 2017 to 30 June 2018, EVA recorded an EBITDA and an EBIT of approximately HK$388.5 million and HK$153.4 million respectively.	1,556

Selected Comparable Company	Principal Business	Market Capitalisation *(HK$ million)**
3. V.S. International Group Limited ("**VSI**") *(stock code: 1002)*	VSI, through its subsidiaries, manufactures and sells plastic molded products and parts. VSI also assembles electronic products, and designs and fabricates molds. VSI has been listed on the Stock Exchange since 2002. VSI has its manufacturing facilities in the PRC and Vietnam. It serves customers in the PRC, the U.S. and Europe. For the year ended 31 July 2017, VSI recorded a gross profit margin of 16.8% and 43.5% of its revenue was contributed by the business segment of plastic injection and moulding which is deemed to be relevant to this valuation. Such business segment has been profit-making in the past two financial years. For the trailing 12-month period from 1 February 2017 to 31 January 2018, VSI recorded an EBITDA and an EBIT of approximately HK$94.9 million and HK$31.6 million respectively.	397

Selected Comparable Company	Principal Business	Market Capitalisation *(HK$ million)**
4. Karrie International Holdings Ltd ("**KIH**") *(stock code: 1050)*	KIH, through its subsidiaries, manufactures and sells computer casings, video cassette housings and moulds, office automation products, plastic and metal parts, moulds, and provides electronic manufacturing services. KIH has been listed on the Stock Exchange since 1996. KIH has its manufacturing facilities in the PRC and Hong Kong and investment properties in the PRC. It serves customers in the PRC, Japan, the U.S. and Europe. For the year ended 31 March 2018, KIH recorded a gross profit margin of 14.5% and 54.0% of its revenue was contributed by its metal and plastic business which is deemed to be relevant to this valuation. Such business segment has been profit-making in the past two financial years. For the same period, KIH recorded an EBITDA and an EBIT of approximately HK$318.4 million and HK$259.2 million respectively.	2,332

Selected Comparable Company	Principal Business	Market Capitalisation *(HK$ million)**
5. TK Group (Holdings) Limited ("**TKG**") *(stock code: 2283)*	TKG manufactures plastic products and components. TKG engages in the design and fabrication of plastic injection molds and the mechanical design and manufacturing of plastic components. TKG has been listed on the Stock Exchange since 2013. TKG establishes its manufacturing facilities on the leased properties which are owned by its connected parties in the PRC. It serves customers in the PRC, Southeast Asia, Europe and the U.S.. For the year ended 31 December 2017, TKG recorded a gross profit margin of 33.7% and 65.1% of its revenue was contributed by its plastic components manufacturing business which is deemed to be relevant to this valuation. Such business segment has been profit-making in the past two financial years. For the trailing 12-month period from 1 July 2017 to 30 June 2018, TKG recorded an EBITDA and an EBIT of approximately HK$493.4 million and HK$395.1 million respectively.	5,583

* *Being the market capitalisation as at the Appraisal Date extracted from the Bloomberg terminal.*

Market Multiple

In applying the GPTC method, different value measures or market multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average. Then, we applied the relevant industry multiples to the subject company to determine a value for the subject company that is on a freely-traded basis.

We applied the market value of enterprise value ("**EV**") multiple in this valuation. EV equals to the sum of (1) market capitalisation; (2) value of total debt; (3) value of preferred equity and non-controlling interest and less (4) value of cash and cash equivalents. For the purpose of this valuation, the net amount due to the Group as at the Appraisal Date is regarded as part of the Target Group's debt.

Specifically, we applied the EV-to-EBITDA multiple of comparable companies for this appraisal. It is a common and widely used valuation multiple to measure the value of a company. Due to its capital structure-neutral nature, this multiple can be used to directly compare companies with different levels of debt. It is also useful for transnational comparisons because it ignores the distorting effects of individual countries taxation policies.

Based on the available market figures sourced from Bloomberg, we arrived at the EV-to-EBITDA ratio of our selected comparable companies that ranged from 4.2 times to 12.6 times, with an average of 8.3 times.

The following table summarises the EV-to-EBITDA ratio of each selected comparable company as at the Appraisal Date:

Selected Comparable Company (stock code)	**675.HK**	**838.HK**	**1002.HK**	**1050.HK**	**2283.HK**
EV-to-EBITDA ratio	12.6x	5.8x	4.2x	8.4x	10.8x

The EV of the Target Group is the product of the average EV-to-EBITDA ratio of the selected comparable companies generated (i.e. 8.3 times) and the Normalised T12 EBITDA (i.e. HK$212,788,000). To derive the fair value of the entire equity interest, the net debts (i.e. HK$322,344,000) are first deducted from the EV and the result is subject to a discount for lack of marketability ("**DLOM**") adjustment on the Target Group's shares.

DISCOUNT FOR LACK OF MARKETABILITY

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

In determining the appropriate DLOM for this valuation, we have primarily made reference to the statistics published in the *Mergerstat® Review 2016* by FactSet Mergerstat, LLC. The Mergerstat® Review is the leading publication to capture all the information for U.S. companies, including privately held, publicly traded and cross-border transactions and is a popular reference for business valuation field. Currently, there is no widely used empirical study conducted on valuation premiums and discounts for private companies in Hong Kong. Therefore, we considered the information and data presented in the Mergerstat® Review as a good reference against which we can assess an appropriate discount for the subject valuation.

Referring to the Mergerstat® Review, the DLOM adjustment generally falls into a range from 15% to 40% with an average of 30%. Such range is concurred with our findings on other relevant research papers (both formal and informal) and valuation journals on valuation premiums and discounts which are publicly available. In view of the statistics in the Mergerstat® Review, we conclude that it is reasonable to apply a DLOM of 30% to appraise the value of equity interest of a private company with profitable track records like the Target Group.

VALUATION ASSUMPTIONS

This appraisal is subject to the following major assumptions:

1. There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group carry on its business;

2. There will be no major changes in the current taxation law in the country where the Target Group operates, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

3. There will be no material changes in the industry in which the Target Group involve that would materially affect the revenues, profits, cash flows attributable to the Target Group;

4. The Target Group and/or its partners will obtain the necessary licenses and approvals to provide its service;

5. Exchange rates and interest rates will not differ materially from those presently prevailing;

6. The availability of finance will not be a constraint on the forecasted growth of operations of the Target Group;

7. The Target Group will successfully maintain its competitiveness and market share through optimising the utilization of its resources and expanding its marketing network;

8. The Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

9. The Target Group will utilize and maintain its current operational, administrative and technical facilities to expand and increase its sales;

10. The Target Group will be able to secure funds to repay its debts when they fall due;

11. The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations; and

12. Industry trends and market conditions for related industries will not deviate materially from economic forecasts.

OPINION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair value of a 30% equity interest in the business enterprise of the Target Group as at **30 June 2018** is reasonably stated by the amount of **HONG KONG DOLLARS THREE HUNDRED AND THREE MILLION TWO HUNDRED THOUSAND ONLY (HK$303,200,000).**

This opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Although our valuation is intended to estimate fair value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

We hereby certify that we have neither present nor prospective interests in the Group, the Vendor, the Target Group or the value reported.

Respectfully submitted,
For and on behalf of
Royson Valuation Advisory Limited

Amy Chan, *CPA*
Director

Ms. Amy Chan is a member of the Hong Kong Institute of Certified Public Accountants. She has gained over 13 years of experience in accounting, auditing, business valuation and derivative valuation. She has worked in the valuation field for over 8 years and participated in over 600 assignments regarding business valuation, derivatives valuation, intangible assets valuation and purchase price allocation for various listed companies and private entities. She is experienced in handling valuations for transaction purpose and used in connection with the public documents.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions, of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

Interests in the ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through controlled corporation	*Notes*	Total	Approximate percentage of the Company's issued share capital
Mr. Wang Ya Nan	435,930,000 (L)	1,804,490,000 (L)	*1, 2, 3*	2,240,420,000 (L)	35.58%
	75,010,000 (S)			75,010,000 (S)	1.19%
Mr. Wang Ya Hua	91,220,000 (L)	1,508,490,000 (L)	*1, 2*	1,599,710,000 (L)	25.40%
	75,010,000 (S)			75,010,000 (S)	1.19%
Mr. Wong Ah Yeung	119,300,000 (L)	1,508,490,000 (L)	*1, 2*	1,627,790,000 (L)	25.85%
	75,010,000 (S)			75,010,000 (S)	1.19%
Mr. Wong Ah Yu	96,460,000 (L)	1,508,490,000 (L)	*1, 2*	1,604,950,000 (L)	25.49%
	75,010,000 (S)			75,010,000 (S)	1.19%
Mr. Wang Ming Che	3,000,000 (L)	–	*1*	3,000,000 (L)	0.05%
Dr. Yu Sun Say	21,610,000 (L)	–	*1*	21,610,000 (L)	0.34%
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–	*1*	5,950,000 (L)	0.09%
Mr. Ting Leung Huel Stephen	6,450,000 (L)	–	*1*	6,450,000 (L)	0.10%

Interests in share options of the Company:

Name of director	Number of share options directly beneficially owned
Mr. Wang Ya Nan	5,000,000
Mr. Wang Ya Hua	5,000,000
Mr. Wong Ah Yeung	5,000,000
Mr. Wong Ah Yu	5,000,000
Ms. Chan Sze Man	3,000,000
Mr. Wang Ming Che	2,000,000
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	2,000,000
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	2,000,000
Mr. Ting Leung Huel Stephen	2,000,000
	31,000,000

Notes:

1. The letter "L" denotes the person's long position in the Shares whereas the letter "S" denotes the person's short position in the Shares.

2. 1,508,490,000 shares are held by Landmark Worldwide Holdings Limited, the issued share capital of which is beneficially owned as to 25% by each Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yeung and Wong Ah Yu.

3. 296,000,000 shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders of the Group

As at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DISCLOSURE OF OTHER INTERESTS

(i) Interests in contract or arrangement

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up.

(iii) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

5. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
INCU	A licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Royson Valuation Advisory Limited ("**Royson**")	An independent valuer

Each of INCU and Royson has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As of the Latest Practicable Date, each of INCU and Royson did not have any direct or indirect interest in any assets which had since 31 December 2017 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

As of the Latest Practicable Date, each of INCU and Royson was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2017 being the date to which the latest published audited financial statements of the Group was made up.

7. MISCELLANEOUS

The English text of this circular shall prevail over Chinese text in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the principal place of business of the Company in Hong Kong at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

(a) the Acquisition Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 25 and 26 in this circular;

(c) the letter of advice from INCU to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 60 in this circular;

(d) the valuation report from Royson Valuation Advisory Limited on the Sale Shares, the text of which is set out on pages 61 to 74 in this circular;

(e) the written consents referred to under the section headed "Experts" in this appendix; and

(f) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Tongda Group Holdings Limited (the "**Company**") will be held at Strategic Financial Relations Limited, Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Monday, 26 November 2018 at 11:30 a.m. to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 28 August 2018 (the "**Acquisition Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "**A**") entered into between Chen Hsueh Ju as vendor (the "**Vendor**") and Tongda (Xiamen) Company Limited as purchaser in relation to the acquisition of the 30% of the issued shares of Tongda Precision Technology Company Limited for an aggregate consideration of HK$291,720,000 (the "**Consideration**") and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of 182,325,000 new shares (the "**Consideration Shares**") of HK$0.01 each in the share capital of the Company, credited as fully paid, at the issue price of HK$1.60 per Consideration Share to the Vendor (or his nominee(s)) pursuant to the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder be and is hereby approved; and

(c) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 9 November 2018

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
Room 1201-02, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 48 hours before the time appointed for holding the Meeting (i.e. Saturday, 24 November 2018 at 11:30 a.m. (Hong Kong time)) or any adjournment thereof.

4. In order to qualify for attending and voting at the Meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than Tuesday, 20 November 2018 at 4:00 p.m..

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. The voting at the Meeting shall be taken by way of poll.

8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:30 a.m. on the date of the Meeting, the Meeting will be rescheduled. The Company will publish an announcement on the website of the Company at **www.tongda.com** and on the HKExnews website of the Stock Exchange at **www.hkexnews.hk** to notify Shareholders of the date, time and venue of the rescheduled meeting.