

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this prospectus or as to the action you should take, you should consult your licensed securities dealer or registered institution 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 prospectus with the accompanying PAL(s) and EAF(s) to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the sub-section headed "15. Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



**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)

**RIGHTS ISSUE ON THE BASIS OF  
ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES  
HELD ON RECORD DATE**

**Underwriter to the Rights Issue**



Capitalised terms used in this cover shall have the same meanings as defined in this prospectus.

Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 25 August 2021 to Wednesday, 1 September 2021 (both days inclusive). If the condition of the Rights Issue is not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Wednesday, 25 August 2021 to Wednesday, 1 September 2021 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 3 to 5 of this prospectus. Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The latest time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares is 4:00 p.m. on Monday, 6 September 2021. The procedure for acceptance and transfer is set out on pages 23 to 24 of this prospectus.

23 August 2021

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## EXPECTED TIMETABLE

*The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that the condition of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

<b>Event</b>	<b>2021</b>
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 25 August
Latest time for splitting of the PAL . . . . .	4:00 p.m. on Friday, 27 August
Last day of dealings in nil-paid Rights Shares . . . . .	Wednesday, 1 September
Latest Time for Acceptance of and payment for the Rights Shares and the application and payment for excess Rights Shares . . . . .	4:00 p.m. on Monday, 6 September
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Tuesday, 7 September
Announcement of the Rights Issue results . . . . .	Monday, 13 September
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful application for excess Rights Shares . . . . .	Tuesday, 14 September
Expected first day of dealings in fully-paid Rights Shares . . . . .	Wednesday, 15 September
Designated broker starts to stand in the market to provide matching services for odd lots of Shares . . . . .	Thursday, 16 September
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares . . . . .	Thursday, 7 October

Dates or deadlines specified in expected timetable above or in other parts of this prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

## EXPECTED TIMETABLE

### **EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR AND PAYMENT FOR EXCESS RIGHT SHARES**

The latest time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning or extreme conditions caused by super typhoons as announced by the Hong Kong Government:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 6 September 2021. Instead the latest time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 6 September 2021. Instead the latest time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares does not take place on or before 4:00 p.m. on Monday, 6 September 2021, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## TERMINATION OF THE UNDERWRITING AGREEMENT

### TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above and no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

## TERMINATION OF THE UNDERWRITING AGREEMENT

- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter shall affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing; or
- (vi) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (vii) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive Business Days occurs, excluding any halt or suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

## TERMINATION OF THE UNDERWRITING AGREEMENT

- (ix) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

## DEFINITIONS

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

“AC”	the audit committee of the Company
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 19 July 2021 in relation to the Rights Issue
“Articles of Association”	the articles of association of the Company
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above or “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“ChinaClear”	China Securities Depository and Clearing Corporation Limited
“close associates”	has the meaning ascribed to it under the Listing Rules
“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)



## DEFINITIONS

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (Announcement [2016] No.21)
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders (other than the PRC Southbound Trading Investors) who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“E-Growth Resources”	E-Growth Resources Limited, a company incorporated in the British Virgin Islands with limited liability
“E-Growth Undertaking”	the irrevocable undertaking given by E-Growth Resources in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “E-Growth Undertaking” in this prospectus
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Irrevocable Undertakings”	collectively, the Landmark Undertaking, the E-Growth Undertaking and the Wong Brothers’ Undertakings
“Landmark Undertaking”	the irrevocable undertaking given by Landmark Worldwide in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “Landmark Undertaking” in this prospectus
“Landmark Worldwide”	Landmark Worldwide Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a substantial shareholder of the Company
“Last Trading Day”	19 July 2021, being the last full trading day of the Shares on the Stock Exchange prior to the release of the Announcement
“Latest Lodging Time”	4:00 p.m. on Friday, 13 August 2021 or such other time and/or date may be agreed between the Underwriter and the Company as the latest time for lodging transfer of the Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	18 August 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information referred to in this prospectus

## DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Monday, 6 September 2021 or such later time and/or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in this prospectus
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Ya Nan, being an executive Director, a substantial shareholder of the Company and a party acting in concert with Landmark Worldwide
“NC”	the nomination committee of the Company
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

## DEFINITIONS

“PRC Southbound Trading Investors”	the PRC investors who hold the shares of Hong Kong listed companies through ChinaClear as nominee under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect
“Prospectus” or “this prospectus”	this prospectus issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Monday, 23 August 2021, or such other day as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“RC”	the remuneration committee of the Company
“Record Date”	Friday, 20 August 2021 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	Union Registrars Limited of Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, being the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the issue by way of rights on the basis of one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

## DEFINITIONS

“Rights Share(s)”	Shares to be issued and allotted under the proposed Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares in issue on the Record Date, being 3,239,752,548 Shares based on the Company’s issued share capital as at the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.232 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Underwriter”	Sinomax Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 19 July 2021 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Share(s)”	1,916,047,548 Rights Shares, being all the Rights Shares in excess of the aggregate of 1,323,705,000 Rights Shares that will be provisionally allotted to and subscribed for by Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings

## DEFINITIONS

“Untaken Shares”	all those Underwritten Shares not taken up by the Qualifying Shareholders on or before the Latest Time for Acceptance
“Wong Brothers”	collectively, Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua
“Wong Brothers’ Undertakings”	irrevocable undertakings given by each of the Wong Brothers in favour of the Company and the Underwriter, details of which is set out in the paragraph headed “Wong Brothers’ Undertakings” in this prospectus
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.



**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 Hung Man (*Vice Chairman*)  
Mr. Wong Ming Sik  
Mr. Wong Ming Yuet  
Mr. Hui Wai Man

*Non-executive Director:*

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  
*MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD*

*Registered Office:*

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

*Head office and principal place of  
business in Hong Kong:*

Room 1201-02  
12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

23 August 2021

*To the Qualifying Shareholders,  
and for information only, the Non-Qualifying Shareholders*

Dear Sir/Madam,

**RIGHTS ISSUE ON THE BASIS OF  
ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES  
HELD ON RECORD DATE**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Rights Issue.

## LETTER FROM THE BOARD

The Rights Issue is subject to, among other things, the Underwriting Agreement becoming unconditional and not being terminated on the occurrence of certain events as set out in the section headed “Termination of the Underwriting Agreement” in this prospectus.

The purpose of this Prospectus is to provide you with, among other things, details of the Rights Issue, financial information and other general information of the Group.

### RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.232 per Rights Share, to raise approximately HK\$752 million by issuing 3,239,752,548 Rights Shares to the Qualifying Shareholders.

On 19 July 2021 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price	:	HK\$0.232 per Rights Share
Number of Shares in issue at the Latest Practicable Date	:	6,479,505,097 Shares
Number of Rights Shares	:	3,239,752,548 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$32,397,525.48 (assuming no change in the number of Shares in issue on or before the Record Date)



## LETTER FROM THE BOARD

Number of Shares : 9,719,257,645 Shares (assuming no change in the as enlarged by the number of Shares in issue on or before the Record allotment and issue Date and that no new Shares (other than the Rights of the Rights Shares Shares) will be allotted and issued on or before completion of the Rights Issue)

Number of Rights Shares : 1,916,047,548 Rights Shares, being all the Rights Shares other than those provisionally allotted to and underwritten by undertaken to be subscribed by Landmark the Underwriter Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

Assuming no Shares are issued or repurchased on or before the Record Date, 3,239,752,548 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 50% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

### **Subscription Price**

The Subscription Price is HK\$0.232 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price of HK\$0.232 per Rights Share represents:

- (i) a discount of approximately 49.01% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 50.53% to the average of the closing prices of HK\$0.469 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

## LETTER FROM THE BOARD

- (iii) a discount of approximately 40.51% to the theoretical ex-rights price of HK\$0.390 per Share as adjusted for the effect of the Rights Issue, based on the average of the closing price of HK\$0.469 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 16.84% of the theoretical diluted price of approximately HK\$0.390 per Share to the benchmarked price of approximately HK\$0.469 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.455 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.469 per Share);
- (v) a discount of approximately 21.36% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 77.45% to the net asset value per Share attributable to the Shareholders of approximately HK\$1.0288 per Share (based on the audited consolidated net assets of the Group of HK\$6,666,052,000 as at 31 December 2020 and 6,479,505,097 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions, (ii) the latest business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section headed "Reasons for and benefits of the proposed Rights issue and use of proceeds" in this prospectus.

## LETTER FROM THE BOARD

During the two months up to and including the Last Trading Day, the closing price of the Shares was on a general downward trend after reaching a high of HK\$0.64 per Share on 7 June 2021 decreasing to a low of HK\$0.45 per Share on 21 June 2021 and closed at HK\$0.455 per Share on the Last Trading Day. In addition, the trading volume of Shares had been low. In view of the aforementioned general downward trend of the closing price of the Shares and low trading volume, and in order to enhance the attractiveness of the Rights Issue to Shareholders, the Subscription Price was set at a material discount to the then market prices of the Shares as mentioned above. It is also noted that the Rights Issue is fully underwritten by the Underwriter, hence the Subscription Price would have to be attractive enough to Shareholders and potential investors, in order for the Underwriter to conclude that the proposed rights issue is commercially feasible to underwrite. Setting the Subscription Price materially higher might not have been commercially agreeable by the Underwriter, and the underwriting commission rate could also have been higher if the Underwriter was to factor in the likelihood of lower acceptance rate by Shareholders (other than Landmark Worldwide, E-Growth Resources and the Wong Brothers) if the Subscription Price was not attractive enough to Shareholders and potential investors. The Company has also approached two other independent securities brokers to act as the underwriter to fully underwrite the Rights Issue. In view of the scale of the Rights Issue, the prevailing market conditions and the thin trading volume of the Shares, the said securities brokers mentioned to the Company that they were only willing to underwrite the Rights Issue if the Subscription Price was set at a material discount to the market prices of the Shares.

As set out above, the Subscription Price represents a discount of approximately 77.45% to the net asset value per Share attributable to the Shareholders of approximately HK\$1.0288 per Share (the “NAV per Share”) (based on the audited consolidated net assets of the Group of HK\$6,666,052,000 as at 31 December 2020 and 6,479,505,097 Shares in issue as at the Latest Practicable Date). The Shares had been consistently traded at a substantial discount to the NAV per Share during the three months up to and including the Last Trading Day ranging from approximately 37.79% on 7 June 2021 to 56.26% on 21 June 2021, with an average of approximately 47.95%. Hence, the Board is of the view that the NAV per Share may not be a meaningful reference to determine the Subscription Price.

Further, the Board considered the recent volatility in the capital market in Hong Kong since February 2021 in determining the Subscription Price. During the five months up to and including the Last Trading Day, the Hang Seng Index fluctuated between a high of approximately 30,633 at closing on 23 February 2021 and approximately 27,153 at closing on 8 July 2021 and closed at approximately 27,490 on the Last Trading Day. The Board considered that such volatility may affect investors’ confidence in the market and therefore set the Subscription Price at a discount to the then market prices of the Shares to encourage Shareholders to participate in the Rights Issue.

## LETTER FROM THE BOARD

The net proceeds from the Rights Issue (after deducting the estimated expenses, including the underwriting commission (assuming no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings)) are estimated to be approximately HK\$737 million. The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$330 million in capital expenditure for the purchase of machinery and equipment as well as plant decoration to improve automation and production efficiency and increase production capacity so as to support the development of handset casings and high-precision components business; (ii) approximately HK\$243 million in the repayment of the Group's interest-bearing long-term bank borrowings which will be matured within 6 months or short-term interest-bearing bank borrowings that can be repaid at any time; (iii) approximately HK\$100 million for research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, so as to support the continuous development of the Group's major business; and (iv) approximately HK\$64 million as general working capital of the Group. In the event that the amount of the actual net proceeds from the Rights Issue exceeds HK\$737 million, the Company intends to apply the surplus proceeds as general working capital of the Group.

Taking into account that (i) the closing price of the Shares was on a general downward trend during the two months up to and including the Last Trading Day and low trading volume; (ii) setting the Subscription Price materially higher might not have been commercially agreeable by the Underwriter; (iii) the Shares had consistently traded at a substantial discount to the NAV per Share during the three months up to and including the Last Trading Day; (iv) the recent volatility in the capital market in Hong Kong since February 2021 may affect investors' confidence in the market; (v) the material discount of the Subscription Price to the then market prices of the Shares enhanced the attractiveness of the Rights Issue to the Shareholders and potential investors of the Company; and (vi) the Rights Issue enables the Company to raise the necessary funds for financing the Group's long-term growth, the Board considered that the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### **Qualifying Shareholders and PRC Southbound Trading Investors**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send the Prospectus to them for their information only, but no PAL and EAF will be sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than the Latest Lodging time.

The Company will file the Prospectus with the CSRC in accordance with the CSRC Notice. After the Company completes such filing, the PRC Southbound Trading Investors may participate in the Rights Issue through ChinaClear. ChinaClear will provide nominee services for the PRC Southbound Trading Investors to (a) sell their nil-paid Rights Shares on the Stock Exchange; and/or (b) subscribe for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations. However, ChinaClear will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 11 August 2021. The Shares have been dealt with on an ex-rights basis from Thursday, 12 August 2021.

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

## LETTER FROM THE BOARD

### Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholders.

As at the Latest Practicable Date and the Record Date, based on the register of members of the Company, the Overseas Shareholders were as follows:

<b>Jurisdiction of the registered address of the Overseas Shareholders</b>	<b>Number of Overseas Shareholders</b>	<b>Number of Shares held</b>	<b>Approximate percentage of Issued share capital of the Company</b>
The PRC	2	3,826,500	0.06%
Taiwan	1	54,697,500	0.84%
The Philippines	1	10,000	0.01%

The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders.

The Company has obtained advice from legal advisers in the PRC, Taiwan and the Philippines and has been advised that under the applicable legislations of these jurisdictions, there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to the Overseas Shareholders in the relevant jurisdictions.

## LETTER FROM THE BOARD

Accordingly, the Rights Issue will be extended to the Overseas Shareholders having registered addresses in the PRC, Taiwan and the Philippines, and such Overseas Shareholders are Qualifying Shareholders.

The Company will send the Prospectus (without the PAL and the EAF) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Closure of register of members**

The register of members of the Company have been closed from Monday, 16 August 2021 to Friday, 20 August 2021 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares have been registered during the above book closure periods.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

## LETTER FROM THE BOARD

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Fractional entitlements to the Rights Shares**

No fractional entitlements to the Rights Shares shall be issued to the Qualifying Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company. Any unsold entitlements shall be made available for excess application by the Qualifying Shareholders.

### **Status of the Rights Shares**

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses at their own risk on or before Tuesday, 14 September 2021. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 14 September 2021 by ordinary post to the applicants at their own risk, to their registered addresses.

### **Application for the Rights Shares**

The PALs and the EAFs relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.



## LETTER FROM THE BOARD

### Procedures for acceptance and payment or transfer

A PAL is enclosed with this prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by not later than 4:00 p.m. on Monday, 6 September 2021 (or, under bad weather conditions, such later time and/or date as mentioned in the section headed "Expected timetable — Effect of bad weather or extreme conditions on the Latest Time for Acceptance of and payment for the Rights Shares and application for and payment for excess Right Shares"). All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "**Tongda Group Holdings Limited — PAL Account**" and crossed "**ACCOUNT PAYEE ONLY**". It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Monday, 6 September 2021, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Friday, 27 August 2021 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that stamp duty is payable in connection with a transfer of rights to subscribe for the Rights Shares.

## LETTER FROM THE BOARD

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a banker's cashier order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or banker's cashier order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the condition of the Rights Issue as set out in the paragraph headed "Condition of the Rights Issue" below is not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Tuesday, 14 September 2021.

No receipt will be issued in respect of any application monies received.

### **Application for excess Rights Shares**

Under the proposed Rights Issue, Qualifying Shareholders (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for (i) any unsold entitlements of the Non-Qualifying Shareholder(s); (ii) any unsold fractional entitlements to the Rights Shares; and (iii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by the Qualifying Shareholders (other than the PRC Southbound Trading Investors) only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Monday, 6 September 2021.

## LETTER FROM THE BOARD

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders (other than the PRC Southbound Trading Investors) who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than the Latest Lodging Time. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

## LETTER FROM THE BOARD

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by not later than 4:00 p.m. on Monday, 6 September 2021 (Hong Kong time) (or, under bad weather conditions, such later time and/or date as mentioned in the section headed "Expected timetable — Effect of bad weather or extreme conditions on the Latest Time for Acceptance of and payment for the Rights Shares and application for and payment for excess Right Shares"). All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "**Tongda Group Holdings Limited — EAF Account**" and crossed "**ACCOUNT PAYEE ONLY**". The Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them. An announcement of results of acceptance of and excess applications for the Rights Issue will be published on the websites of the Stock Exchange and the Company on Monday, 13 September 2021.

Where the number of excess Rights Shares applied for under one EAF is larger than the total number of Rights Shares being offered under the Rights Issue, being 3,239,752,548 Rights Shares, such application (other than from a nominee company) would be treated as invalid and be rejected. If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full by ordinary post by the Registrar at his/her/its own risk on or before Tuesday, 14 September 2021. If the number of excess Rights Shares allotted to a Qualifying Shareholder is fewer than that applied for, the surplus application monies are also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post by the Registrar at his/her/its own risk on or before Tuesday, 14 September 2021.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give or be subject to any of the above representations and warranties. Completion and return of the EAF together with a cheque or a banker's cashier order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, any EAF in respect of which a cheque or a banker's cashier order is dishonoured on first presentation is liable to be rejected.

## LETTER FROM THE BOARD

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. The Company may require such incomplete EAF to be completed by the relevant applicants at a later stage.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the condition of the Rights Issue as set out in the paragraph headed "Condition of the Rights Issue" below is not fulfilled, the monies received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Tuesday, 14 September 2021.

### **Application for listing of the Rights Shares**

The Company has made an application to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 10,000 Shares in one board lot.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

## LETTER FROM THE BOARD

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Condition of the Rights Issue**

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Rights Issue, the Company has appointed Sinomax Securities Limited as an agent to provide odd lot matching services, on a best effort basis, to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares to a full new board lot during the period from Thursday, 16 September 2021 to Thursday, 7 October 2021 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Shareholders who wish to take advantage of this service should contact Mr. Sy Man Chiu of Sinomax Securities Limited at Room 2705-6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong or at telephone number (852) 3107 8728 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period. Shareholders who are in doubt about this service are recommended to consult their professional advisors.

## **THE UNDERWRITING AGREEMENT**

### **The Underwriting Agreement**

On 19 July 2021 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to fully underwrite all Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement, other than those Rights Shares provisionally allotted to and undertaken to be subscribed by Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings.

Date : 19 July 2021 (after trading hours of the Stock Exchange)

Underwriter : Sinomax Securities Limited

## LETTER FROM THE BOARD

Number of Right Shares	:	3,239,752,548 Rights Shares
Underwriting commitment of the Underwriter	:	1,916,047,548 Rights Shares, being all the Rights Shares other than those provisionally allotted to and undertaken to be subscribed by Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings
		Accordingly, taking into account the Irrevocable Undertakings, the Rights Issue is fully underwritten
Underwriting Commission	:	the higher of (i) HK\$600,000; and (ii) 3% of the aggregate Subscription Price in respect of the Untaken Shares

Sinomax Securities Limited, being the underwriter to the Rights Issue, is a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, and its ordinary course of business includes underwriting of securities. It is a wholly-owned subsidiary of Fu Shek Financial Holdings Limited (Stock Code: 2263), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save for Dr. Yu Sun Say, being an independent non-executive Director, is also an independent non-executive director of Fu Shek Financial Holdings Limited, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the CWUMPO not later than the Prospectus Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purposes only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Business Day prior to the first day of their dealings;
- (iv) the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (v) the compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (vi) the compliance with and performance of all the undertakings and obligations of Landmark Worldwide, E-Growth Resources and the Wong Brothers under the Irrevocable Undertakings;
- (vii) there being no event which would have rendered any of the warranties given by the Company under the Underwriting Agreement untrue or incorrect in any material respect occurring prior to the Latest Time for Termination;



## LETTER FROM THE BOARD

- (viii) the Shares remaining listed on the Stock Exchange at all times prior to the settlement date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance; and
- (ix) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

Save for the conditions (v) and (vii) above which can be waived by the Underwriter, none of the above conditions can be waived. If any of the conditions referred to above is not fulfilled, or waived (where applicable) by the Latest Time for Termination, the Rights Issue will not proceed.

### **Termination of the Underwriting Agreement**

If at any time on or before the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above and no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of

## LETTER FROM THE BOARD

the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter shall affect the prospects of the Company, including without limiting the generality of the foregoing, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole occurs, whether or not ejusdem generis with any of the foregoing; or
- (vi) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (vii) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or

## LETTER FROM THE BOARD

- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive Business Days occurs, excluding any halt or suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (ix) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the proposed Rights Issue will not proceed.

### **The Irrevocable Undertakings**

#### *Landmark Undertaking*

As at the Latest Practicable Date, Landmark Worldwide is beneficially interested in an aggregate of 1,583,500,000 Shares. Pursuant to the Landmark Undertaking, Landmark Worldwide has given an irrevocable undertaking in favour of the Company and the Underwriter, that:

- (i) it will subscribe for 791,750,000 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 1,583,500,000 Shares beneficially held by it;
- (ii) it will not dispose of any of the 1,583,500,000 Shares comprising the current shareholding in the Company owned by Landmark Worldwide, and such Shares will remain beneficially owned by it up to and including the Record Date; and

## LETTER FROM THE BOARD

- (iii) it will lodge or procure its acceptance of the 791,750,000 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

### *E-Growth Undertaking*

As at the Latest Practicable Date, E-Growth Resources is beneficially interested in an aggregate of 296,000,000 Shares. Pursuant to the E-Growth Undertaking, E-Growth Resources has given an irrevocable undertaking in favour of the Company and the Underwriter, that:

- (i) it will subscribe for 148,000,000 Rights Shares which comprise the full acceptance of its provisional entitlement in respect of the 296,000,000 Shares beneficially held by it;
- (ii) it will not dispose of any of the 296,000,000 Shares comprising the current shareholding in the Company owned by E-Growth Resources, and such Shares will remain beneficially owned by it up to and including the Record Date; and
- (iii) it will lodge or procure its acceptance of the 148,000,000 Rights Shares, which will be the number of Rights Shares provisionally allotted to it nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

### *Wong Brothers' Undertakings*

As at the Latest Practicable Date, each of Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua is beneficially interested in an aggregate of 460,930,000 Shares, 96,460,000 Shares, 119,300,000 Shares and 91,220,000 Shares respectively. Pursuant to the Wong Brothers' Undertakings, each of Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua has given an irrevocable undertaking in favour of the Company and the Underwriter, that:

- (i) each of Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua will subscribe for 230,465,000 Rights Shares, 48,230,000 Rights Shares, 59,650,000 Rights Shares and 45,610,000 Rights Shares respectively which comprise the full acceptance of his provisional entitlement in respect of the 460,930,000 Shares, 96,460,000 Shares, 119,300,000 Shares and 91,220,000 Shares beneficially held by Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua respectively;

## LETTER FROM THE BOARD

- (ii) each of Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua will not dispose of any of the 460,930,000 Shares, 96,460,000 Shares, 119,300,000 Shares and 91,220,000 Shares respectively comprising the current shareholding in the Company owned by him, and such Shares will remain beneficially owned by Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua up to and including the Record Date; and
- (iii) each of Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua will lodge or procure his acceptance of the 230,465,000 Rights Shares, 48,230,000 Rights Shares, 59,650,000 Rights Shares and 45,610,000 Rights Shares respectively, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Registrar, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, the Board has not received any information from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

### **REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS**

The Group is a one-stop solution provider for high-precision structures for smart mobile communications and consumer electronics products involving product design, technological research and development, and manufacturing solutions. The Group has four reportable operating segments including (i) handset casings and high-precision components; (ii) smart electrical appliances casings; (iii) household and sports goods; and (iv) network communications facilities and others.

The global economy has improved in 2021 as compared with last year, but it is still full of variables and uncertainties. Although the COVID-19 outbreak has been gradually improving with the introduction of vaccines globally, the pandemic is expected to continue for some time, which would result in a tougher recovery on the overall manufacturing industry. At the same time, the geopolitical instability coupled with the strong global demand for chips for electronic products has caused a shortage of chip supply, which intensifies competition in the mobile phone parts production market. It is expected that the impact on the mobile phone parts production market would continue until at least 2022. On the other hand, global commodity prices continued to rise, which increased the Group's operating costs and brought challenges to the Group's operating environment.

## LETTER FROM THE BOARD

Although the current market environment has brought various uncertainties to the Group's operations, the Group will continue to rely on its high-quality products, innovative processing technology, outstanding research and development team, effective internal management, sincere service attitude, and through close communications with its major customers, continuing to provide its customers a variety of leading and practical process technologies and solutions and assist them in launching competitive products which as a result would increase the Group's sales. Going forward, the management of the Group believes that, with the above-mentioned advantages of the Group, coupled with the Group's current high-quality and continuously expanding local and international first-class customer base, the Group will be able to maintain a steady business growth despite the challenging market environment.

The Group currently relies mainly on funds from operating activities and different interest-bearing borrowings from financial institutions to support the Group's operating activities and other capital expenditures. The Directors believe that in response to the current rapidly changing and uncertain external economic environment, rights issue will increase the overall working capital of the Group, strengthen the financial status and stability of the Group, and support the Group's sustainable and stable development in the future. Compared with debt financing, rights issue will provide new funds for the steady development of the Group, and also immediately reduce the Group's gearing ratio, resulting in a more stable balance sheet of the Group. Under current uncertain economic environment and fierce market competition, not only a more stable balance sheet can be the foundation for the long-term development of the Group, it can also enhance the confidence of all the stakeholders in the Group's future development, including customers, suppliers, finance institutions and investors, and, at the same time, to enhance the Group's future financing capabilities.

The Directors considered that investments in (i) capital expenditure for the purchase of machinery and equipment as well as plant decoration; and (ii) research and development expenditure, are crucial to maintain the Group's competitive advantage and profitability amid the keen competition in the market. For the years ended 31 December 2018, 2019 and 2020, the Group incurred (i) capital expenditure of approximately HK\$1,255.9 million, HK\$925.6 million and HK\$1,206.5 million respectively, which was mainly for the expansion and improvement of its handset casings and high precision components segment; and (ii) research and development expenditure of approximately HK\$409.4 million, HK\$412.2 million and HK\$493.1 million respectively for developing new products, enhancing automation and production efficiency so as to maintain the profitability of the Group. The Group had mainly relied on its internal resources and debt financing to fund its capital expenditure and research and development expenditure in the past years. However, the Group's recent financial performance has been affected by a shortage of chips and an increase in global commodity price. Further, the banks were generally more conservative in their lending policy due to market uncertainty and the

## LETTER FROM THE BOARD

continuing negative impact of the COVID-19 pandemic on the global economy. Therefore, the Directors considered that it was in the interest of the Company to raise the necessary funds by way of the Rights Issue under such circumstances. The Rights Issue would help support the Group's business development and at the same time, lower the gearing ratio of the Group and strengthen its financial position.

The gross proceeds from the Rights Issue are expected to be approximately HK\$752 million. The net proceeds from the Rights Issue (after deducting the estimated expenses, including the underwriting commission (assuming no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings)) are estimated to be approximately HK\$737 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.227. The Company intends to apply the net proceeds from the proposed Rights Issue as to (i) approximately HK\$330 million in capital expenditure for the purchase of machinery and equipment as well as plant decoration to improve automation and production efficiency and increase production capacity so as to support the development of handset casings and high-precision components business; (ii) approximately HK\$243 million in the repayment of the Group's interest-bearing long-term bank borrowings which will be matured within 6 months or short-term interest-bearing bank borrowings that can be repaid at any time; (iii) approximately HK\$100 million for research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, so as to support the continuous development of the Group's major business; and (iv) approximately HK\$64 million as general working capital of the Group. In the event that the amount of the actual net proceeds from the Rights Issue exceeds HK\$737 million, the Company intends to apply the surplus proceeds as general working capital of the Group.

## LETTER FROM THE BOARD

Set out in the table below are further details and the expected timeline for the intended use of net proceeds from the Rights Issue of approximately HK\$737 million:

Use of proceeds	Approximate amount HK\$ (in millions)	Approximate amount HK\$ (in millions)	Expected timeline
(i) Capital expenditure for the purchase of machinery and equipment as well as plant decoration to improve automation and production efficiency and increase production capacity, so as to support the development of handset casings and high-precision components business			
– purchase of equipment	280		On or before 30 June 2022
– plant decoration	50		On or before 30 June 2022
Subtotal		330	
(ii) Repayment of the Group's interest-bearing long-term bank borrowings which will be matured within 6 months or short-term interest-bearing bank borrowings that can be repaid at any time			
– interest-bearing long-term bank borrowings to be matured within 6 months	120		On or before 31 December 2021
– short-term interest-bearing bank borrowings that can be repaid at any time	123		On or before 31 December 2021
Subtotal		243	
(iii) Research and development expenditure to strengthen the Group's competitive advantage in the handset casings and high-precision components business, so as to support the continuous development of the Group's major business		100	On or before 31 March 2022
(iv) General working capital of the Group, including staff costs, utilities and maintenance expenses, logistic costs, consultancy fee and legal and professional fee		64	On or before 30 June 2022
Total		737	



## LETTER FROM THE BOARD

The Rights Issue is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so. However, those Shareholders who do not participate in the Rights Issue to which they are entitled should note that their shareholding interest in the Company will be diluted.

The Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue, which provides a good opportunity for the Group to strengthen its capital base without increasing debt or incurring financing cost and to enhance its financial position, while at the same time it will enable all Shareholders to participate in the future development of the Company on equal terms. In particular, the Board considers that:

- (i) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and to continue to participate in the future development of the Company should they wish to do so;
- (ii) the discount of the Subscription Price to the prevailing market price enhances the attractiveness of the Rights Issue as it is the Company's objective to encourage the participation of the Qualifying Shareholders in the Rights Issue;
- (iii) after considering alternative fund raising methods, it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity, which will not increase the Group's finance costs. In addition, the Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position;
- (iv) the Rights Issue allows the Shareholders to have more flexibility in dealing in the nil-paid rights attaching thereto; and
- (v) the Rights Issue enables the Company to raise the necessary funds with more certainty as it will be fully underwritten by the Underwriter (save for the aggregate of 1,323,705,000 Rights Shares that will be provisionally allotted to and subscribed for by Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings).

## LETTER FROM THE BOARD

The Group has considered alternative fund raising methods including but not limited to debt financing and equity financing such as the placing of new Shares and open offer.

With respect to debt financing, debt financing will incur additional financial cost and burden, higher gearing ratio of the Group and subject the Group to repayment obligations. However, equity financing not only provides the Group with fresh funding, it also lowers the Group's gearing ratio, improve its capital structure and enhance its future financing capabilities. Therefore, equity financing is a better and more viable option than debt financing for the Company.

With respect to equity financing, the Board considers that placing of new Shares would be less favourable as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more favourable as it offers the Qualifying Shareholders an option to sell their entitlement rights when comparing with an open offer.

The Directors (including the independent non-executive Directors) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

## LETTER FROM THE BOARD

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement, is as follow:

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iii) Immediately upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings) under the Rights Issue (Note 7)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Landmark Worldwide (Note 1)	1,583,500,000	24.44	2,375,250,000	24.44	2,375,250,000	24.44
E-Growth Resources (Note 2)	296,000,000	4.57	444,000,000	4.57	444,000,000	4.57
Mr. Wang (Note 3)	460,930,000	7.11	691,395,000	7.11	691,395,000	7.11
Mr. Wong Ah Yu (Note 4)	96,460,000	1.49	144,690,000	1.49	144,690,000	1.49
Mr. Wong Ah Yeung (Note 5)	119,300,000	1.84	178,950,000	1.84	178,950,000	1.84
Mr. Wang Ya Hua (Note 6)	91,220,000	1.41	136,830,000	1.41	136,830,000	1.41
<b>Landmark Worldwide and parties acting in concert with it</b>	<b>2,647,410,000</b>	<b>40.86</b>	<b>3,971,115,000</b>	<b>40.86</b>	<b>3,971,115,000</b>	<b>40.86</b>
Mr. Hui Wai Man (Note 8)	78,000,000	1.20	117,000,000	1.20	78,000,000	0.80
Dr. Yu Sun Say (Note 9)	21,610,000	0.33	32,415,000	0.33	21,610,000	0.22
Mr. Ting Leung Huel Stephen (Note 10)	6,450,000	0.10	9,675,000	0.10	6,450,000	0.07
Mr. Cheung Wah Fung, Christopher (Note 11)	5,950,000	0.09	8,925,000	0.09	5,950,000	0.06
Underwriter (Note 12)	–	–	–	–	1,916,047,548	19.71
Other public Shareholders	3,720,085,097	57.41	5,580,127,645	57.41	3,720,085,097	38.28
<b>Total</b>	<b>6,479,505,097</b>	<b>100.00</b>	<b>9,719,257,645</b>	<b>100.00</b>	<b>9,719,257,645</b>	<b>100.00</b>

## LETTER FROM THE BOARD

*Notes:*

1. Landmark Worldwide is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wang, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua.
2. E-Growth Resources is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is wholly and beneficially owned by Mr. Wang. Under the SFO, Mr. Wang is deemed to be interested in 296,000,000 Shares held by E-Growth Resources.
3. Mr. Wang is the younger brother of Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua.
4. Mr. Wong Ah Yu is the younger brother of Mr. Wong Ah Yeung and the elder brother of Mr. Wang Ya Hua and Mr. Wang.
5. Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang.
6. Mr. Wang Ya Hua is the elder brother of Mr. Wang and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu.
7. Assuming no excess applications are made by Qualifying Shareholders.
8. Mr. Hui Wan Man is an executive Director.
9. Dr. Yu Sun Say is an independent non-executive Director.
10. Mr. Ting Leung Huel Stephen is an independent non-executive Director
11. Mr. Cheung Wah Fung, Christopher is an independent non-executive Director.
12. These scenarios are for illustrative purpose only. Under the Underwriting Agreement, the Underwriter has undertaken that it shall use its reasonable endeavours to ensure that (i) each of the subscribers or purchasers of the Untaken Shares procured by it shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any Directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules); (ii) the public float requirements under the Listing Rules shall be fulfilled by the Company upon completion of the Rights Issue; and (iii) any subscription or purchase of the Untaken Shares by the Underwriter and each of the subscribers or purchasers procured by the Underwriter shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Underwriter and the subscribers or purchasers procured by the Underwriter upon completion of the Rights Issue.
13. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

## LETTER FROM THE BOARD

### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

### **WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS**

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" above). Accordingly, the proposed Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-rights basis from Thursday, 12 August 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 25 August 2021 to Wednesday, 1 September 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

### **LISTING RULES IMPLICATIONS**

The Company has not conducted any rights issue or open offer within the 12-month period prior to the Latest Practicable Date. The Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates). Hence, the Rights Issue is not subject to Shareholders' approval under the Listing Rules and will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

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

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

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 respectively. These annual reports are published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.tongda.com>) and is accessible via the following hyperlinks:

- (i) annual report of the Company for the year ended 31 December 2020 published on 23 March 2021 (pages 38 to 139) available at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0323/2021032300477.pdf>

- (ii) annual report of the Company for the year ended 31 December 2019 published on 14 April 2020 (pages 39 to 145) available at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041400846.pdf>

- (iii) annual report of the Company for the year ended 31 December 2018 published on 11 April 2019 (pages 37 to 143) available at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0411/ltn20190411700.pdf>

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had aggregate outstanding borrowings of approximately HK\$3,880 million, comprising aggregate secured bank loans of approximately HK\$425 million, aggregate unsecured bank loans of approximately HK\$3,236 million, aggregate unsecured other loans of approximately HK\$219 million and aggregate lease liability of approximately HK\$35 million.

	<i>HK\$'000</i>
Current	
Other loans, unsecured	219,069
Current portion of long term bank loans, secured	174,857
Current portion of long term bank loans, unsecured	1,030,186
Bank loans, unsecured	1,578,309
Lease liability	<u>15,962</u>
	<u>3,018,383</u>
Non-current	
Bank loans, secured	250,000
Bank loans, unsecured	627,427
Lease liability	<u>18,775</u>
	<u>896,202</u>
Total	<u><u>3,914,585</u></u>



As at 30 June 2021, the Group's banking facilities were supported by:

- (a) the pledge of bank deposits of approximately HK\$465,233,000;
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) mortgages over the Group's leasehold building and the related right-of-use asset in Hong Kong with a carrying amount of approximately HK\$49,000,000.

At the close of business on 30 June 2021, the Group had no material contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 June 2021, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 30 June 2021.

### **3. WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's internal resources, presently available credit facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its requirements for at least twelve months from the date of this prospectus.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 5. FINANCIAL AND TRADING PROSPECTS

The Group is a one-stop solution provider for high-precision structures for handset communications and consumer electronics products involving product design, technological research and development, and manufacturing solutions. The Group has four reportable operating segments including (i) handset casings and high-precision components; (ii) smart electrical appliances casings; (iii) household and sports goods; and (iv) network communications facilities and others.

The world has experienced multiple pandemic waves for more than a year. Although the global economy has gradually improved during first half of 2021, the shortage of chip supply has affected the global handset shipments. At the same time, the increase in global commodity prices has putting pressure on the Group's operating costs and brought challenges to the Group's operating environment.

Looking ahead, the Group will continue focusing on the handset and high-precision components businesses as before. Our Glasslike plastic ("Glastic") casing with high price-performance ratio can satisfy current customer needs, in which, the shipment contribution from our high-end Glastic casings including the 3D and uni-body Glastic casings continued to increase. On the other hand, the Group is currently conducting research and development ("R&D") for various new products with a major customer of tri-proof and high-precision components. The third and fourth seasons are the traditional peak seasons for handset market. Among them, the Group's major customers of tri-proof and high-precision components generally launch their new flagship models in the second half of the year. The Group expects to maintain the overall product prices and profit margins of the Group by increasing the participation in various components and the production of new components in those new flagship models. The existing handset business of the Group covers all major global handset brands and their business growth will continue to facilitate the continuing expansion of the Group's market share.

Facing with a market environment full of variables and uncertainties in the short term, the Group understands the importance of maintaining its competitive edge. The Group has been prudently investing in technological R&D and production capacity expansion, and will be releasing its value. In the future, the Group will implement innovative technologies and processes as the basis, continuing to provide its customers a variety of leading and practical process technologies and solutions and assist them in launching competitive products, as well as exploring various emerging products, new materials and new scopes. The periodical investment may be intensive, but the Group will be able to develop more new businesses with high potential growth and prospects, in order to enhance its own comprehensive competitive advantage, consolidate product strength, develop a diversified customer base, and deepen customer relationships.

The Group will strive to review and improve its corporate management by integrating resources from the fundamental organisational structure to business divisions, improving the utilisation rates of production capacity and working efficiency of each business, in order to further leverage on the economies of scales. The Group is expected to be able to maintain a steady business growth despite the challenging market environment.

**1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

**Introduction**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “Unaudited Pro Forma Financial Information”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at the date to which it is made up or at any future date; and

The Unaudited Pro Forma Financial Information of the Group is prepared by the directors based on the audited consolidated statement of financial position of the Group as at 31 December 2020, extracted from the published annual report of the Group for the twelve months ended 31 December 2020, with adjustments described below.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the completion of the Rights Issue	Audited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2020	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after the completion of the Rights Issue
Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 <i>HKD'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HKD'000</i> <i>(Note 2)</i>	<i>HKD'000</i>	<i>HKD</i> <i>(Note 3)</i>	<i>HKD</i> <i>(Note 4)</i>
Based on 3,239,752,548 Rights Shares at a Subscription Price of HK\$0.232 per Rights Share	<u>6,617,466</u>	<u>737,000</u>	<u>7,354,466</u>	<u>1.0213</u>
	<u>0.7567</u>			

*Notes:*

1. Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 is calculated as follows:

	<i>HKD'000</i>
Audited consolidated net assets of the Group as at 31 December 2020	6,666,052
Less:	
Non-controlling interests	48,586
	6,617,466

2. The estimated net proceeds from the Rights Issue are based on the 3,239,752,548 Rights Shares to be issued at a Subscription Price of HK\$0.232 per Rights Share after deduction of the estimated related expenses, including among others, estimated underwriting commission (assuming no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings) and other professional fees, which are directly attributable to the Rights Issue, of approximately HK\$15,000,000.
3. The calculation of audited consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on the audited consolidated net tangible assets as at 31 December 2020 and the number of shares of 6,479,505,097 as at the Latest Practicable Date.
4. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after the completion of the Rights Issue is based on 9,719,257,645 Shares which comprise 6,479,505,097 Shares in issue as the Latest Practicable Date and 3,239,752,548 Rights Shares to be issued.
5. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

## 2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



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The Board of Directors  
Tongda Group Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tongda Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of net tangible assets as at 31 December 2020, and related notes as set out in Appendix II of the prospectus dated 23 August 2021 (the “**Prospectus**”) issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Rights Issue on the Group’s consolidated financial position as at 31 December 2020 as if the Proposed Rights Issue had taken place at 31 December 2020. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2020, on which an annual report has been published.

### **Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Proposed Rights Issue on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

23 August 2021



## 1. RESPONSIBILITY STATEMENT

This prospectus, 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 prospectus 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 prospectus misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately following the allotment and issue of the Rights Shares (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) will be as follows:

### (i) As at the Latest Practicable Date:

Authorised:		<i>HK\$</i>
<u>20,000,000,000</u>	Shares	<u>200,000,000.00</u>
Issued and fully paid:		
<u>6,479,505,097</u>	Shares	<u>64,795,050.97</u>

(ii) **Immediately following the allotment and issue of the Rights Shares (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders):**

Authorised:		<i>HK\$</i>
<u>20,000,000,000</u>	Shares	<u>200,000,000.00</u>
Issued and fully paid:		
6,479,505,097	Shares	64,795,050.97
<u>3,239,752,548</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>32,397,525.48</u>
<u>9,719,257,645</u>	Shares	<u>97,192,576.45</u>

All the Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares then in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there is no arrangement under which future dividends are/will be waived or agreed to be waived.

As at the Latest Practicable Date, the Company (i) had no other outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into existing Shares; (ii) there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option; and (iii) there were no arrangements under which future dividends were waived or agreed to be waived.

## 3. DISCLOSURE OF INTERESTS

## (i) Directors' and chief executive's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company 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) which (i) would have 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) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) 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, were as follows:

*Long and short positions in Shares and underlying Shares*

Name of Directors	Number of Shares held, capacity and nature of interest			Approximate percentage of shareholding
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Wang	460,930,000 (L)	1,879,500,000 (L)	2,340,430,000 (L) <i>(Notes 1 and 2)</i>	36.12%
Mr. Hui Wai Man	78,000,000 (L)	–	78,000,000 (L)	1.20%
Dr. Yu Sun Say	21,610,000 (L)	–	21,610,000 (L)	0.33%
Mr. Ting Leung Huel Stephen	6,450,000 (L)	–	6,450,000 (L)	0.10%
Mr. Cheung Wah Fung, Christopher	5,950,000 (L)	–	5,950,000 (L)	0.09%

*Notes:*

- 1,583,500,000 shares are held by Landmark Worldwide, the issued share capital of which is beneficially owned as to 25% by each of the Wong Brothers.
- 296,000,000 shares are held by E-Growth Resources, the entire issued share capital of which is beneficially owned by Mr. Wang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the 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 and its associated corporations (within the meaning of Part XV of the SFO) which (i) 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) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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.

As at the Latest Practicable Date, save for Mr. Wang is the sole director of Landmark Worldwide, none of the Directors 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.

**(ii) Substantial shareholders' interests and short positions in shares and underlying shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group were as follows:

*Long and short positions in Shares and underlying Shares*

Name of Shareholders	Nature of Interest	Number of Shares/ underlying Shares held	Approximate percentage or attributable percentage of shareholding (Note 1)
Landmark Worldwide (Note 2)	Beneficial owner	1,583,500,000 (L)	24.44%
Sinomax Securities Limited ("Sinomax Securities") (Note 3)	Underwriter	1,916,047,548 (L)	19.71%

Name of Shareholders	Nature of Interest	Number of Shares/ underlying Shares held	Approximate percentage or attributable percentage of shareholding (Note 1)
Smart Domain Group Limited ("Smart Domain") (Note 3)	Interest of a controlled corporation	1,916,047,548 (L)	19.71%
Fu Shek Financial Holdings Limited ("Fu Shek") (Note 3)	Interest of a controlled corporation	1,916,047,548 (L)	19.71%

(L) denotes long position

Notes:

- The percentage of shareholding was calculated based on the Company's total number of issued Shares as at the Latest Practicable Date (i.e. 6,479,505,097 Shares), save for that of Sinomax Securities, Smart Domain and Fu Shek, which was calculated based on the expected issued share capital of the Company immediately upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings) under the Rights Issue and the excess Rights Shares are taken up by Sinomax Securities (i.e. 9,719,257,645 Shares).
- The issued share capital of Landmark Worldwide is held and beneficially owned as to 25% each by the Wong Brothers.
- Sinomax Securities is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of Smart Domain. Smart Domain is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Fu Shek, which is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2263).

Pursuant to the terms and conditions of the Underwriting Agreement, Sinomax Securities (as the Underwriter) has conditionally agreed to fully underwrite 1,916,047,548 Rights Shares (other than those provisionally allotted to and undertaken to be subscribed by Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings).

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group.

#### 4. DIRECTORS' SERVICE CONTRACTS

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

#### 5. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### 6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor

Ernst & Young has given and confirmed that it has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Ernst & Young did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, Ernst & Young did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## **7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## **8. MATERIAL CONTRACT**

The following contract (not being contracts in the ordinary course of business) has been entered into by the members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) The Underwriting Agreement.

## **9. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **10. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission (assuming no Qualifying Shareholders take up any of his/her/its entitlements under the Rights Issue except for Landmark Worldwide, E-Growth Resources and the Wong Brothers pursuant to the Irrevocable Undertakings), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$15 million, which are payable by the Company.

**11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

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

**Head office and principal place of business in Hong Kong** Room 1201-02  
12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

**Authorised representatives** Wang Ya Nan  
Room 1201-02  
12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

Wang Hung Man  
Room 1201-02  
12th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

**Company secretary** Chan Paan Paan



<b>Underwriter</b>	Sinomax Securities Limited Flat 2705-06, 27/F, Tower One, Lippo Centre 89 Queensway Hong Kong
<b>Legal advisers to the Company</b>	Michael Li & Co. 19/F Prosperity Tower No. 39 Queen's Road Central Central Hong Kong
<b>Auditor</b>	Ernst & Young <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditor</i> 27th Floor One Taikoo Place 979 King's Road Quarry Bay Hong Kong
<b>Principal bankers</b>	<i>In Hong Kong:</i> The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited Bank of Communication Co., Limited MUFG Bank Limited KBC Bank N.V., Hong Kong Branch China Construction Bank (Asia) Corporation Limited Bank of China (Hong Kong) Limited Standard Chartered Bank (Hong Kong) Limited The Bank of East Asia China Citic Bank International  <i>In the PRC:</i> The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited Bank of China Limited China Construction Bank Corporation China Merchants Bank Industrial Bank

<b>Principal share registrar</b>	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road George Town Grand Cayman KY1-1110 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong

## 12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

Mr. Wang Ya Nan, aged 63, is the Chairman and CEO of the Group. He is responsible for the overall strategic planning and business development of the Group. He is also responsible for the development of overseas markets. He is currently the Chairman and a non-executive Director of Tongda Hong Tai Holdings Limited (stock code: 2363) ("**Tongda Hong Tai**"), a company listed on the Stock Exchange. He is an executive Director and joined the Group in December 1988 and has over 30 years of experience in the electronics and electrical industry. He graduated with a Executive Master of Business Administration degree in Xiamen University and serves as a member of the National Committee of the Chinese People's Political Consultative Conference. He is a brother of Messrs. Wong Ah Yeung, Wong Ah Yu and Wang Ya Hua, who are substantial Shareholders. He is an uncle of Messrs. Wang Hung Man, Wong Ming Sik and Wong Ming Yuet.

Mr. Wang Hung Man, aged 32, is the Vice Chairman and the general manager and/or director of the Group's major subsidiaries in Xiamen and has been appointed as an executive Director on 21 October 2019. He obtained a bachelor's degree in economics from The University of California, Davis in 2011. He also obtained an executive master of business administration (EMBA) degree at China Europe International Business School in 2019. After obtaining his bachelor's degree, he worked in various positions at the major subsidiaries of the Group in Xiamen and was responsible for plant operations management, procurement, companies' daily

operations management and strategy development, etc. He is currently responsible for the supervision and strategic development of the Group's business in handset casings and high-precision components division. He is the son of Mr. Wang Ya Hua, who is a substantial Shareholder, and the nephew of Mr. Wang Ya Nan, who is an executive Director and a substantial Shareholder, and Mr. Wong Ah Yeung and Mr. Wong Ah Yu, who are substantial Shareholders. He is also the cousin of Mr. Wong Ming Sik and Mr. Wong Ming Yuet.

Mr. Wong Ming Sik, aged 41, is the general manager of the Group's major subsidiaries in Shenzhen and Dongguan and has been appointed as an executive Director on 6 January 2020. He graduated from University of Central Lancashire in the UK with a master of science degree in business management and a bachelor of arts degree in accounting and financial studies with honours in 2005 and 2004 respectively. After graduation, he worked in various positions at the major subsidiaries of the Group in Shenzhen and Dongguan and was responsible for plant operations management, procurement, companies' daily operations management and strategy development, etc. He is currently responsible for the supervision and strategic development of the Group's business in network communications facilities division. He is the son of Mr. Wong Ah Yeung, who is a substantial Shareholder, and the nephew of Mr. Wang Ya Nan, who is an executive Director and a substantial Shareholder, and Mr. Wong Ah Yu and Mr. Wang Ya Hua, who are substantial Shareholders. He is also the cousin of Mr. Wang Hung Man and Mr. Wong Ming Yuet.

Mr. Wong Ming Yuet, aged 39, is the general manager of a major subsidiary of the Group in Shishi and has been appointed as an executive Director on 21 October 2019. He graduated from Macquarie University in Australia in 2007 and majored in commerce and accounting management. He has been serving the subsidiaries of the Group since graduation and is responsible for daily operations including supply chain, procurement, warehousing and logistics. He is currently responsible for the supervision and strategic development of the Group's business in smart electrical appliance division. He is the son of Mr. Wong Ah Yu, who is a substantial Shareholder, and the nephew of Mr. Wang Ya Nan, who is an executive Director and a substantial Shareholder, and Mr. Wong Ah Yeung and Mr. Wang Ya Hua, who are substantial Shareholders. He is also the cousin of Mr. Wang Hung Man and Mr. Wong Ming Sik.

Mr. Hui Wai Man, Anthony, aged 53, obtained a bachelor of science (Hons) in electronics from Keele University in the United Kingdom in 1990 and has nearly 30 years of experience in the electronics market. After graduating, Mr. Hui joined Seagate Technology PLC (NASDAQ: STX), a company listed on the NASDAQ Stock Market and is one of the world's largest computer hard disk manufacturers. He

worked as a business engineer in Singapore. He then joined Kaga Electronics Co.,Ltd. (TYO: 8154) (“**Kaga Electronics**”), a company listed on The Tokyo Stock Exchange, in 1992, where he was responsible for business development. Before Mr. Hui left Kaga Electronics, he was a director of a subsidiary under Kaga Electronics in Asia, and was responsible for the business development of Kaga Electronics in China. Mr. Hui joined the Group in 2003 and has been appointed as an executive Director on 21 October 2019. He is mainly responsible for the sales and marketing activities of the Group in Hong Kong and overseas. He is also responsible for the overall product and business development and the supply chain management of the Group.

#### **Non-executive Director**

Ms. Chan Sze Man, aged 40, was the chief financial officer and company secretary of the Company from January 2011 to August 2018 and was responsible for the corporate finance, accounts and company secretarial functions of the Group. Ms. Chan graduated from the Hong Kong University of Science and Technology with a Bachelor’s Degree in Accounting. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. She joined the Company in June 2010 and has been appointed as an non-executive Director of the Company on 31 August 2018. She has over 16 years of working experience in the field of accounting, auditing and financial management. Ms. Chan has been appointed as an independent non-executive director of Prosperous Future Holdings Limited (stock code: 1259) and Chi Kan Holdings Limited (stock code: 9913) since September 2016 and July 2020 respectively, both being companies listed on the main board of the Stock Exchange.

#### **Independent Non-executive Directors**

Dr. Yu Sun Say, *G.B.M., G.B.S., S.B.S, J.P.*, aged 82, joined the Company as an independent non-executive director in October 2007. He is a member of each of the AC, RC and NC. Dr. Yu is the Chairman of the H.K.I. Group of Companies and a director of a number of manufacturing and investment companies. He is an independent non-executive director of Wong’s International Holdings Limited (stock code: 99), Beijing Enterprises Holdings Limited (stock code: 392) and Fu Shek Financial Holdings Limited (stock code: 2263), all being companies listed on the main board of the Stock Exchange. He had served as member of Standing Committee of the Chinese People’s Political Consultative Conference, member of the Preparatory Committee for the Hong Kong Special Administrative Region and Hong Kong Affairs Adviser. He is currently the Permanent Honorary President of the Chinese General Chamber of Commerce and Permanent Honorary President of the Chinese Manufacturers’ Association of Hong Kong.

Mr. Cheung Wah Fung, Christopher, *S.B.S., JP*, aged 69, is an independent non-executive director of the Company and joined the Company in September 2004. He is a member of each of the AC, RC and NC. Mr. Cheung is currently the member of Legislative Council (Functional Constituency-Financial Services) of the Hong Kong Special Administrative Region and the chairman of Christfund Securities group of companies. He serves as a member of the National Committee of the Chinese People's Political Consultative Conference, honorary president of the Hong Kong Securities Professionals Association, elected director of the Hong Kong Chinese General Chamber of Commerce, council member of the Chinese Overseas Friendship Association, deputy secretary of the Friends of Hong Kong Association, member of the Standing Committee of the Federation of Commerce and Industry of Guangdong Province, Honorary president of Hong Kong Federation of Fujian Association.

Mr. Ting Leung Huel Stephen, *MH, FCCA, FCPA (PRACTISING), ACA, CTA (HK), FHKIoD*, aged 67, is an independent non-executive director of the Company and joined the Company in December 2000. He is the Chairman of each of the AC and RC and a member of the NC. Mr. Ting is the Chairman of Ting Ho Kwan & Chan, Certified Public Accountants. He is now a non-executive director of Chow Sang Sang (Holdings) International Limited (stock code: 116) and an independent non-executive director of six listed companies, namely, China SCE Group Holdings Limited (stock code: 1966), Computer and Technologies Holdings Limited (stock code: 46), Dongyue Group Limited (stock code: 189), New Silkroad Culturaltainment Limited (stock code: 472), Texhong Textile Group Limited (stock code: 2678) and Tong Ren Tang Technologies Co. Ltd (stock code: 1666).

### **Senior management**

Mr. Venkatachalam Thangadurai, aged 44, is the general manager and chief technical officer in a major subsidiary of the Group. He joined the Group in 2015. He possesses 25 years of rich working experience for multinational companies with fast-paced consumer electronics manufacturing environment. He is mainly responsible for business development with North American Hi-tech companies combined with costing, strategic planning, budgeting, and resource planning till execution. On technical grounds, he is accountable for implementing innovative solutions in NPI and MP programs. He obtained his post-graduation in master of business administration in project management with a graduation in tooling engineering & plastic mold design.

Mr. Pan Jianjun, aged 45, is the deputy general manager in business of the Group's major subsidiaries in Shenzhen and Dongguan. He is mainly responsible for the Group's sales and marketing activities in Shenzhen and Dongguan. He has over 20 years of experiences in electronics market and he joined the Group in 2003.

Mr. Lin Shun Jian, aged 57, is the operation officer of the Group's major subsidiaries in Shishi. He is primarily responsible for assisting the supervision of the daily business operation of operating units of our Group's major subsidiaries in Shishi. He has over 18 years of experiences in supervising corporate daily business operation, and he joined the Group in 2001.

The business address of the Directors and the senior management is the same as the Company's principal place of business at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

### **13. AUDIT COMMITTEE**

As at the Latest Practicable Date, the AC comprises four members, namely Ms. Chan Sze Man, being the non-executive Director and Mr. Ting Leung Huel, Stephen, Dr. Yu Sun Say and Mr. Cheung Wah Fung, Christopher being the independent non-executive Directors. The primary duties of the AC include the review of the Group's financial reporting process and the internal control systems as well as risk management of the Group.

### **14. BINDING EFFECT**

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the CWUMPO, so far as applicable.

### **15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed "6. Expert and consent" in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the CWUMPO.

**16. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Chan Paan Paan (“**Mr. Chan**”). Mr. Chan graduated from the Hong Kong Baptist University with a Bachelor degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants. He has over ten years of experience in the auditing, accounting and finance field. During the period from May 2019 to February 2020, Mr. Chan served as the financial controller and the company secretary of Tongda Hong Tai Holdings Limited (stock code: 2363).
- (b) The business address of the Directors, senior management and the company secretary of the Company is the same as the head office and 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.
- (c) The Company’s Hong Kong branch share registrar is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (d) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (e) This prospectus and the accompanying PAL and EAF have been prepared in both English and Chinese. In the case of any inconsistency, the English text shall prevail over their respective Chinese text.

**17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) at the head office and principal place of business in Hong Kong of the Company at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong during the period of 14 days from the date of this prospectus:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020;

- (c) the unaudited pro forma financial information of the Group, the text of which is set out on pages II-1 to II-5 of this prospectus;
- (d) the written consent of the expert as referred to in the section headed “6. Expert and consent” in this appendix;
- (e) the material contract referred to in the section headed “8. Material contract” in this appendix; and
- (f) the Prospectus Documents.