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

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

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TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE SPIN-OFF CO AND NOTICE OF EGM

Financial adviser to Tongda Group Holdings Limited



Independent financial adviser

to the Independent Board Committee and the Shareholders



A notice convening the extraordinary general meeting of Tongda Group Holdings Limited to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 10:00 a.m. on Wednesday, 29 September 2021 is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the meeting is enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the meeting (i.e. no later than Monday, 27 September, 2021 at 10:00 a.m.) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Precautionary measures to be taken by Tongda Group Holdings Limited for better protection of the safety and health of the shareholders and other participants at the meeting in light of COVID-19 are set out on pages 5 to 6 of this circular. Any attendee who does not comply with the precautionary measures may be refused admission to or requested to leave the venue of the meeting. Shareholders are reminded that they may appoint the chairman of the meeting as their proxy to vote on the resolution at the meeting as an alternative to attending the meeting in person. Tongda Group Holdings Limited will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the meeting.

8 September 2021

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DEFINITIONS

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

“A-share(s)”	ordinary share(s) denominated in RMB of a company listed on the PRC Stock Exchange
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Tongda Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 698)
“CSRC”	China Securities Regulatory Commission
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the resolution in relation to the Proposed Spin-off
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Shareholders on the Proposed Spin-off

DEFINITIONS

“Latest Practicable Date”	6 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maxa Capital”	Maxa Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Shareholders on the Proposed Spin-off
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Sponsor”	the sponsor acting for the Spin-off Co in relation to the Proposed A-Share Listing
“PRC Stock Exchange”	the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the PRC
“Proposed A-Share Listing”	the proposed listing of the A-shares of the Spin-off Co on the PRC Stock Exchange
“Proposed Spin-off”	the proposed spin-off of the Spin-off Co by the Company for a separate listing of the A-shares of the Spin-off Co on the PRC Stock Exchange
“Remaining Businesses”	the principal businesses of the Remaining Group as described in this circular

DEFINITIONS

“Remaining Group”	the Group excluding the Spin-off Group
“Rights Issue”	the issue by way of rights on the basis of one rights Share for every two existing Shares held by qualifying Shareholders, details of which are set out in the prospectus of the Company dated 23 August 2021
“Senior Management”	the nine individuals who are the senior management members of the Spin-off Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Spin-off Business”	the principal business of the Spin-off Group, being the production of durable household goods, household utensils, sports goods and healthcare goods
“Spin-off Co”	通達創智(廈門)股份有限公司 (Tongda Smart Tech (Xiamen) Co., Ltd.*), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Spin-off Group”	the Spin-off Co and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STX”	廈門市創智健康用品有限公司 (Xiamen Smart Tech Healthcare Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Spin-off Co
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules

DEFINITIONS

“Tongda Modern Home”	Tongda Modern Home (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Tongda Shishi”	通達創智(石獅)有限公司 (Tongda Smart Tech (Shishi) Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Spin-off Co
“Tongda Technology”	通達(廈門)科技投資有限公司 (Tongda (Xiamen) Technology Investment Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Waiver”	the waiver from strict compliance with paragraph 3(f) of PN15 in respect of the assured entitlement under the Proposed Spin-off
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* *In this circular, the English translation/transliteration of the Chinese names denoted is for illustration purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

For the purpose of illustration only, amounts denominated in RMB in this circular are converted into HK\$ at the rate of RMB1=HK\$1.2. Such translations should not be construed as a representation that the amounts have been, could have been or could be converted at such rate or at all.

PRECAUTIONARY MEASURES FOR THE EGM

In light of the COVID-19 pandemic and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree celsius, or who has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

PRECAUTIONARY MEASURES FOR THE EGM

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on the resolution at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.



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
Mr. Cheung Wah Fung, Christopher
Mr. Ting Leung Huel, Stephen

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
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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

8 September 2021

To the Shareholders

Dear Sir or Madam,

**POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL
IN RELATION TO THE PROPOSED SPIN-OFF
AND SEPARATE LISTING OF THE SPIN-OFF CO**

INTRODUCTION

Reference is made to the announcement of the Company dated 18 September 2019 in relation to the Proposed Spin-off of the Spin-off Co, which was then a wholly-owned subsidiary and is currently a 90%-owned subsidiary of the Company engaged in the production of durable household goods, household utensils, sports goods and healthcare goods for European and American mega-sized brands. The Company submitted an application in relation to the Proposed Spin-off pursuant to PN15 to the Stock Exchange for approval and the Stock Exchange confirmed on 13 September 2019 that the Company might proceed with the Proposed Spin-off.

LETTER FROM THE BOARD

Due to the rapid change of market condition as a result of the outbreak of COVID-19 in early 2020, the Spin-off Co postponed the submission of the listing application for the Proposed A-Share Listing which was initially scheduled in the first half of 2020. As the market condition has improved recently, the Company has decided to resume the Proposed Spin-off and the listing application for the Proposed A-Share Listing is planned to be submitted in October 2021. Accordingly, the Company has submitted an updated proposal in relation to the Proposed Spin-off pursuant to PN15 to the Stock Exchange for approval. There is no material change in the structure of the Proposed Spin-off and the businesses of both the Remaining Group and the Spin-off Group under the updated proposal of the Proposed Spin-off as compared to the previous proposal. The Stock Exchange has confirmed on 3 September 2021 that the Company may proceed with the Proposed Spin-off.

As at the Latest Practicable Date, the Group indirectly holds a 90% equity interest in the Spin-off Co. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed A-Share Listing will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing, following which the ownership of the Company in the Spin-off Co will be diluted to not less than 67.5%. Accordingly, the Proposed A-Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the Spin-off Co under Rule 14.29 of the Listing Rules. Based on the upper end of the currently expected offer size of approximately RMB770 million under the Proposed A-Share Listing, the highest applicable percentage ratio under Rule 14.06 of the Listing Rules in respect of the Proposed Spin-off is expected to exceed 25% but be less than 75%. Accordingly, the Proposed Spin-off, if proceeded, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under PN15 and Chapter 14 of the Listing Rules.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Spin-off. The Independent Board Committee comprising Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Mr. Ting Leung Huel, Stephen, being all the independent non-executive Directors, has been established to advise the Shareholders in respect of the Proposed Spin-off. Maxa Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) information of the Proposed Spin-off and the Waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from Maxa Capital to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE PROPOSED SPIN-OFF

Subject to fulfilment of the conditions set out in the paragraph headed “Conditions of the Proposed Spin-off” below, it is proposed that the Spin-off Co will apply for a separate listing of its A-shares on the PRC Stock Exchange and will be spun-off from the Group. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed A-Share Listing will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing. The actual number of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to regulatory approvals by the PRC Stock Exchange and the CSRC, discussions among the management of the Spin-off Co, the PRC Sponsor and other advisers for the Proposed A-Share Listing and in particular, subject to market conditions. In any event, the Group is expected to hold not less than 67.5% of the enlarged issued share capital of the Spin-off Co following completion of the Proposed A-Share Listing, and the Spin-off Co will remain as a subsidiary of the Company.

Based on the current timetable, it is expected that the listing application of the Spin-off Co will be made in October 2021 and the listing of the A-shares of the Spin-off Co on the PRC Stock Exchange, if approved and proceeded with, will be around the second half of 2022.

Conditions of the Proposed Spin-off

Based on the information currently available to the Board, the Proposed Spin-off will be conditional upon, among other things, the fulfillment of the following conditions:

- (i) the approval by the CSRC, the PRC Stock Exchange and other authorities in relation to the Proposed A-Share Listing;
- (ii) the approval by the Shareholders in relation to the Proposed Spin-off at the EGM; and
- (iii) the approval by any other applicable PRC regulatory authorities for the listing of and permission to deal in the A-shares to be issued by the Spin-off Co.

If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and the Company will make an announcement accordingly.

LETTER FROM THE BOARD

Proceeds to be raised from the Proposed A-Share Listing and proposed use of proceeds

On the assumption that the proposed offering size represents 25% of the enlarged issued share capital of the Spin-off Co, it is currently expected that the gross proceeds to be raised under the Proposed A-Share Listing will be within the range of approximately RMB660 million to approximately RMB770 million. The actual amount of proceeds to be raised cannot be determined at this stage as the actual number and final offer price of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to a number of factors.

Based on the discussions between the management of the Spin-off Co and the PRC Sponsor, the number and final offer price of new A-shares to be issued under the Proposed A-Share Listing will be determined taking into account (i) the historical operating results and financial performance of the Spin-off Group; (ii) the business prospects and the expected performance of the Spin-off Group for the year ending 31 December 2021; (iii) the capital needs of the Spin-off Group and proposed use of proceeds as further discussed below; (iv) the then responses to price consultation with potential subscribers in the book-building process for the Proposed A-Share Listing; (v) the prevailing market sentiment at the time of the Proposed A-Share Listing; and (vi) the reference to be drawn from other comparable companies in the same industry listed on the PRC Stock Exchange.

It is expected that the proceeds from the Proposed A-Share Listing will be applied for the development of the Spin-off Business as to (i) approximately RMB264.0 million (equivalent to approximately HK\$316.8 million) for the construction of a new production plant equipped with advanced production equipment and information system in Shishi, Fujian Province, the PRC which has commenced in August 2021 and is expected to complete in the second half of 2023; (ii) approximately RMB280.0 million (equivalent to approximately HK\$336.0 million) for the expansion of the existing production plant in Xiamen, Fujian Province, the PRC which has commenced in December 2020 and is expected to complete in the first half of 2023; (iii) approximately RMB67.0 million (equivalent to approximately HK\$80.4 million) for upgrading the existing research and automation centre, which includes renovation, upgrade of hardware and software and expenditure for research projects, during the years from 2022 to 2024; and (iv) the remaining RMB85.0 million (equivalent to approximately HK\$102.0 million) as general working capital of the Spin-off Group. The above timeline is based on current estimation by the management of the Spin-off Group and will be subject to change depending on the actual construction/upgrade progress.

Details of the Proposed Spin-off will be finalised at a later stage. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules. Shareholders and potential investors of the Company should be aware that the expected offer size and the estimated gross proceeds as referred to above is for illustration purposes only and the actual amount to be raised and the proposed use of proceeds shall be subject to the listing application documents to be submitted by the Spin-off Co taking into account, among others, the PRC domestic market conditions at the time of the materialisation of the Proposed A-Share Listing as well as the business development of the Spin-off Group, and may vary substantially from the amounts estimated above.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND THE SPIN-OFF GROUP

The Group is a one-stop solution provider for high-precision structures for smart mobile communications and consumer electronic products involving product design, technological research and development, and manufacturing solutions. The Group is principally engaged in (i) the production of handset casings, tri-proof (waterproof, dustproof and shockproof) high-precision components, high-precision insert molding parts and high-precision rubber molding parts; (ii) the production of control panels, casings and metal accessories for high-end electrical appliances for Chinese and international brands. Its products include smart home appliances such as air-conditioners, washing machines and refrigerators; (iii) the production of set-top boxes and routers as well as automobile interior decorations (altogether, being the Remaining Businesses); and (iv) the production of durable household goods, household utensils, sport goods and healthcare goods for European and American mega-sized brands (i.e. the Spin-off Business).

The Spin-off Group

The Spin-off Co is a company established in February 2016 in the PRC with limited liability for the purpose of taking up the Spin-off Business from another subsidiary of the Company to achieve better delineation between the Remaining Businesses and the Spin-off Business. As at the Latest Practicable Date, the Spin-off Co is owned as to 47.5% by Tongda Modern Home, 42.5% by Tongda Technology and 10% by the Senior Management respectively.

As at the Latest Practicable Date, the Spin-off Co had two wholly-owned subsidiaries, namely STX and Tongda Shishi. STX was established in the PRC in June 2019 to commence a new household product line while Tongda Shishi was established in March 2021 in the PRC for the purpose of acquiring a land parcel for construction of a new production plant for the manufacture of household products. The land acquisition was completed in April 2021 and the construction of the production plant has commenced in August 2021 and is expected to be completed in the second half of 2023. The construction of the said production plant will be funded by internal resources and proceeds from the Proposed A-Share Listing.

LETTER FROM THE BOARD

The Spin-off Business

The Spin-off Business mainly involves the manufacture and sale of durable household goods, household utensils, sports goods and healthcare goods for European and American mega-sized brands. Such products are mainly made of general plastic and general modified plastic which are tailored for the specifications and features of different products and require mature and sophisticated molding technology. The products are then assembled with other plastic parts and/or electronic parts into finished household and sports goods. For example, the products manufactured by the Spin-off Group are assembled with motors sourced from other suppliers into sprayers. Customers of the Spin-off Business are mainly brand owners of surface finishing systems, furniture, sporting goods and outdoor lifestyle products. The production of the Spin-off Group's products has been carried out at the factory premises of the Group in Xiamen, the PRC, the ownership (together with the corresponding land use right) of which has been transferred to the Spin-off Co by way of capital injection in December 2019.

Financial information

The following table summarises the unaudited combined financial information of the Spin-off Group (as if the group structure had been in existence throughout the two financial years ended 31 December 2019 and 2020) extracted from its management accounts included in the audited consolidated financial statements of the Group for the respective year:

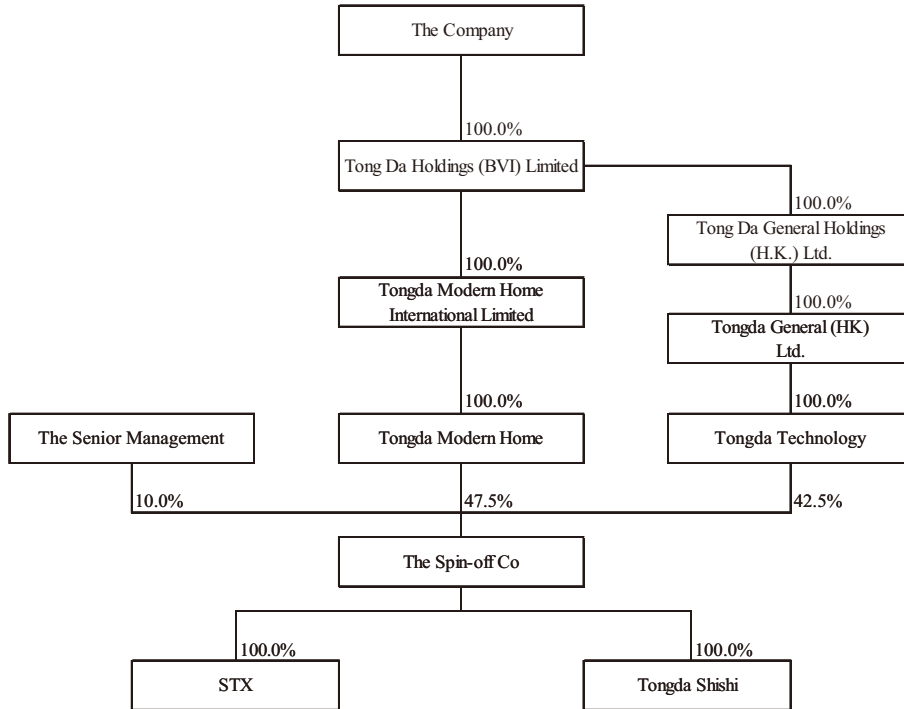
	Year ended 31 December	
	2019	2020
	(HK\$' million)	(HK\$' million)
	(unaudited)	(unaudited)
Revenue	648.2	808.2
Profit before taxation	68.4	105.6
Profit attributable to owners of the Spin-off Co	60.4	93.9

As at 31 December 2020, the unaudited combined net asset value of the Spin-off Group was approximately HK\$598.3 million.

LETTER FROM THE BOARD

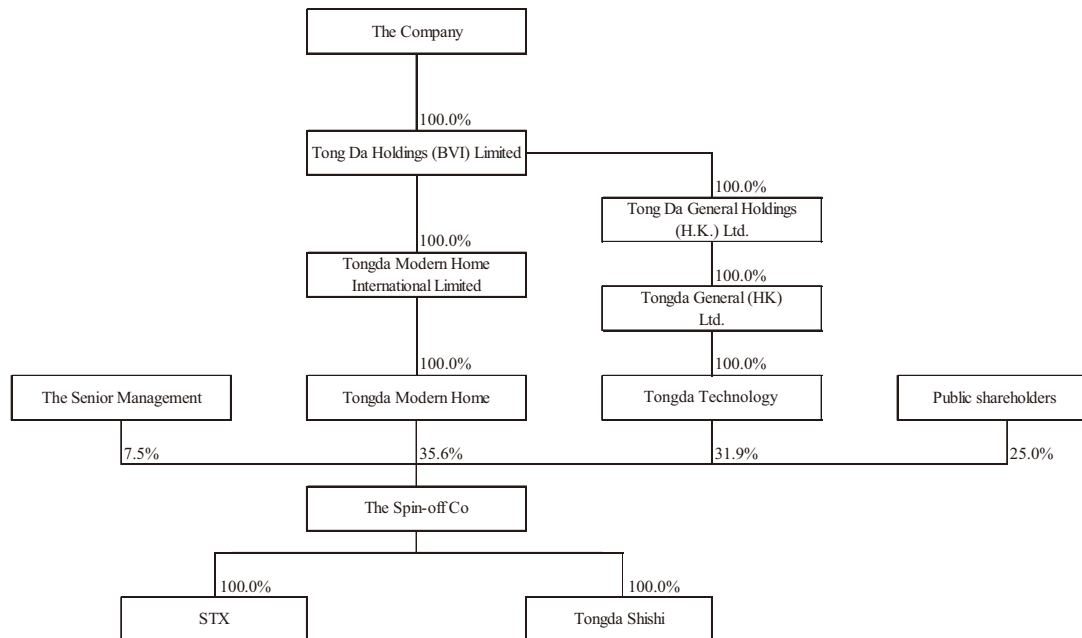
Effect of the Proposed Spin-off on the shareholding structure of the Spin-off Co

Set out below is the shareholding structure of the Spin-off Co as at the Latest Practicable Date:



LETTER FROM THE BOARD

Set out below is the shareholding structure of the Spin-off Co immediately upon completion of the Proposed Spin-off assuming that the number of new A-shares of the Spin-off Co to be issued under the Proposed A-Share Listing represents 25.0% of the enlarged issued share capital of the Spin-off Co:



It is expected that immediately upon completion of the Proposed Spin-off, the Company will indirectly hold not less than 67.5% equity interest in the Spin-off Co and the Spin-off Co will remain as a subsidiary of the Company.

The Remaining Group

After completion of the Proposed Spin-off, the Remaining Group will be principally engaged in the Remaining Businesses comprising (i) the production of handset casings, tri-proof (waterproof, dustproof and shockproof) high-precision components, high-precision insert molding parts and high-precision rubber molding parts; (ii) the production of control panels, casings and metal accessories for high-end electrical appliances for Chinese and international brands for products including smart home appliances such as air-conditioners, washing machines and refrigerators; and (iii) the production of set-top boxes and routers as well as automobile interior decorations. The Directors believe that the Remaining Group will retain a sufficient level of operations and sufficient assets for the Company to maintain its listing status after completion of the Proposed Spin-off.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

Following completion of the Proposed Spin-off, the Group is expected to hold not less than 67.5% of the enlarged issued share capital of the Spin-off Co, and the Spin-off Co will continue to be accounted for as a subsidiary in the consolidated financial statements of the Group. The expected financial impacts of the Proposed Spin-off on the Group are as follows:

Earnings

The Proposed Spin-off, which is expected to involve the issue of new A-shares of the Spin-off Co, will constitute a deemed disposal of the Group's interest in the Spin-off Co. It is expected that the difference between the net proceeds from the issue of new A-shares of the Spin-off Co and the change of share of consolidated net asset value of the Spin-off Group by the non-controlling interests upon completion of the Proposed A-Share Listing will be recorded in equity attributable to owners of the Company.

Based on the assumption that the number of A-shares of the Spin-off Co to be issued at the Proposed A-Share Listing represents 25% of the enlarged share capital of the Spin-off Co which will result in a dilution of the Company's interest in the Spin-off Co from 90.0% as at the Latest Practicable Date to 67.5% immediately after the completion of the Proposed A-Share Listing, it is expected that the earnings attributable to owners of the Company contributed by the Spin-off Co will decrease while the earnings attributable to the non-controlling interests of the Company will increase.

Assets and liabilities

The Proposed Spin-off, which is expected to involve the issue of new A-shares of the Spin-off Co for cash, is expected to increase the amount of cash recorded in the consolidated statement of financial position of the Group and the total assets of the Group correspondingly.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers that the Proposed Spin-off will be beneficial to both the Remaining Group and the Spin-off Group for the following reasons:

(i) Alternative valuation for the businesses

The Spin-off Business has grown to a sufficient size to warrant a separate listing. The Proposed Spin-off substantively separates the Spin-off Business from the Remaining Businesses, thereby enabling investors and financiers to appraise the strategies, functional exposures, risks and returns of the respective businesses separately and to make their investment decisions accordingly. The Remaining Group and the Spin-off Group can be valued on a standalone basis to reflect the true market value of the respective businesses so as to create better return of value to the Shareholders and the Spin-off Co.

(ii) Adoption of different business strategies

The management teams of the Remaining Group and the Spin-off Group may adopt different business strategies and models which they determine to be better suited to their respective businesses, and which, due to the different features of their respective products, may not always be aligned. On the other hand, the Proposed Spin-off will increase the operational and financial transparency of the Remaining Group and the Spin-off Group and to provide investors and the market with greater clarity on the businesses and financial status of the respective groups and therefore better identifying and establishing their investment decisions.

(iii) New sources of fund raising opportunity

The Proposed Spin-off will enable the Remaining Group and the Spin-off Group to have their own fund raising platforms to directly and independently access both the debt and equity capital markets, which in turn may provide greater aggregate financing capacity to both the Remaining Group and the Spin-off Group to deploy their funds towards their respective developments, operations and investment opportunities, as there will be greater clarity on the respective financial status of each of the Remaining Group and the Spin-off Group. In addition, the cash proceeds to be received from the public offering and placing of A-shares of the Spin-off Co will provide capital to the Spin-off Group for its operations and expansion plan.

LETTER FROM THE BOARD

(iv) Segregation of different business

The Proposed Spin-off and a separate listing of the shares of the Spin-off Co will not only enhance the Spin-off Group's profile amongst its customers, suppliers and other business partners, but will also improve the Spin-off Group's ability to recruit, motivate and retain key management personnel by enhanced management incentives through adoption of equity-based incentive program such as share option scheme.

(v) No loss in control of Spin-off Group

As the Spin-off Co is expected to remain as a subsidiary of the Company upon completion of the Proposed Spin-off, the Company will continue to benefit from any potential upside in the Spin-off Business through consolidation of the Spin-off Group's accounts and receipt of dividend distributions (if any).

Having considered the above, the Directors are of the view that the Proposed Spin-off is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE WAIVER

In accordance with the requirements of paragraph 3(f) of PN15, the Company is required to give due regard to the interests of the existing Shareholders by providing them with an assured entitlement to the A-shares of the Spin-off Co, if the Proposed A-Share Listing proceeds. However, the Board considers that it is not practicable to provide assured entitlement of the A-shares of the Spin-off Co as further explained below and that the requirement of paragraph 3(f) of PN15 of the Listing Rules cannot be met. Accordingly, the Company made an application for the Waiver to the Stock Exchange and the Stock Exchange has granted the Waiver.

In determining the venue for the proposed listing of the Spin-off Co, the Board has made due and careful consideration, taking into account, among other things, the nature of the Spin-off Business, the jurisdiction in which the Spin-off Co was established and had been operating its business, and the characteristics of different capital markets, and concluded that it is more suitable to seek a listing of the Spin-off Co on the A-share market in the PRC.

LETTER FROM THE BOARD

Based on the legal advice from the Company's PRC legal counsel, according to applicable PRC laws, only certain qualified foreign investors are allowed to subscribe for or participate in the offering of A-shares, which include, among others, (a) qualified foreign institutional investors; (b) foreign strategic investors approved by Ministry of Commerce of the PRC; (c) individuals with permanent residence in the PRC; and (d) residents of Hong Kong, Macao Special Administrative Region or Taiwan who live and work in the PRC. Based on the shareholders register of the Company as at the Latest Practicable Date, most of the registered Shareholders are individuals with addresses in Hong Kong. The Board believes most of these Shareholders are not PRC residents. Further, Mr. Hui Wai Man, Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Mr. Ting Leung Huel Stephen who are both Directors and Shareholders have confirmed that they are not qualified foreign investors for the purpose of investing in A-shares. In light of the above, the Board considers it impracticable to provide the Shareholders with assured entitlement under the Proposed Spin-off in light of the legal restrictions for foreign investors to subscribe for or participate in the offering of A-shares.

It is contemplated that the Group will hold not less than 67.5% of the issued share capital in the Spin-off Co and will continue to be the holding company of the Spin-off Co after the Proposed Spin-off. The financial results of the Spin-off Co will continue to be consolidated into the Group's financial statements, and the Shareholders will continue to enjoy the contribution from the Spin-off Co as well as the benefits of the Proposed Spin-off as described above through their holdings in the Shares. The Board is of the view that the interest of the Shareholders would not be materially prejudiced by not providing assured entitlement to the A-shares of the Spin-off Co to the Shareholders.

Having considered the above and the reasons for and benefits of the Proposed Spin-off mentioned above, the Board is of the view that the Proposed Spin-off and the Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Group indirectly holds a 90% equity interest in the Spin-off Co. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed Spin-off will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing, following which the ownership of the Company in the Spin-off Co will be diluted to not less than 67.5%. Accordingly, the Proposed A-Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the Spin-off Co under Rule 14.29 of the Listing Rules. Based on the upper end of the currently expected offer size of approximately RMB770 million under the Proposed A-Share Listing, the highest applicable percentage ratio under Rule 14.06 of the Listing Rules, in respect of the Proposed Spin-off is expected to exceed 25% but be less than 75%. Accordingly, the Proposed Spin-off, if proceeded, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under PN15 and Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Spin-off is subject to, among other things, the market conditions and regulatory approvals. Accordingly, Shareholders and potential investors of the Company should be aware that the Company does not guarantee that the Proposed Spin-off will materialise nor the timing thereof, and are advised to exercise caution when dealing in the securities of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Mr. Ting Leung Huel, Stephen, being all the independent non-executive Directors, has been established to advise the Shareholders in respect of the Proposed Spin-off. Maxa Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off. The letters from the Independent Board Committee and Maxa Capital are set out on pages 21 to 22 and pages 23 to 49 of this circular respectively.

EGM

The EGM will be convened and held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 10:00 a.m. on Wednesday, 29 September 2021 for the Shareholders to consider and, if thought fit, to approve the Proposed Spin-off. As at the Latest Practicable Date, none of the Shareholders and their respective associates has any material interest in the Proposed Spin-off and therefore no Shareholder will be required to abstain from voting on the resolution in respect of the Proposed Spin-off at the EGM.

LETTER FROM THE BOARD

The notice of the EGM is set out in pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM (or any adjourned meeting thereof) in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. no later than Monday, 27 September 2021 at 10:00 a.m.) (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you so wish.

The Hong Kong branch register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021 (both dates inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. No transfer of Shares will be registered during those dates. In order to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 23 September 2021.

RECOMMENDATION

The Directors (including the independent non-executive Directors having taken into account of the advice of Maxa Capital) consider that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from Maxa Capital, additional information set out in the appendices to this circular and the notice of the EGM.

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



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)

8 September 2021

To the Shareholders

Dear Sir or Madam,

**POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL
IN RELATION TO THE PROPOSED SPIN-OFF
AND SEPARATE LISTING OF THE SPIN-OFF CO**

We refer to the circular of the Company dated 8 September 2021 (the “Circular”) of which this letter forms part. Capitalised terms used herein have the same meanings as defined in the Circular unless otherwise specified.

We have been appointed as members of the Independent Board Committee to advise the Shareholders as to whether the Proposed Spin-off is fair and reasonable and in the interests of the Company and its Shareholders as a whole and as to the voting action that should be taken.

We wish to draw your attention to the letter from the Board and the letter of advice from Maxa Capital, the independent financial adviser appointed to advise you and us in respect of the Proposed Spin-off, as set out in the Circular.

Having taken into account the advice given by Maxa Capital (together with the principal factors and reasons considered in arriving at such advice), we are of the opinion that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Dr. Yu Sun Say
*Independent Non-executive
Director*

**Mr. Cheung Wah Fung,
Christopher**
*Independent Non-executive
Director*

**Mr. Ting Leung Huel,
Stephen**
*Independent Non-executive
Director*

LETTER FROM MAXA CAPITAL

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Shareholders setting out its advice in respect of the terms of the Proposed Spin-off, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

8 September 2021

To: The Independent Board Committee and the Shareholders

Dear Sir or Madam,

POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE SPIN-OFF CO

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 8 September 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Subject to fulfilment of the conditions set out in the section headed “Conditions of the Proposed Spin-off” in the Letter from the Board, it is proposed that the Spin-off Co will apply for a separate listing of its A-shares on the PRC Stock Exchange and will be spun-off from the Group. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed A-Share Listing will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing. The actual number of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to regulatory approvals by the PRC Stock Exchange and the CSRC, discussions among the management of the Spin-off Co, the PRC Sponsor and other advisers for the Proposed A-Share Listing and in particular, subject to market conditions. In any event, the Group is expected to hold not less than 67.5% of the enlarged issued share capital of the Spin-off Co following completion of the Proposed A-Share Listing, and the Spin-off Co will remain as a subsidiary of the Company.

LETTER FROM MAXA CAPITAL

As at the Latest Practicable Date, the Group indirectly holds a 90% equity interest in the Spin-off Co. It is intended that the number of new A-shares to be issued under the Proposed Spin-off will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the public offer and/or placing, following which the ownership of the Company in the Spin-off Co will be diluted to not less than 67.5%. Accordingly, the Proposed A-Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the Spin-off Co under Rule 14.29 of the Listing Rules. Based on the upper end of the currently expected offer size of approximately RMB770 million under the Proposed Spin-off, the highest applicable percentage ratio under Rule 14.06 of the Listing Rules in respect of the Proposed Spin-off is expected to exceed 25% but be less than 75%. Accordingly, the Proposed Spin-off, if proceeded, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under PN15 and Chapter 14 of the Listing Rules.

The Company submitted an application in relation to the Proposed Spin-off pursuant to PN15 to the Stock Exchange for approval and the Stock Exchange confirmed on 13 September 2019 that the Company may proceed with the Proposed Spin-off. However, due to the rapid change of market condition as a result of the outbreak of COVID-19 in early 2020, the Spin-off Co postponed the submission of the listing application for the Proposed A-Share Listing which was initially scheduled in the first half of 2020. As the market condition has improved recently, the Company has decided to resume the Proposed Spin-off and the listing application for the Proposed A-Share Listing is planned to be submitted in October 2021. Accordingly, the Company has submitted an updated proposal in relation to the Proposed Spin-off pursuant to PN15 to the Stock Exchange for approval. There is no material change in the structure of the Proposed Spin-off and the businesses of both the Remaining Group and the Spin-off Group under the updated proposal of the Proposed Spin-off as compared to the previous proposal. The Stock Exchange has confirmed on 3 September 2021 that the Company may proceed with the Proposed Spin-off. The Stock Exchange has also granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlements under the Proposed Spin-off as required by paragraph 3(f) of PN15. Further details regarding the background to the waiver are set out in the section headed "The Waiver" in the Letter from the Board.

LETTER FROM MAXA CAPITAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Proposed Spin-off. As at the Latest Practicable Date, none of the Shareholders and their respective associates has any material interest in the Proposed Spin-off and therefore, no Shareholder will be required to abstain from voting on the resolution in respect of the Proposed Spin-off at the EGM. The Company is required to establish an independent board committee and appoint an independent financial adviser to advise the Shareholders as to (i) whether the terms of the Proposed Spin-off are fair and reasonable; (ii) whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole; and (iii) on how to vote. The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Yu Sun Say, Mr. Cheung Wah Fung, Christopher and Mr. Ting Leung Huel, Stephen, has been established to advise the Shareholders in respect of the Proposed Spin-off. We, Maxa Capital Limited, have been appointed to advise the Independent Board Committee and the Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, are qualified to give independent advice to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off. In the past two years, except for the independent financial adviser engagement by Tongda Hong Tai Holdings Limited, which was an associate of the controlling shareholder of the Company, in relation to certain terms of an open offer in October 2020, there have been no other engagements between the Company and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

LETTER FROM MAXA CAPITAL

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have also reviewed, inter alia, the statements, the information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. With the information provided, we have also discussed and reviewed the information provided to us by the Company, the Directors and the Management regarding the business and outlook of the Group. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers, the Directors and the Management. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. Background and financial information of the Group

The Group is a one-stop solution provider for high-precision structures for handset communications and consumer electronic products involving product design, technological research and development, and manufacturing solutions. The Group is principally engaged in (i) the production of handset casings, tri-proof (waterproof, dustproof and shockproof) high-precision components, high-precision insert molding parts and high-precision rubber molding parts; (ii) the production of control panels, casings and metal accessories for high-end electrical appliances for Chinese and international brands; (iii) the production of set-top boxes and routers as well as automobile interior decorations; and (iv) the production of durable household goods, household utensils, sport goods and healthcare goods for European and American mega-sized brands.

Set out below is the summarised financial information of the Group for the three years ended 31 December 2018, 2019 and 2020 (“FY2018”, “FY2019” and “FY2020”, respectively), as extracted from the annual reports of the Company for the two years ended 31 December 2019 (the “2019 AR”) and 31 December 2020 (the “2020 AR”):

LETTER FROM MAXA CAPITAL

	For the year ended 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Total revenue	8,899,306	9,185,866	9,758,811
– Handset casings and high-precision components	6,621,420	7,119,904	7,558,011
– Smart electrical appliances casings	848,498	627,254	688,220
– Network communications facilities and others	739,136	790,533	704,383
– Household and sports goods	606,811	648,175	808,197
– Notebook computers ^(Note)	83,441	–	–
Profit before tax	675,774	484,835	429,654
Profit attributable to owners of the Company	542,821	401,521	351,340

Note: The notebook computers segment produces notebook and table casings made of precision metal and plastics. The Group has spun off its notebook computers business, which was listed on the Main Board of the Stock Exchange on 16 March 2018 and has not been involved in the notebook computers business since then.

LETTER FROM MAXA CAPITAL

As disclosed in the 2019 AR, the total revenue of the Group was approximately HK\$9,185.9 million for FY2019, representing an increase of approximately HK\$286.6 million or 3.2% as compared to approximately HK\$8,899.3 million for FY2018. Such increase was mainly attributable to the increase in revenue derived from the handset casings and high-precision components segment by approximately HK\$498.5 million, resulting from the significant increase in the Group's shipping volume for its new handset casings product, namely, Glass-like plastic ("Glastic") casing, of which the Glastic casing has been rapidly adopted by various models of major smartphone brands ranging from low to high price brands during FY2019; and was partially offset by the decrease in revenue derived from the smart electrical appliances casings segment by HK\$221.2 million as the Group restructured its resources and concentrated on production capacity of products with relatively high gross profits and reduced the order of low gross profits products with lengthy turnover period of capital. The profit attributable to owners of the Company was approximately HK\$401.5 million for FY2019, representing a decrease of approximately HK\$141.3 million or 26.0% as compared to approximately HK\$542.8 million for FY2018. Such decrease was mainly attributable to (i) the decrease in gross profit from approximately HK\$1,793.9 million for FY2018 to approximately HK\$1,676.9 million due to the decrease in unit sale price of the tri-proof and high-precision components; and (ii) the increase in general and administrative expenses by approximately HK\$71.0 million or 8.1% for FY2019 due to the increase in staff costs caused by the employee compensation paid for the relocation of the Group's Shenzhen factory, additional staff recruited assisting in the spin-off of the household and sports goods segment and separate listing on the ChiNext Board of the Shenzhen Stock Exchange, and salary adjustment.

LETTER FROM MAXA CAPITAL

As disclosed in the 2020 AR, the total revenue of the Group was approximately HK\$9,758.8 million for FY2020, representing an increase of approximately HK\$572.9 million or 6.2% as compared to approximately HK\$9,185.9 million for FY2019. Such increase was mainly attributable to the increase in revenue derived from the handset casings and high-precision components segment by approximately HK\$438.1 million for FY2020, resulting from (i) the great demand of various new smartphone models by a major customer in the second half of 2020; (ii) the growth in market share of Glastic casings and increase in its shipment volume; and (iii) the increase in the proportion of its shipment of new products, such as 3D and uni-body Glastic casings benefited from the acceleration of the products upgrade by the Group's major customers during FY2020. The Group recorded profit attributable to owners of the Company of approximately HK\$351.3 million for FY2020, representing a decrease of approximately HK\$50.2 million or 12.5% as compared to approximately HK\$401.5 million for FY2019. Such decrease was mainly attributable to the increase in the general and administrative expenses of approximately HK\$103.9 million for FY2020 mainly due to the continuous investment in research and development projects and business development of the Group; and was partially offset by the increase in the Group's gross profit by approximately HK\$33.4 million for FY2020 as a result of the increase in the Group's total revenue for FY2020 as mentioned above.

	As at 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Non-current assets	5,921,845	6,109,351	6,642,165
Current assets	7,720,294	7,464,029	7,657,720
Total assets	13,642,139	13,573,380	14,299,885
Non-current liabilities	1,817,427	1,246,666	1,422,138
Current liabilities	5,887,555	6,344,336	6,211,695
Total liabilities	7,704,982	7,591,002	7,633,833
Net current assets	1,832,739	1,119,693	1,446,025
Net assets	5,937,157	5,982,378	6,666,052

LETTER FROM MAXA CAPITAL

The Group had total assets of approximately HK\$13,573.4 million as at 31 December 2019, which mainly comprised of property, plant and equipment of approximately HK\$5,088.8 million, trade and bills receivables of approximately HK\$2,946.2 million, inventories of approximately HK\$2,244.9 million and cash and cash equivalents and pledged deposits of approximately HK\$1,487.5 million. The Group had total liabilities of approximately HK\$7,591.0 million as at 31 December 2019, which mainly comprised of trade and bills payables of approximately HK\$2,948.4 million and interest-bearing bank and other borrowings of approximately HK\$3,750.1 million. The decrease in the total assets by approximately HK\$68.7 million to approximately HK\$13,573.4 million as at 31 December 2019 as compared to 31 December 2018 was mainly due to the increase in property, plant and equipment of approximately HK\$239.1 million and the increase in cash and cash equivalents and pledged deposits of approximately HK\$211.5 million; and was partially offset by the decrease in trade and bills receivables of approximately HK\$168.6 million and the decrease in inventories of approximately HK\$284.1 million. The decrease in the total liabilities by approximately HK\$114.0 million to approximately HK\$7,591.0 million as at 31 December 2019 as compared to 31 December 2018 was mainly due to the increase in trade and bills payables of approximately HK\$322.7 million; and was partially offset by the decrease in interest-bearing bank and other borrowings of approximately HK\$401.7 million.

The Group had total assets of approximately HK\$14,299.9 million as at 31 December 2020, which mainly comprised of property, plant and equipment of approximately HK\$5,824.4 million, trade and bills receivables of approximately HK\$2,992.8 million, inventories of approximately HK\$2,204.3 million and cash and cash equivalents and pledged deposits of approximately HK\$1,757.4 million. The Group had total liabilities of approximately HK\$7,633.8 million as at 31 December 2020, which mainly comprised of trade and bills payables of approximately HK\$3,207.4 million and interest-bearing bank and other borrowings of approximately HK\$3,527.3 million. The increase in the total assets by approximately HK\$726.5 million to approximately HK\$14,299.9 million as at 31 December 2020 as compared to 31 December 2019 was mainly due to the increase in property, plant and equipment of approximately HK\$735.6 million. The increase in the total liabilities by approximately HK\$42.8 million to approximately HK\$7,633.8 million as at 31 December 2020 as compared to 31 December 2019 was mainly due to the increase in trade and bills payables of approximately HK\$258.9 million; and was partially offset by the decrease in interest-bearing bank and other borrowings of approximately HK\$222.9 million.

LETTER FROM MAXA CAPITAL

The Group's current ratios remained fairly stable at approximately 1.3, 1.2 and 1.2 as at each of 31 December 2018, 2019 and 2020. The Group's gearing ratios (calculated as net debts divided by total equity) were approximately 48.4%, 37.8% and 26.6% as at each of 31 December 2018, 2019 and 2020, respectively. The decrease in the Group's gearing ratios was mainly due to the cash inflow generated from the Group's operating activities and repayment of bank loans during FY2019 and FY2020.

After completion of the Proposed Spin-off, the Remaining Group will be principally engaged in (i) the production of handset casings, tri-proof high-precision components, high-precision insert molding parts and high-precision rubber molding parts; (ii) the production of control panels, casings and metal accessories for high-end electrical appliances for Chinese and international brands for products including smart home appliances such as air-conditioners, washing machines and refrigerators; and (iii) the production of set-top boxes and routers as well as automobile interior decorations. As advised by the Management, the Remaining Group will continue focusing on the handset and high-precision components businesses as before. The Glastic casing with high price-performance ratio can satisfy current customer needs, and the shipment contribution from the Remaining Group's high-end Glastic casings including 3-dimensional and uni-body Glastic casings is expected to increase. On the other hand, the Remaining Group is currently conducting R&D for various new products with a major customer of tri-proof and high-precision components. For further details, please refer to the section headed "5. Financial and trading prospects of the Group" in Appendix I contained in the Circular. The Directors believe that the Remaining Group will retain a sufficient level of operations and sufficient assets for the Company to maintain its listing status after completion of the Proposed Spin-off.

2. Background and financial information of the Spin-off Group

The Spin-off Co is a company established in February 2016 in the PRC with limited liability for the purpose of taking up the Spin-off Business from another subsidiary of the Company to achieve better delineation between the Remaining Businesses and the Spin-off Business. As at the Latest Practicable Date, the Spin-off Co is owned as to 47.5% by Tongda Modern Home, 42.5% by Tongda Technology and 10% by the Senior Management, respectively. Please refer to the section headed "5.1 Structure of the Proposed Spin-off" below for details.

LETTER FROM MAXA CAPITAL

As at Latest Practicable Date, the Spin-off Co had two wholly-owned subsidiaries, namely STX and Tongda Shishi. STX was established in the PRC in June 2019 to commence a new household product line, while Tongda Shishi was established in March 2021 in the PRC for the purpose of acquiring a land parcel for construction of a new production plant for the manufacture of household products. The land acquisition was completed in April 2021 and the construction of the production plant has commenced in August 2021 and is expected to be completed in the second half of 2023. The construction of the said production plant will be funded by internal resources and proceeds from the Proposed A-Share Listing.

Set out below is the summarised financial information of the Spin-off Group for FY2018, FY2019 and FY2020, as extracted from the unaudited combined financial information of the Spin-off Group:

	For the year ended 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Total revenue	606,811	648,175	808,197
Profit before tax	103,816	68,373	105,555
Profit attributable to owners of the Spin-off Co	95,004	60,425	93,923
	As at 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Non-current assets	226,287	319,831	368,523
Current assets	282,958	384,231	496,588
Total assets	509,245	704,062	865,111
Total liabilities	193,580	218,888	266,847
Net current assets	89,378	165,343	229,741
Net assets	315,665	485,174	598,264

LETTER FROM MAXA CAPITAL

The total revenue of the Spin-off Group was approximately HK\$648.2 million for FY2019, representing an increase of approximately HK\$41.4 million or 6.8% as compared to approximately HK\$606.8 million for FY2018. The increase in revenue was mainly attributable to the increase in sale of sports goods resulting from (i) the Spin-off Group's ability in sustaining a long-standing business relationship with an international sporting goods retailer and increase in development of new products for such customer; and (ii) increase in sale of drinkware to an outdoor lifestyle products retailer. Such increase in sales was partially offset by the decrease in sale of household goods during FY2019 mainly due to the decrease in sale of household tools to the U.S. market as a result of the change of product mix by its customer and pressure from the trade conflict between China and the U.S.. The profit attributable to owners of the Spin-off Co for FY2019 was approximately HK\$60.4 million, representing a decrease of approximately HK\$34.6 million or 36.4% as compared to approximately HK\$95.0 million for FY2018. Such decrease was mainly attributable to the combined effects of (i) the increase in freight charges resulting from the increase in shipment volume; (ii) the increase in research and development costs and salary adjustment; and (iii) the decrease in government grant obtained during FY2019 as compared to FY2018.

The total revenue of the Spin-off Group was approximately HK\$808.2 million for FY2020, representing an increase of approximately HK\$160.0 million or 24.7% as compared to approximately HK\$648.2 million for FY2019. Such increase was mainly attributable to the fact that the Spin-off Group has been benefitted from the continuing business growth of certain major customers in its China, European and American markets and thus more sales orders have been placed to the Spin-off Group during the outbreak and worldwide spreading of COVID-19. The profit attributable to the owners of the Spin-off Co was approximately HK\$93.9 million for FY2020, representing an increase of approximately HK\$33.5 million or 55.5% as compared to approximately HK\$60.4 million for FY2019. Such increase was mainly attributable to the increase in gross profit along with the increase in revenue as compared to FY2019 due to more cost effective under higher shipment volume during FY2020.

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The Spin-off Group had total assets of approximately HK\$704.1 million as at 31 December 2019, which mainly comprised of property, plant and equipment of approximately HK\$282.7 million, trade receivables of approximately HK\$140.7 million, inventories of approximately HK\$91.1 million and cash and cash equivalents and pledged deposits of approximately HK\$112.0 million. The Spin-off Group had total liabilities of approximately HK\$218.9 million as at 31 December 2019, which mainly comprised of trade and bills payables of approximately HK\$173.6 million. The increase in the total assets by approximately HK\$194.8 million to approximately HK\$704.1 million as at 31 December 2019 as compared to 31 December 2018 was mainly due to the increase in property, plant and equipment of approximately HK\$73.4 million, the increase in trade receivables of approximately HK\$74.2 million and the increase in cash and cash equivalents and pledged deposits of approximately HK\$37.1 million. The increase in the total liabilities by approximately HK\$25.3 million to approximately HK\$218.9 million as at 31 December 2019 as compared to 31 December 2018 was mainly due to the increase in trade and bills payables of approximately HK\$22.6 million.

The Spin-off Group had total assets of approximately HK\$865.1 million as at 31 December 2020, which mainly comprised of property, plant and equipment of approximately HK\$336.5 million, trade receivables of approximately HK\$225.6 million, inventories of approximately HK\$101.7 million and cash and cash equivalents and pledged deposits of approximately HK\$136.9 million. The Spin-off Group had total liabilities of approximately HK\$266.8 million as at 31 December 2020, which mainly comprised of trade and bills payables of approximately HK\$203.4 million and accrued liabilities and other payables of approximately HK\$63.1 million. The increase in the total assets by approximately HK\$161.0 million to approximately HK\$865.1 million as at 31 December 2020 as compared to 31 December 2019 was mainly due to the increase in property, plant and equipment of approximately HK\$53.7 million and the increase in trade receivables of approximately HK\$84.9 million. The increase in the total liabilities by approximately HK\$48.0 million to approximately HK\$266.8 million as at 31 December 2020 as compared to 31 December 2019 was mainly due to the increase in trade and bills payables of approximately HK\$29.8 million.

The Spin-off Group's current ratios as at each of 31 December 2018, 2019 and 2020 were approximately 1.5, 1.8 and 1.9, respectively. The increase in the current ratio as at 31 December 2019 was mainly due to the increase in trade receivables of approximately HK\$74.2 million and increase in cash and cash equivalents and pledged deposits of approximately HK\$37.1 million.

3. Reasons for and benefits of the Proposed Spin-off

Reasons considered by the Board for the Proposed Spin-off are set out in the Letter from the Board and are summarised below:

(i) Alternative valuation for the business

The Spin-off Business has grown to a sufficient size to warrant a separate listing. The Proposed Spin-off substantively separates the Spin-off Business from the Remaining Businesses, thereby enabling investors and financiers to appraise the strategies, functional exposure, risks and returns of the respective businesses separately and to make their investment decisions accordingly. The Remaining Group and the Spin-off Group can be valued on a standalone basis to reflect the true market value of the respective businesses so as to create better return of value to the Shareholders and the Spin-off Co.

(ii) Adoption of different business strategies

The management teams of the Remaining Group and the Spin-off Group may adopt different business strategies and models which they determine to be better suited to their respective businesses, and which, due to the different features of their respective products, may not always be aligned. On the other hand, the Proposed Spin-off will increase the operational and financial transparency of the Remaining Group and the Spin-off Group and to provide investors and the market with greater clarity on the businesses and financial status of the respective groups and therefore better identifying and establishing their investment decisions.

(iii) New sources of fund raising opportunity

The Proposed Spin-off will enable the Remaining Group and the Spin-off Group to have their own fund-raising platforms to directly and independently access both the debt and equity capital markets, which in turn may provide greater aggregate financing capacity to both the Remaining Group and the Spin-off Group to deploy their funds towards their respective developments, operations and investment opportunities, as there will be greater clarity on the respective financial status of each of the Remaining Group and the Spin-off Group. In addition, the cash proceeds to be received from the public offering and/ or placing of A-shares of the Spin-off Co will provide capital to the Spin-off Group for its operations and expansion plan.

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(iv) Segregation of different business

The Proposed Spin-off and a separate listing of the shares of the Spin-off Co will not only enhance the Spin-off Group's profile amongst its customers, suppliers and other business partners, but will also improve the Spin off Group's ability to recruit, motivate and retain key management personnel by enhanced management incentives through adoption of equity-based incentive program such as share option scheme.

(v) No loss in control of Spin off Group

As the Spin-off Co is expected to remain as a subsidiary of the Company upon completion of the Proposed Spin-off, the Company will continue to benefit from any potential upside in the Spin off Business through consolidation of the Spin-off Group's accounts and receipt of dividend distributions (if any).

Having considered the above, we concur with the Directors' view that (i) the Proposed Spin-off will allow both the Remaining Group and the Spin-off Group to release business value and ultimately benefit the Shareholders; and (ii) the Shareholders and the Group would continue to enjoy the benefits arising from the future business development and potential growth of the Spin-off Group.

4. Conditions of the Proposed Spin-off

As set out in the section headed "Conditions of the Proposed Spin-off" in the Letter from the Board, based on the information currently available to the Board, the Proposed Spin-off will be conditional upon, among other things, the fulfillment of the following conditions:

- (i) the approval by the CSRC, the PRC Stock Exchange and other authorities in relation to the Proposed A-Share Listing;
- (ii) the approval by the Shareholders in relation to the Proposed Spin-off at the EGM; and

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- (iii) the approval by any other applicable PRC regulatory authorities for the listing of and permission to deal in the A-shares to be issued by the Spin-off Co.

If any of the above conditions is not fulfilled, the Proposed Spin-off will not be proceeded and the Company will make an announcement accordingly.

Shareholders and potential investors should be aware that there is no assurance that the Proposed Spin-off will take place, and, if so, when it will take place. Shareholders and potential investors should exercise caution when dealing in or investing in the securities of the Company.

5. Principal structure of the Proposed Spin-off

5.1 Structure of the Proposed Spin-off

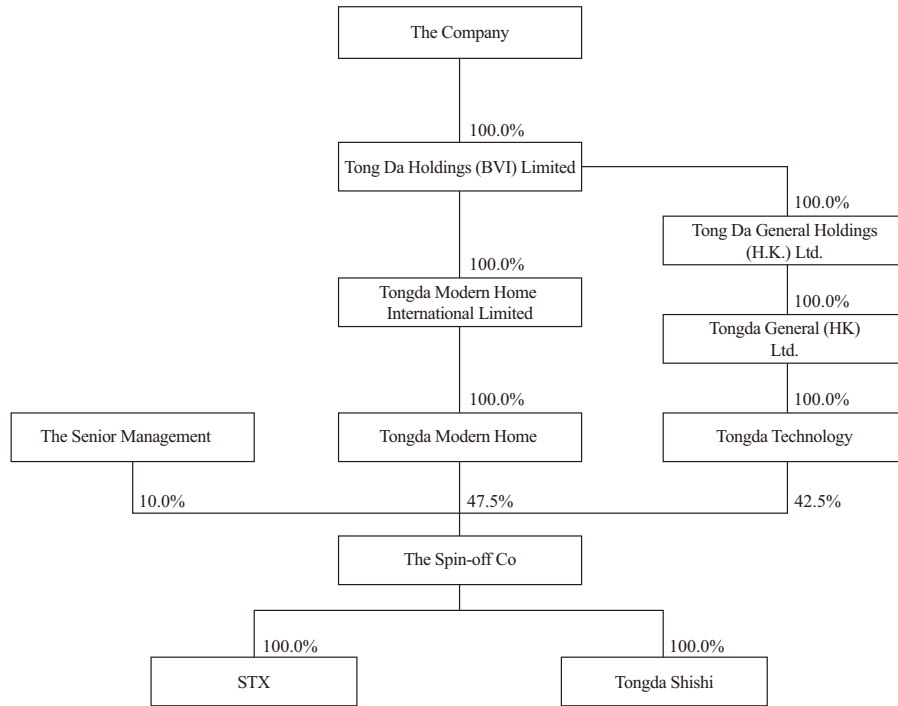
As set out in the Letter from the Board, it is intended that the number of new A-shares to be issued under the Proposed A-Share Listing will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing. The actual number of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to regulatory approvals by the PRC Stock Exchange and the CSRC, discussions among the management of the Spin-off Co, the PRC Sponsor and other advisers for the Proposed A-Share Listing and in particular, subject to market conditions. In any event, the Group is expected to hold not less than 67.5% of the enlarged issued share capital of the Spin-off Co following completion of the Proposed Spin-off, and the Spin-off Co will remain as a subsidiary of the Company.

Based on the current timetable, it is expected that the listing application of the Spin-off Co will be made in October 2021 and the listing of the A-shares of the Spin-off Co on the PRC Stock Exchange, if approved and proceeded with, will be around the second half of 2022.

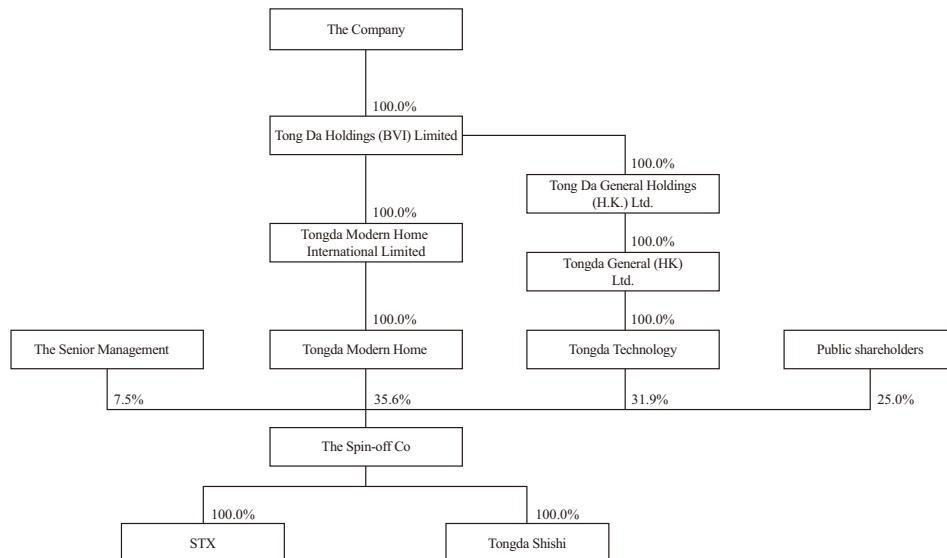
According to the section headed "Effect of the Proposed Spin-off on the shareholding structure of the Spin-off Co" in the Letter from the Board, set out below is the shareholding structure of the Spin-off Co (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Proposed Spin-off assuming that the number of new A-shares of the Spin-off Co to be issued as a result of the Proposed Spin-off represents 25.0% of the enlarged issued share capital of the Spin-off Co:

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(i) As at the Latest Practicable Date:



(ii) Immediately upon completion of the Proposed Spin-off assuming that the number of new A-shares of the Spin-off Co to be issued under the Proposed A-Share Listing represents 25.0% of the enlarged issued share capital of the Spin-off Co:



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It is expected that immediately following completion of the Proposed Spin-off, the shareholding percentage of the Company in the Spin-off Co will be diluted from 90.0% as at the Latest Practicable Date to not less than 67.5%. Further details are discussed in the paragraph headed “Dilution of interest in the Spin-off Group” under the section headed “6. Financial effects of the Proposed Spin-off on the Group” below.

5.2 *Illustrative proceed to be raised*

On the assumption that the proposed offering size represents 25% of the enlarged issued share capital of the Spin-off Co, it is currently expected that the gross proceeds to be raised under the Proposed A-Share Listing will be within the range from approximately RMB660 million to approximately RMB770 million. It should be noted that the actual amount of proceeds to be raised cannot be determined at this stage as the actual number and final offer price of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to a number of factors.

According to the Letter from the Board, based on the discussions between the management of the Spin-off Co and the PRC Sponsor, the number and final offer price of new A-shares to be issued under the Proposed A-Share Listing will be determined taking into account (i) the historical operating results and financial performance of the Spin-off Group; (ii) the business prospects and the expected performance of the Spin-off Group for the year ending 31 December 2021; (iii) the capital needs of the Spin-off Group and proposed use of proceeds; (iv) the then responses to price consultation with potential subscribers in the book-building process for the Proposed A-Share Listing; (v) the prevailing market sentiment at the time of the Proposed A-Share Listing; and (vi) the reference to be drawn from other comparable companies in the same industry listed in the PRC. Investors should be aware that the above-mentioned amount of gross proceeds is for illustrative purpose only and the above assumptions may be different at the time of the Proposed A-Share Listing, therefore, the actual amount of gross proceeds raised may be different from the illustrative gross proceeds raised.

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5.3 *Intended use of proceeds*

As stated in the Letter from the Board, it is expected that the proceeds from the Proposed A-Share Listing will be applied for the development of the Spin-off Business as to (i) approximately RMB264.0 million (equivalent to approximately HK\$316.8 million) for the construction of a new production plant equipped with advanced production equipment and information system in Shishi, Fujian Province, the PRC which has commenced in August 2021 and is expected to complete in the second half of 2023; (ii) approximately RMB280.0 million (equivalent to approximately HK\$336.0 million) for the expansion of the existing production plant in Xiamen, Fujian Province, the PRC which has commenced in December 2020 and is expected to complete in the first half of 2023; (iii) approximately RMB67.0 million (equivalent to approximately HK\$80.4 million) for upgrading the existing research and automation centre, which includes the renovation, upgrade of hardware and software and expenditure for research projects, during the years from 2022 to 2024; and (iv) the remaining RMB85.0 million (equivalent to approximately HK\$102.0 million) as general working capital of the Spin-off Group. The above timeline is based on current estimation by the management of the Spin-off Group and will be subject to change depending on the actual construction/upgrade progress.

Shareholders are reminded that there is no assurance that the Proposed Spin-off and the Proposed A-Share Listing will proceed in a timely manner or proceed at all. If the Proposed Spin-off is postponed, terminated or lapsed, the Spin-off Group might use its best endeavors to finance the aforesaid projects with its own funds or funds to be raised by other financing method(s) or delay the implementation of the projects.

5.4 *Comparable Companies*

In assessing the valuation of the deemed disposal as a result of the Proposed Spin-off, we have performed an analysis based on comparable companies of the Spin-off Group with details set out below.

As mentioned in the section headed “2. Background and financial information of the Spin-off Group” above, the Spin-off Group will be principally engaged in the production of durable household goods, household utensils, sports goods and healthcare goods on behalf of European and American mega-sized brands.

Based on (i) the estimated market capitalisation with reference to the expected gross proceeds of approximately RMB660 million to RMB770 million (equivalent to approximately HK\$792 million to HK\$924 million) from the issuance of A shares on the PRC Stock Exchange by way of public offer and/or placing (assuming 25% of the enlarged issued share capital of the Spin-off Co will be offered under the Proposed A-Share Listing); and (ii) the profit (after tax and extraordinary items) attributable to the equity owner of the Spin-off Co for the year ended 31 December 2020 of approximately HK\$93.9 million, the implied price-to-earnings (“P/E”) ratio of the Spin-off Group is approximately 33.7 times to 39.4 times.

In order to provide the Shareholders with a general reference regarding the valuation of companies engaging in a business similar to that of the Spin-off Group, we have conducted a search on Wind on a best effort basis for companies (i) listed on the Shenzhen Stock Exchange or Shanghai Stock Exchange with similar industry as the Spin-off Group; and (ii) with over 50% of its total revenue generated from the manufacture of sports equipment or household goods for the latest financial year based on information available on Wind (the “**Comparable Companies**”).

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The following table sets out the P/E ratio of the Comparable Companies for reference purpose:

Stock code	Company name	Principal activities <i>(Note 1)</i>	P/E ratio (Times) <i>(Note 2)</i>
603992.SH	Xiamen Solex High-Tech Industries Co., Ltd	Manufacture of shower accessories and plastic kitchenware products	27.2
603408.SH	Runner (Xiamen) Corp.	Manufacture of plastic kitchenware products and other household goods	15.8
603615.SH	Chahua Modern Housewares Co., Ltd.	Manufacture of plastic household goods	82.6
002899.SZ	Impulse (Qingdao) Health Tech Co., Ltd.	Manufacture of sports equipment	45.7
605299.SH	Shuhua Sports Co., Ltd.	Manufacture and sales of sports equipment	68.6
300651.SZ	Jiangsu Jinling Sports Equipment Co., Ltd.	Manufacture of sports equipment and sports facilities	134.0
Maximum <i>(Note 3)</i>			82.6
Minimum			15.8
Average <i>(Note 3)</i>			48.0
The Company <i>(Note 4)</i>			9.0
The Spin-off Group			33.7 to 39.4

Source: Wind

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Notes:

1. The principal activities of the Comparable Companies are sourced from Wind.
2. P/E ratio of the Comparable Companies are extracted from Wind as at the Latest Practicable Date.
3. The P/E ratio of Jingsu Jingling Sports Equipment Co., Ltd. is excluded from the P/E ratio analysis as it appears to be an extreme outlier compared to other comparable companies as its P/E ratio exceeds 100 times, which in turn provide an abnormal maximum value and average value for comparison, thus does not provide a meaningful analysis.
4. P/E ratio of the Company is calculated based on (i) the market capitalisation of the Company of approximately HK\$3,158.8 million which is calculated based on (i) the closing price of the Company as quoted on the Stock Exchange and 6,479,505,097 Shares issued as at the Latest Practicable Date; (ii) 3,239,752,548 of new shares to be issued pursuant to the Rights Issue announced by the Company on 19 July 2021; and (iii) the profit attributable to the owner of the Company of approximately HK\$351.3 million for the year ended 31 December 2020.

As set out in the table above, we have identified six Comparable Companies based on our selection criteria as mentioned above (we consider that Jingsu Jingling Sports Equipment Co., Ltd. is an extreme outlier compared to other comparable companies as its P/E ratio exceeds 100 times and therefore is excluded from the P/E ratio analysis), which, in our view, is a reference for Shareholders regarding the valuation of companies listed on the PRC stock exchanges engaging in similar line of business as the Spin-off Group. The estimated implied P/E ratio of the Spin-off Co upon the Proposed Spin-off is within the range of those of the Comparable Companies, while the P/E ratio of the Company is lower than those of the Comparable Companies and the Spin-off Co.

Given that (i) the estimated implied P/E ratio of the Spin-off Co upon the Proposed Spin-off is within the range of those of the Comparable Companies and compares more favourably to the P/E ratio of the Company; and (ii) the benefits to be brought to the Group as a result of the Proposed Spin-off, details of which are set out in the section headed "3. Reasons for and benefits of the Proposed Spin-off" the above, we consider that the Proposed Spin-off would unlock the value of the Spin-off Co and create a higher market value in the PRC stock exchange, which will be in the interests of the Company and its Shareholders as a whole.

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Shareholders should note that the calculation of the implied P/E ratio of the Spin-off Co and the comparison above is for illustrative purposes only. The actual amount of gross proceeds to be raised from the Proposed A-Share Listing and the actual P/E ratio of the Spin-off Co will be subject to the market conditions in the PRC at the time of the Proposed A-Share Listing, and the financial performance of the Spin-off Group before its listing.

6. Financial effects of the Proposed Spin-off on the Group

Set out below are the possible effects of the Proposed Spin-off on the Group and the analysis of the financial effects of the Proposed Spin-off as illustrated below, which is based on the current structure of the Proposed Spin-off, assuming that the Spin-off Co will issue A shares representing approximately 25% of the enlarged issued share capital of the Spin-off Co by way of public offer and/or placing to public investors in the market.

(i) Effect on net asset value

The Spin-off Group will continue to be accounted for as a subsidiary of the Company upon completion of the Proposed Spin-off and the financial results of the Spin-off Group will continue to be consolidated into the accounts of the Group. The net proceeds from the Proposed A-Share Listing will increase the cash recorded in the consolidated balance sheet of the Group and the total assets will increase accordingly. Apart from certain professional fees in relation to the Proposed Spin-off and the Proposed A-Share Listing, it is expected that there would be no other material expenses or significant increase in liabilities of the Group as a result of the Proposed Spin-off. Therefore, the net asset value of the Group would have been enhanced as a result of the Proposed Spin-off and the Proposed A-Share Listing.

The estimated change in the Group's net assets as mentioned above is based on, among others, the current terms of the Proposed Spin-off and the Proposed A-Share Listing. Accordingly, the actual change in the Group's net assets, which will be calculated based on the final structure of the Proposed Spin-off and the Proposed A-Share Listing, and the financial position of the Spin-off Group immediately upon the completion of the Proposed Spin-off, may be different from the above estimation.

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(ii) Effect on earnings

The effect of the Proposed Spin-off on the future earnings of the Group will depend on, among others, the return generated from the proceeds raised from the Proposed A-Share Listing as well as the future business operations of the Spin-off Group. For details of the benefits to be brought about by the Proposed Spin-off, please refer to the section headed “3. Reasons for and benefits of the Proposed Spin-off” above. The Proposed Spin-off will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the Spin-off Co. It is expected that there would be no gain or loss on the deemed disposal credited to the Company’s consolidated income statement as gain or loss upon the completion of the Proposed Spin-off in accordance with Hong Kong Financial Reporting Standards 10. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received will be recorded in equity attributable to the owners of the Company.

Following completion of the Proposed Spin-off, the proportion of the Group’s profit attributable to owners of the Company contributed by the Spin-off Co is expected to be reduced as the Company’s interest in the Spin-off Group will be reduced. Consequently, profit attributable to the non-controlling interests of the Company is expected to increase.

(iii) Effect on working capital and gearing of the Group

In view of the significant cash proceeds from the Proposed A-Share Listing to be received by the Spin-off Group, which will remain as a subsidiary of the Company, it is expected that the working capital position of the Group would improve as a result of the Proposed Spin-off.

As stated in the 2020 AR, the gearing ratio (calculated as net debts divided by total equity) of the Group was approximately 26.6% as at 31 December 2020. On the above basis and taking into account the expected net proceeds from the Proposed A-Share Listing, the Group’s gearing ratio is expected to decrease upon the completion of the Proposed Spin-off.

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(iv) Dilution of interest in the Spin-off Group

Under the Proposed Spin-off and the Proposed A-Share Listing, it is intended that the new A-shares to be issued will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the public offer and/or placing, following which the ownership of the Company in the Spin-off Co will be diluted from 90% as at the Latest Practicable Date to not less than 67.5%.

In our opinion, such dilution, albeit not immaterial, is acceptable to the Shareholders taking into consideration the benefits to be derived from the Proposed Spin-off as discussed in the sub-sections above and the section headed "3. Reasons for and benefits of the Proposed Spin-off" above.

7. Waiver in respect of assured entitlement

In accordance with the requirements of paragraph 3(f) of PN15, the Company is required to give due regard to the interests of the existing Shareholders by providing them with an assured entitlement to the A-shares of the Spin-off Co, if the Proposed Spin-off proceeds. However, the Board considers that it is not practicable to provide assured entitlement of the A-shares of the Spin-off Co as further explained below and that the requirement of paragraph 3(f) of PN15 of the Listing Rules cannot be met.

In determining the venue for the proposed listing of the Spin-off Co, the Board has made due and careful consideration, taking into account, among other things, the nature of the Spin-off Business, the jurisdiction in which the Spin-off Co was established and had been operating its business, and the characteristics of different capital markets, and concluded that it is more suitable for seeking a listing of the Spin-off Co on the A-share market in the PRC.

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Based on the legal advice from the Company's PRC legal counsel, according to applicable PRC laws, only certain qualified foreign investors are allowed to subscribe for or participate in the offering of A-shares, which include, among others, (a) qualified foreign institutional investors; (b) foreign strategic investors approved by Ministry of Commerce of the PRC; (c) individuals with permanent residence in the PRC; and (d) residents of Hong Kong, Macao Special Administrative Region or Taiwan who live and work in the PRC. Based on the shareholders register of the Company as at the Latest Practicable Date, most of the registered Shareholders are individuals with addresses in Hong Kong. The Board believes most of these Shareholders are not PRC residents. In light of the above, the Board considers it impracticable to provide the Shareholders with assured entitlement under the Spin-off in light of the legal restrictions for foreign investors to subscribe for or participate in the offering of A-shares.

It is contemplated that the Group will hold not less than 67.5% of the issued share capital in the Spin-off Co and will continue to be the holding company of the Spin-off Co after the Spin-off. The financial results of the Spin-off Co will continue to be consolidated into the Group's financial statements, and the Shareholders will continue to enjoy the contribution from the Spin-off Co as well as the benefits of the Spin-off as described in the section headed "3. Reasons for and benefits of the Proposed Spin-off" the above through their holdings in the Shares. The Board is of the view that the interest of the Shareholders would not be materially prejudiced by not providing assured entitlement to the A-shares of the Spin-off Co to the Shareholders.

By the reason above, the Company has applied for and the Stock Exchange has granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of PN15.

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Shareholders are concerned and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole, and we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 9 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for each of the three years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements for the six months ended 30 June 2021 of the Company together with relevant notes thereto are disclosed in the following documents which have been published on both the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tongda.com/>). Please refer to the hyperlinks as stated below:

- pages 42 to 143 of the annual report of the Company for the year ended 31 December 2018 published on 11 April 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0411/ltn20190411700.pdf>)
- pages 44 to 145 of the annual report of the Company for the year ended 31 December 2019 published on 14 April 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041400846.pdf>)
- pages 43 to 139 of the annual report of the Company for the year ended 31 December 2020 published on 23 March 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0323/2021032300477.pdf>)
- pages 2 to 14 of the interim results announcement of the Company for the six months ended 30 June 2021 published on 27 August 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0827/2021082701559.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK\$3,958 million, comprising aggregate secured bank loans of approximately HK\$350 million, aggregate unsecured bank loans of approximately HK\$3,265 million, aggregate unsecured other loans of approximately HK\$343 million and aggregate lease liability of approximately HK\$33 million as detailed below:

HK\$'000

Current	
Other loans, unsecured	343,043
Current portion of long term bank loans, secured	349,869
Current portion of long term bank loans, unsecured	1,005,640
Bank loans, unsecured	1,684,507
Lease liability	<u>15,172</u>
	<u>3,398,231</u>
Non-current	
Bank loans, unsecured	575,362
Lease liability	<u>17,777</u>
	<u>593,139</u>
Total	<u><u>3,991,370</u></u>

As at 31 July 2021, the Group's banking facilities were supported by:

- (a) the pledge of bank deposits of approximately HK\$542,074,000;
- (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 31 July 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 31 July 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 31 July 2021.

3. WORKING CAPITAL

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

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 OF THE GROUP

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 the 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 been 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. The Glasslike plastic ("Glastic") casings manufactured by the Group have high price-performance ratio can satisfy current customer needs, and the shipment contribution from the high-end glastic casings including 3-dimensional and uni-body Glastic casings is expected 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, and 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, continue to provide its customers a variety of leading and practical process technologies and solutions and assist them in launching competitive products, as well as explore 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. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(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 (the "Model Code") 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 Ya Nan	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. 1,583,500,000 Shares are held by Landmark Worldwide Holdings Limited (“**Landmark Worldwide**”), the issued share capital of which is beneficially owned as to 25% by each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua (collectively the “**Wong Brothers**”). Mr. Wang Ya Nan is an executive Director and the Chairman of the Company. Mr. Wang Ya Hua is a director of the Spin-off Co. Each of Mr. Wong Ah Yu and Mr. Wong Ah Yeung is neither a director nor an employee of the Group.
2. 296,000,000 Shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and 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.

As at the Latest Practicable Date, save for Mr. Wang Ya Nan being 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 Shareholder	Nature of Interest	Number of Shares/ underlying Shares held	Approximate percentage or attributable percentage of shareholding <i>(Note 1)</i>
Landmark Worldwide <i>(Note 2)</i>	Beneficial owner	1,583,500,000 (L)	24.44%
Sinomax Securities Limited ("Sinomax Securities") <i>(Note 3)</i>	Underwriter of the Rights Issue	1,916,047,548 (L)	19.71%
Smart Domain Group Limited ("Smart Domain") <i>(Note 3)</i>	Interest of a controlled corporation	1,916,047,548 (L)	19.71%
Fu Shek Financial Holdings Limited ("Fu Shek") <i>(Note 3)</i>	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).

2. The issued share capital of Landmark Worldwide is held and beneficially owned as to 25% each of the Wong Brothers.
3. 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.

3. DIRECTOR'S INTERESTS

(i) Interests in assets and contracts of the Group

As at the Latest Practicable Date, (i) none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up; and (ii) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

(ii) Service contracts

As at Latest Practicable Date, none of the Directors has entered or 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.

(iii) Interests in competing businesses

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

5. MATERIAL CONTRACT

Save for the underwriting agreement dated 19 July 2021 entered into between the Company and Sinomax Securities as the underwriter in relation to the underwriting arrangement in respect of the Rights Issue, no other material contract (not being contracts entered into in the ordinary course of business) has been entered into by the Group within the two years preceding the date of this circular.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letter or advices contained in this circular:

Name	Qualification
Maxa Capital	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders as to the Proposed Spin-off

As at the Latest Practicable Date, Maxa Capital 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 securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2020 (the date to which the latest published audited accounts 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.

Maxa Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they are included.

7. MISCELLANEOUS

- (i) 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’s 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).
- (ii) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands.

- (iii) The head office and principal place of business of the Company in Hong Kong is at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (v) In the case of any inconsistency, the English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong at Room 1201-02, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular and up to and including the date of the EGM:

- (i) memorandum and articles of association of the Company;
- (ii) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (iii) the letter from Maxa Capital, the text of which is set out on pages 23 to 49 of this circular;
- (iv) the material contract as referred to in the paragraph headed "5. Material contract" in this appendix;
- (v) the written consent as referred to in the paragraph headed "6. Expert and consent" in this appendix;
- (vi) the annual reports of the Company for the two years ended 31 December 2019 and 2020; and
- (vii) this circular.

NOTICE OF EGM



TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Tongda Group Holdings Limited (the “Company”) will be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 29 September 2021 at 10:00 a.m. to consider and, if thought fit, pass the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the spin-off of 通達創智(廈門)股份有限公司 (Tongda Smart Tech (Xiamen) Co., Ltd.*) (the “Spin-off Co”), currently an indirect non-wholly owned subsidiary of the Company, and a separate listing of the ordinary shares of the Spin-off Co on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in the People’s Republic of China (the “Proposed Spin-off”) be and is hereby approved; and
- (b) any director of the Company be and is hereby authorised on behalf of the Company to do all such acts and sign or execute all such documents and to enter into all such transactions and arrangements as such director may in his/her opinion consider necessary, appropriate or desirable for the purpose of implementing and giving effect to the Proposed Spin-off.”

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

Hong Kong, 8 September 2021

NOTICE OF EGM

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting by the above notice is entitled to appoint one or more proxy to attend and subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 48 hours before the time appointed for holding the extraordinary general meeting (i.e. 10:00 a.m. on Monday, 27 September 2021 (Hong Kong Time)) or any adjournment thereof.
3. The register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the extraordinary general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 23 September 2021.
4. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or extreme conditions caused by super typhoons is in effect in Hong Kong at any time after 7:00 a.m. on the date of the extraordinary general meeting, the meeting will be postponed. The Company will post an announcement on the website of Company at www.tongda.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.
5. In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("**COVID-19**"), the Company will implement precautionary measures at the extraordinary general meeting. Shareholders are advised to read pages 5 to 6 of the circular of the Company dated 8 September 2021 for details of the precautionary measures and monitor the development of COVID-19. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.
6. As at the date of this notice, the board of directors of the Company comprises Mr. Wang Ya Nan, Mr. Wang Hung Man, Mr. Wong Ming Sik, Mr. Wong Ming Yuet and Mr. Hui Wai Man as executive directors of the Company; Ms. Chan Sze Man as non-executive director of the Company; and Dr. Yu Sun Say, *GBM, GBS, SBS, JP*, Mr. Cheung Wah Fung, Christopher, *SBS, JP* and Mr. Ting Leung Huel Stephen as independent non-executive directors of the Company.

* *For identification purpose only*