THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

通達集團
TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED
通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

(i) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN GRAND PROSPER INVESTMENTS LIMITED; (ii) ISSUE OF CONSIDERATION SHARES; AND (iii) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

INCU

INCU Corporate Finance Limited

A letter from the independent committee (the "**Independent Board Committee**") of the board of directors of the Company is set out on pages 18 and 19 of this circular. A letter from INCU, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 20 to 46 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Room 298, 2nd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 3 July 2015 at 11:00 a.m. is set out on pages 51 and 52 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

15 June 2015

CONTENTS

Page

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 28 April 2015 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Announcement"	the announcement of the Company dated 28 April 2015 in respect of the Acquisition Agreement and the transactions contemplated thereunder
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Bulletin 7"	Bulletin 7 issued by the State Administration of Taxation, PRC, announcement [2015] No. 7 (國家稅務總局公告2015年7號#) (including subsequent amending provisions, if any)
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	British Virgin Islands
"Company"	Tongda Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 698)
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	the date falling on the third Business Day after the date of fulfillment of the conditions precedent set out in the Acquisition Agreement or such later date as the Purchaser and the Vendor may agree
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	the consideration payable by the Purchaser for the Sale Shares
"Consideration Share(s)"	190,000,000 new Shares to be allotted and issued by the Company to the Vendor for the purpose of settlement of part of the Consideration, at an issue price of HK$1.288 each, representing approximately 3.36% of the enlarged issued share capital of the Company immediately after the allotment and issue of the Consideration Shares
"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Room 298, 2nd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 3 July 2015 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Financial Adviser" or "INCU"	INCU Corporate Finance Limited, a licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of advising and recommending the Independent Board Committee in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors
"Independent Shareholders"	Shareholders other than those who have a material interest in the Acquisition Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	10 June 2015, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Last Trading Day"	28 April 2015, being the last trading day of the Shares immediately prior to the release of the Announcement
"MOU"	the memorandum of understanding dated 17 April 2015 entered into between the Purchaser and the Vendor setting out preliminary understanding in relation to the Acquisition
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Companies"	together, Tongda (Xiamen) and Tongda Electronic
"PRC Group"	the PRC Companies and their subsidiaries
"Purchaser"	Tongda (Xiamen) Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Sale Shares"	an aggregate of 10,000 issued shares in the capital of the Target Company, representing its entire issued share capital, which are wholly and beneficially owned by the Vendor as at the date of the Acquisition Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Grand Prosper Investments Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is currently owned by the Vendor as at the date of the Acquisition Agreement

"Tongda Electronic"	Shenzhen Tongda Electronic Company Limited (深圳通達電子有限公司#), a company established in the PRC with limited liability, the entire equity interest of which is owned as to 25% by the Target Company and 75% by the Purchaser
"Tongda (Xiamen)"	Tongda (Xiamen) Technology Limited (通達(廈門)科技有限公司#), a company established in the PRC with limited liability, the entire equity interest of which is owned as to 25% by the Target Company and 75% by the Purchaser
"Vendor"	Mr. Hui Wai Man
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

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

In this circular, unless otherwise specified, amounts in RMB is converted to HK$ at conversion rates of RMB1.00 = HK$1.251 for illustration only. No representation was made that any amounts in RMB could have been or could be converted into HK$ at such rate or any other rates.

TONGDA GROUP HOLDINGS LIMITED
通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 698)

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

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

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

Head office and principal place of business in Hong Kong:
Room 1201-03, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

15 June 2015

To the Shareholders

Dear Sir or Madam,

(i) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN GRAND PROSPER INVESTMENTS LIMITED; AND (ii) ISSUE OF CONSIDERATION SHARES

INTRODUCTION

On 28 April 2015 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Acquisition Agreement pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to dispose of, the Sale Shares at the Consideration of HK$275,077,000. The Consideration shall be paid to the Vendor as to HK$30,357,000 by way of cash and as to the balance of HK$244,720,000 by procuring the Company to allot and issue 190,000,000 Consideration Shares to the Vendor (or his nominee(s)), credited as fully paid.

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

THE ACQUISITION AGREEMENT

Date: 28 April 2015 (after trading hours of the Stock Exchange)

The Vendor: Mr. Hui Wai Man

The Purchaser: Tongda (Xiamen) Company Limited

The Vendor is the sole beneficial owner of the Target Company which, in turn, is the beneficial owner of 25% of the equity interests of the PRC Companies. The Vendor is therefore an indirect substantial shareholder of the PRC Companies. The Vendor is also a senior staff member of the Company. As such, the Vendor is regarded as a connected person of the Company under the Listing Rules.

The Purchaser is a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is indirectly held by the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, the assets to be acquired by the Purchaser are the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

Pursuant to the Acquisition Agreement, the Consideration shall be the sum of HK$275,077,000. The Consideration shall be satisfied by the Purchaser in the following manner:

(i) as to HK$30,357,000 to be paid by the Purchaser to the Vendor by way of cash, but which shall be withheld by the Purchaser for the purpose of settling all tax which may be payable by the Vendor in respect of the sale of the Sale Shares under Bulletin 7, and only be released after (a) deducting any tax payable by the Vendor to the relevant tax authority of the PRC for the sale of the Sale Shares; or (b) until the 5th anniversary of the Completion Date if the parties to the Acquisition Agreement have not received any demand for payment of tax during the period of 5 years from the Completion Date, whichever is the earlier; and

(ii) as to the balance of HK$244,720,000 to be settled by the Purchaser by way of procuring the Company to allot and issue an aggregate of 190,000,000 Consideration Shares at the issue price of HK$1.288 per Share to the Vendor (or his nominee(s)), credited as fully paid, upon Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the net asset value of the acquiring business of approximately HK$157.48 million, based on (a) 25% of the net asset value of the PRC Companies and their subsidiaries (after taking into account the consolidation adjustments) as at 31 December 2014; and (b) the assets (other than the 25% investment in the PRC Companies) and liabilities of the Target Company (mainly comprising the TD Loan and the interest payable thereon) as at 31 December 2014. The Consideration represents the price-to-book ratio of the Target Company of approximately 1.75 times; (ii) the price-to-earnings ratio of the Target Company of approximately 5.49 times based on (a) the loss of approximately HK$0.54 million of the Target Company for the year ended 31 December 2014; and (b) 25% of the profit attributable to owners of Tongda Electronic and consolidated profit attributable to owners of Tongda (Xiamen) for the year ended 31 December 2014 in aggregate of approximately HK$50.65 million; and (iii) prospects of the PRC Group as set out below.

As disclosed in the 2014 Annual Report, the handset segment of the Group has been progressing alongside with various fast growing domestic and international brands, including Huawei, Xiaomi, OPPO, ZTE, Lenovo, Coolpad and TCL. During the year of 2014, a number of handsets distinguished themselves in the market with exceptional cost-performance ratio. As such, a number of brands successfully drove up their penetration in the international market and were ranked amongst the top ten handset brands in the world, with significant increase in shipment. It is expected that there will be a greater demand for handset parts from the handset companies mentioned above in the coming years. As the PRC Group is principally engaged in the business of manufacturing and selling handset parts, the management of the Company is confident about the business prospects of the PRC Group. This is supported by the figures extracted from the latest unaudited management accounts of the PRC Group, in which the PRC Group recorded a substantial improvement in net profit from approximately HK$18.20 million to HK$52.14 million for the three months ended 31 March 2015 compared with the same period in 2014.

The Consideration Shares

The Consideration Shares represent (i) approximately 3.47% of the existing issued share capital of the Company; and (ii) approximately 3.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The allotment and issue of the Consideration Shares are subject to the approval by the Independent Shareholders at the EGM.

The issue price of HK$1.288 was agreed between the Purchaser and the Vendor in the MOU by reference to the average of the closing prices per Share of the five consecutive trading days immediately prior to the date of the MOU and it represents:

(i) a discount of approximately 5.29% to the closing price of HK$1.36 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) the average of the closing prices of approximately HK$1.288 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 1.42% over the average of the closing prices of approximately HK$1.27 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 195.15% over the net asset value per Share attributable to the Shareholders of approximately HK$0.66 as at 31 December 2014; and

(v) a discount of approximately 13.56% to the closing price of HK$1.49 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Although the issue price of HK$1.288 represents a discount of approximately 5.29% to the closing price of HK$1.36 per Share as quoted on the Stock Exchange on the Last Trading Day, it also represents (i) the average of the closing prices of approximately HK$1.288 per Share for the last five consecutive trading days up to and including the Last Trading Day; (ii) a premium of approximately 1.42% over the average of the closing prices of approximately HK$1.27 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 195.15% over the net asset value per Share attributable to the Shareholders of approximately HK$0.66 as at 31 December 2014. Therefore, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Lock up undertakings

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

(a) no disposal of any Consideration Shares is allowed during the period of one year from the Completion Date;

(b) disposal(s) of up to 30% of the initial number of Consideration Shares (i.e. up to 57,000,000 Consideration Shares) is allowed during the period from the 1st anniversary of the Completion Date to the 2nd anniversary of the Completion Date;

(c) disposal(s) of up to 60% of the initial number of Consideration Shares (i.e. up to 114,000,000 Consideration Shares inclusive of any Consideration Shares disposed of pursuant to (b) above) is allowed during the period from the 2nd anniversary of the Completion Date to the 3rd anniversary of the Completion Date; and

(d) disposal(s) of up to 100% of the initial number of Consideration Shares (i.e. up to all the 190,000,000 Consideration Shares) is allowed during the period from the 3rd anniversary of the Completion Date and thereafter.

Other undertakings by the Vendor

(A) Filings and settlement of tax pursuant to Bulletin 7

The Vendor has also undertaken to the Purchaser that any PRC withholding income tax imposed on the transfer gains or otherwise required to be paid pursuant to or in connection with Bulletin 7 on the sale of the Sale Shares shall be duly reported and timely paid by the Vendor. The Vendor shall within 30 days from the date of Acquisition Agreement and in any event before Completion, make the filings with the competent tax authorities in the PRC in relation to the sale of Sale Shares, pursuant to Bulletin 7 and to pay all tax in respect of the sale of Sale Shares under Bulletin 7 if so required by the competent tax authorities.

To the extent any such tax has been paid by the Target Company, any PRC Companies, or the Purchaser (the "**Paying Party**"), the Vendor shall reimburse the relevant Paying Party forthwith upon the Purchaser's request in writing to the Vendor. In the event that the Vendor fails, or fails to procure the Target Company, to file the Bulletin 7 reports and pay all tax required to be paid, the Purchaser shall have the right to either file the Bulletin 7 reports on behalf of the Vendor and to apply the withheld part of the Consideration as mentioned in the paragraph headed "Consideration" above to settle the tax payment on behalf of the Vendor, and such deducted and/or withheld amounts shall be treated for all purposes having been paid to the Vendor.

(B) Non-competition and non-solicitation

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

(i) directly or indirectly own, manage, operate or control, or be employed by, engaged in or assist anyone to engage in, or have a financial interest in, any business in the PRC which competes with the business of the Target Company or the PRC Group in Fujian and Guangdong Provinces, the PRC; or

(ii) directly or indirectly solicit or entice away any person who is or has been a customer of the Target Company or the PRC Group within five years before the Completion; or

(iii) directly or indirectly solicit or endeavour to entice away from or discourage from being employed by the Company or the PRC Group any person who is at the date of the Acquisition Agreement an officer or employee of the Target Company or the PRC Group; or

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

Conditions precedent

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

(a) the Purchaser having conducted the due diligence review of the assets, liabilities, operations and affairs of the Target Company as it may consider appropriate and the Vendor shall provide and procure the Target Company and its agents to provide such assistance as the Purchaser and its advisers and agents may require in connection with such review and the Purchaser being satisfied with the results of its due diligence review;

(b) the passing by the Independent Shareholders at the EGM to be convened and held of the necessary resolution(s) by poll to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the grant of the specific mandate to allot and issue the Consideration Shares) in accordance with the Listing Rules and the applicable laws and regulations;

(c) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;

(d) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;

(e) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of and permission to deal in the Consideration Shares;

(f) the representations and warranties given by the Vendor in relation to the Acquisition remain true and accurate in all respects;

(g) (if required) all necessary waivers, consents and approvals from any relevant government or regulatory authorities or other relevant third parties for or in connection with the Completion and the transactions contemplated under the Acquisition Agreement having been obtained by the Vendor and/or the Target Company, including but not limited to the Bulletin 7 reports having been filed with the competent tax authorities; and

(h) each of the Vendor and certain employees of the PRC Companies designated by the Purchaser having entered into an employment contract with the designated companies of the Group for a fixed term of five years.

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

The Purchaser may at any time before Completion by writing to the Vendor waive conditions (a) and (f) above. If the above conditions have not been satisfied (or otherwise waived) on or before 4:00 p.m. on 31 October 2015, or such later date as the Vendor and Purchaser may agree in writing, the Acquisition Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Conditions (b), (c), (d), (e), (g) and (h) above are incapable of being waived.

Completion

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

Upon conducting the due diligence review of the assets, liabilities, operations and affairs of the Target Company, it came to the knowledge of the Purchaser that as at 11 May 2015, the Target Company was indebted to the Vendor an amount of HK$25,305,000, which has been waived by the Vendor as at the Latest Practicable Date.

Immediately upon Completion, the Target Company and the PRC Companies will become indirect wholly-owned subsidiaries of the Company, and their financial results will be fully consolidated into the consolidated financial statements of the Group upon Completion. In addition, the Company's indirect equity interests in the PRC Companies' subsidiaries, namely Tongda (Xiamen) Communication Co. Ltd., Nanan Zhangda Electronic Circuits Co. Ltd. and Taiwan Tongda Communication Co. Ltd., will be increased from 60% to 80% immediately upon Completion.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

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

	(i) As at the Latest Practicable Date		**(ii) Upon Completion and immediately after the allotment and issue of the Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
Substantial Shareholders				
Landmark Worldwide Holdings Limited *(Note 1)*	2,000,490,000	36.58	2,000,490,000	35.35
E-Growth Resources Limited *(Note 2)*	296,000,000	5.41	296,000,000	5.23
Directors				
Mr. Wang Ya Nan	269,570,000	4.93	269,570,000	4.76
Mr. Wang Ya Hua	55,720,000	1.02	55,720,000	0.98
Mr. Wong Ah Yeung	67,800,000	1.24	67,800,000	1.20
Mr. Wong Ah Yu	60,960,000	1.11	60,960,000	1.08
Mr. Wang Ming Che	16,000,000	0.29	16,000,000	0.28
Mr. Choi Wai Sang *(Note 3)*	103,500,000	1.89	103,500,000	1.83
Dr.Yu Sun Say, *GBM, GBS, SBS, JP*	6,030,000	0.11	6,030,000	0.11
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	5,950,000	0.11	5,950,000	0.11
Mr. Ting Leung Huel Stephen	7,450,000	0.14	7,450,000	0.13
The Vendor	–	–	190,000,000	3.36
Other public Shareholders	2,579,680,000	47.17	2,579,680,000	45.58
Total	5,469,150,000	100.00	5,659,150,000	100.00

Notes:

1. Landmark Worldwide Holdings Limited is an investment holding company incorporated in the BVI with limited liability, the issued share capital of which is beneficially owned as to 25% by each of Messrs. Wang Ya Nan, Wang Ya Hua, Wong Ah Yeung and Wong Ah Yu, each an executive Director.

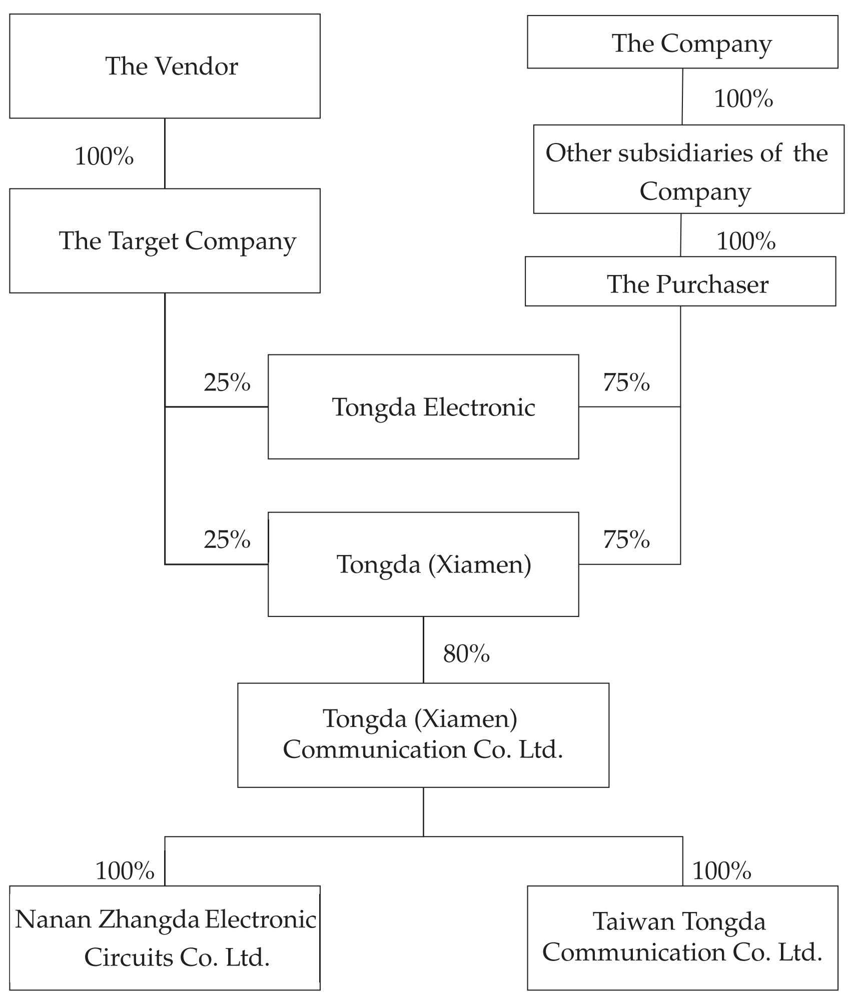
2. E-Growth Resources Limited is an investment holding company incorporated in the BVI with limited liability, the entire issued share capital of which is beneficially owned by Mr. Wang Ya Nan, an executive Director.

3. Among the 103,500,000 Shares, 24,750,000 Shares are beneficially held by Mr. Choi Wai Sang, an executive Director and the remaining 78,750,000 shares are held by Faye Limited, a company incorporated in the BVI and wholly-owned by Mr. Choi Wai Sang.

INFORMATION ON THE TARGET COMPANY AND THE PRC GROUP

The Target Company is incorporated in Hong Kong with limited liability and is wholly owned by the Vendor. The Target Company is an investment holding company and beneficially owns 25% of the equity interests in each of Tongda (Xiamen) and Tongda Electronic, each a company established in the PRC, and the remaining 75% of each of their respective equity interests are beneficially and indirectly owned by the Company as at the Latest Practicable Date. The Vendor had acquired the Sale Shares and 25% equity interests in the PRC Group at an aggregate original acquisition cost of HK$44,102,000.

Set out below is a chart illustrating the relationship between the Target Company and the Group:



Save for the holding of its investments in the 25% of each of the equity interests of Tongda (Xiamen) and Tongda Electronic, the Target Company does not hold any other investment or interest in the equity or share capital of other companies, and the Target Company does not carry out any active business operation.

The PRC Companies and their subsidiaries are engaged in the business of manufacturing and sales of plastic injection and printing parts of handsets.

The PRC Group comprises the PRC Companies, being Tongda (Xiamen) and Tongda Electronic, and Tongda (Xiamen) in turn owns 80% of the equity interests in Tongda (Xiamen) Communications Co. Ltd. (通達(廈門)通訊有限公司#), which holds the entire equity interests in each of Nanan Zhangda Electronic Circuits Co. Ltd. (南安展達電路有限公司#) and Taiwan Tongda Communication Co. Ltd. (台灣通達通訊有限公司#).

Financial information of the Target Company and the PRC Group

Set out below is the audited financial information of the Target Company for the year ended 31 December 2013 and the unaudited financial information of the Target Company for the year ended 31 December 2014 prepared in accordance with Hong Kong Financial Reporting Standards:

	Year ended 31 December 2013	**Year ended 31 December 2014**
	HK$'000	*HK$'000*
	(Audited)	(Unaudited)
Profit/(loss) before tax	6,627	(537)
Profit/(loss) for the year	6,627	(537)

The unaudited net assets of the Target Company as at 31 December 2014 amounted to approximately HK$45,000.

Set out below is the unaudited financial information of Tongda Electronic for the years ended 31 December 2013 and 2014 respectively prepared in accordance with Hong Kong Financial Report Standards:

	Year ended 31 December 2013	**Year ended 31 December 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax	15,478	52,311
Profit for the year	13,149	44,457

The unaudited net assets of Tongda Electronic as at 31 December 2014 amounted to approximately HK$147,301,000.

Set out below is the unaudited consolidated financial information of Tongda (Xiamen) and its subsidiaries for the years ended 31 December 2013 and 2014 respectively prepared in accordance with Hong Kong Financial Report Standards:

	Year ended 31 December 2013	**Year ended 31 December 2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax	36,547	171,273
Profit for the year	28,490	154,006

The unaudited consolidated net assets of Tongda (Xiamen) and its subsidiaries as at 31 December 2014 amounted to approximately HK$540,335,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

In view of expansion of the smartphone market and the greater focus by the domestic handset brands on outstanding specifications and product differentiation, the Directors consider that there will be a growing demand on the products with better decoration for appearance, texture and functionality. Apart from the manufacturing of handsets components including battery covers, display frames and middle frames, the Group has been actively searching for other business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can bring return to the Shareholders. Apart from the handsets segment, the PRC Companies held by the Target Company actively tap into the worldwide household durable products industry and sports gear for producing the plastic products. Having considered that the PRC Group is equipped with experience in the industry with diversified clientele and being specialized in providing precise plastic products solutions, the Directors believe that the prospect of the PRC Group is promising.

As set out in the paragraph headed "Financial Information of the Target Company and the PRC Group" above, the financial performance of the PRC Group has improved substantially for the year ended 31 December 2014 compared with the year ended 31 December 2013. The Directors are of the view that the financial performance of the PRC Group will continue to grow in the future. Upon completion, the Company will increase its shareholdings in both Tongda Electronic and Tongda (Xiamen) from the existing 75% to 100% equity interests such that they will become indirect wholly-owned subsidiaries of the Company. As a result, it is expected that the financial performance of the Company will improve from the transaction due to the increase in profit contribution from the PRC Group.

Upon completion, the Group will continue to develop its existing business.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Based on the above, the Directors (including the independent non-executive Directors) consider the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company. In addition, as the sole beneficial owner of the Target Company, which in turn is a substantial shareholder of the PRC Companies, being 75%-owned subsidiaries of the Company, the Vendor is regarded as a connected person of the Company under the Listing Rules, and the Acquisition also constitutes a connected transaction on the part of the Company under the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules. The EGM will be convened and held on which the relevant resolution(s) will be put forward for the Independent Shareholders to vote and approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and his associate(s) does not hold any Shares as at the Latest Practicable Date. None of the Directors have any material interest in the transaction. As such, no Shareholder is required to abstain from voting to approve the ordinary resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, at the EGM.

INDEPENDENT BOARD COMMITTEE

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

EGM

A notice convening the EGM to be held at Room 298, 2nd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 3 July 2015 at 11:00 a.m. is set out on pages 51 and 52 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

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

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 and 19 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from INCU set out on pages 20 to 46 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder.

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

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

TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED
通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 698)

15 June 2015

To the Independent Shareholders

Dear Sir or Madam

(i) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN GRAND PROSPER INVESTMENTS LIMITED; AND (ii) ISSUE OF CONSIDERATION SHARES

We refer to the circular of the Company dated 15 June 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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

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

Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 20 to 46 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 17 of the Circular and the additional information set out in the appendix of the Circular.

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

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

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

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

INCU Corporate Finance Limited
Unit 1602, 16/F., Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

15 June 2015

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN GRAND PROSPER INVESTMENTS LIMITED AND ISSUE OF CONSIDERATION SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give opinion in relation to the Acquisition. Details of the Acquisition are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 15 June 2015 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 17 April 2015 (after trading hours), the Purchaser and the Vendor entered into the MOU in relation to the Acquisition. On 28 April 2015 (after trading hours), the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of, the Sale Shares at the Consideration of HK$275,077,000, which will be settled by the Purchaser as to HK$30,357,000 by cash and as to the balance of HK$244,720,000 by way of procuring the Company to allot and issue an aggregate of 190,000,000 Consideration Shares to the Vendor (or his nominee(s)) upon Completion.

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company. In addition, the Vendor is a senior staff member of the Company and as the sole beneficial owner of the Target Company, which, in turn, is the beneficial owner of 25% of the equity interests of the PRC

Companies, the Vendor is an indirect substantial shareholder of the PRC Companies (being 75%-owned subsidiaries of the Company). As such, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and the Acquisition also constitutes a connected transaction on the part of the Company under the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

Prior to our engagement as the independent financial adviser in relation to the Acquisition and the transactions contemplated thereunder, we were engaged by the Company in March 2014 ("**Previous Engagement**") to review the Environmental, Social and Governance report ("**ESG Report**") prepared by the Company for the inclusion in its annual report of the Company for the year ended 31 December 2013 (the "**2013 Annual Report**") published on 10 April 2014. We consider that the Previous Engagement did not undermine our independence as the independent financial adviser to the Acquisition since (i) the Previous Engagement merely involved the review of the materials prepared by the Company and giving suggestions on the disclosure and presentation of various data and facts provided by the Company in the 2013 Annual Report in accordance with the Environmental, Social and Governance Reporting Guide (Appendix 27 of the Listing Rules); (ii) we have not investigated and/or verified the information provided by the Company and presented in the ESG Report; (iii) we did not give any financial advisory services to the Company on planning and/or structuring any corporate action outside the scope of ESG Report, such as potential fund raising activities, potential mergers and acquisitions and disposals, including the Acquisition; and (iv) we received normal professional fees payable in connection with the Previous Engagement.

We have not acted as an independent financial adviser to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between INCU and the Company or any other parties that could be reasonably be regarded as hindrance to INCU's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition Agreement and the transactions contemplated thereunder, and accordingly, are eligible to give independent advice and recommendations on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. We have also sought and received confirmation from the Company that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendations as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business, affairs and financial positions of the Group, the Vendor, the Target Company, and the PRC Group, nor have we carried out any independent verification of the information supplied to us.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Yu Sun Say, J.P., Mr. Cheung Wah Fung, Christopher, J.P. and Mr. Ting Leung Huel Stephen, has been established to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares).

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares) (i) was entered into on normal commercial terms; and (ii) are fair and reasonable, so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background and reasons for the Acquisition

1. Background of the Group

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

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 as extracted from the 2013 Annual Report and the annual report of the Company for the financial year ended 31 December 2014 (the "**2014 Annual Report**"):

Table 1: Financial information of the Group

Operating results

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	3,408,091	3,627,101	4,791,346
Gross profit	730,647	798,013	1,143,635
Profit before tax	400,903	415,119	642,397
Profit for the year	333,514	368,978	548,210

Financial positions

	As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	4,203,968	4,656,867	6,367,110
Total liabilities	2,011,091	2,107,697	2,730,641

We note from Table 1 above that the revenue of the Group increased by approximately 6.43% from approximately HK$3,408.09 million for the financial year ended 31 December 2012 ("**FY2012**") to approximately HK$3,627.10 million for the financial year ended 31 December 2013 ("**FY2013**"), and further increased by approximately 32.10% to approximately HK$4,791.35 million for the financial year ended 31 December 2014 ("**FY2014**"). Profit after tax also increased by approximately 10.64% from approximately HK$333.51 million for FY2012 to approximately HK$368.98 million for FY2013, and further increased by approximately 48.57% to approximately HK$548.21 million for FY2014. According to the 2013 Annual Report and the 2014 Annual Report, the Group benefited from the development of the smartphone markets in China and the world that picked up the pace. In particular, China entered into a new era of mobile network with the grant of the fourth generation wireless communication (the "**4G Network**") at the end of 2013 and the domestic handset brands' strategic shift to mid-to-high-end product and the wave of product upgrade in the white goods market for FY2014, contributed to the satisfactory growth in the revenue of the Group. According to the announcement of the Company dated 29 April 2015 (the "**Business Update Announcement**"), based on the unaudited management accounts of the Group for the three months ended 31 March 2015, the revenue of the Group has increased by approximately 41% as compared with that for the three months ended 31 March 2014.

With reference to the 2014 Annual Report, we note that the Group has been progressing alongside with various fast growing domestic and international brands, including Huawei, Xiaomi, OPPO, ZTE, Lenovo, Coolpad and TCL for the handsets division; Haier, Gree, Midea, Panasonic, Zojirushi, Electrolux and DYSON for the electrical appliances division; Lenovo, NEC, Toshiba, Fujitsu and HP for the notebook computer division. According to the Business Update Announcement, the major orders for the three months ended 31 March 2015 are from Huawei and Xiaomi which are both the Group's major customers of the handset segment in FY2014.

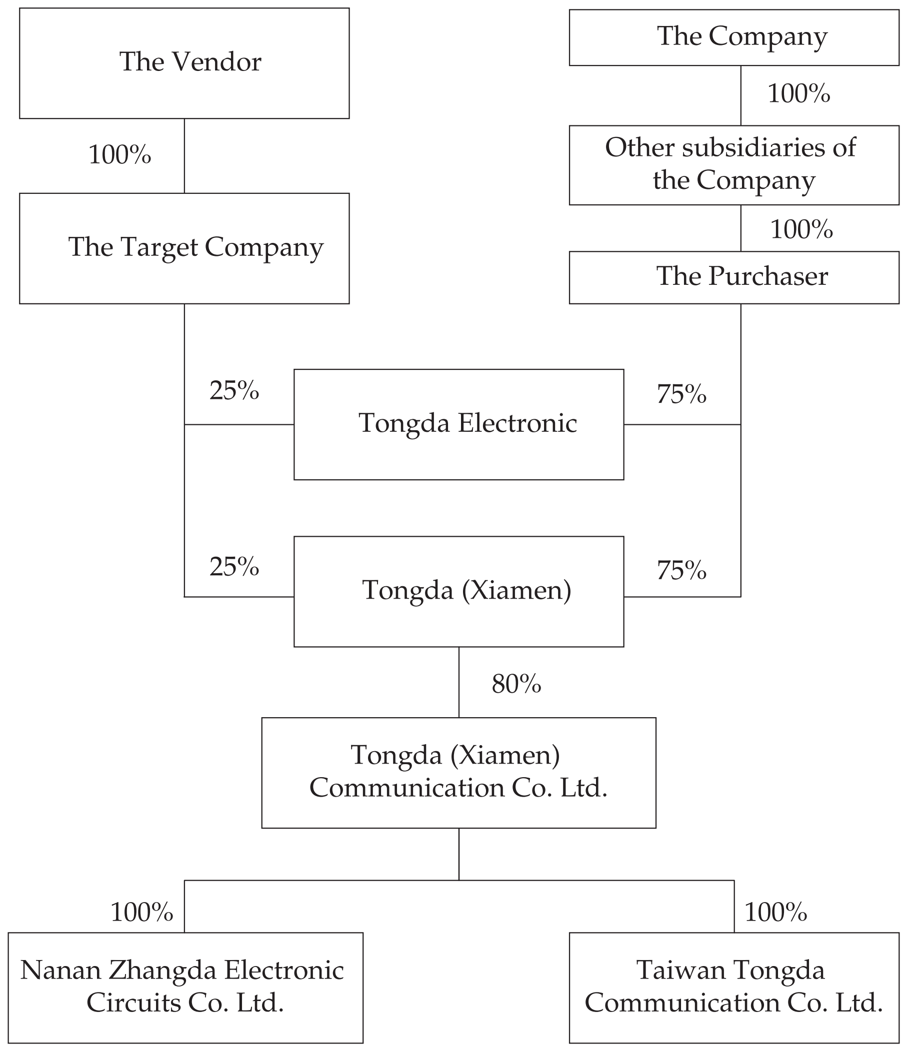
2. *Information on the Target Company and the PRC Group*

(i) Businesses of the Target Company and the PRC Group

The Target Company is incorporated in Hong Kong on 19 March 2008 with limited liability and is wholly-owned by the Vendor. The Target Company is an investment holding company and beneficially owns 25% of the equity interests in each of Tongda (Xiamen) and Tongda Electronic, both are companies established in the PRC, and the remaining 75% of each of their respective equity interests are beneficially and indirectly owned by the Company as at the Latest Practicable Date.

The PRC Companies are part of the Group's principal operating subsidiaries in the PRC. The PRC Companies and their subsidiaries are principally engaged in the business of manufacturing and sales of plastic injection and printing parts of handsets.

Set out below is the group chart of the Target Company and the PRC Group.



(ii) Operating results and financial positions of the Target Company

Set out below are the audited financial information of the Target Company for FY2013 and the unaudited financial information of the Target Company for FY2014 prepared in accordance with Small and Medium-sized Entity Financial Reporting Standards (SME-FRS):

Table 2: Financial information of the Target Company

Operating results

	For the year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(audited)	(unaudited)
Revenue	–	–
Gross profit	–	–
Profit/(Loss) before tax	6,627	(537)
Profit/(Loss) for the year	6,627	(537)

Financial positions

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(audited)	(unaudited)
Total assets	25,936	44,231
Total liabilities	25,353	44,186

Based on Table 2 above, no revenue was generated by the Target Company for FY2013 and FY2014, as the Target Company did not conduct any business activities apart from holding the 25% interest in Tongda (Xiamen) and Tongda Electronic. The profit for FY2013 was mainly attributable to the dividend income received from Tongda (Xiamen), which amounted to approximately HK$6.59 million in 2013; while the loss for FY2014 was mainly due to the interest expense of approximately HK$0.50 million arising from the loan from the Group of HK$18,915,000 made during the FY2014 (the "**TD Loan**"). As stated in note 25 of the notes to the financial statements in the 2014 Annual Report, such loan with interest of 3.5% per annum was secured by the Target Company's shares in Tongda (Xiamen). As advised by the management of the Company, the TD Loan was made to the Target Company to finance its share of capital injection in Tongda (Xiamen) during FY2014 and is repayable three years from the draw-down date in March 2014. The TD Loan has not been repaid as at the Latest Practicable Date and the TD Loan, together with the interest accrued thereon, will be acquired by the Group through the Acquisition.

As at 31 December 2014, the total assets of the Target Company comprised investment in associates of approximately HK$44.1 million (being the investment in Tongda Electronic, Tongda (Xiamen) and its subsidiaries, both recorded at historical costs) while the total liabilities of the Target Company as at 31 December 2014 mainly included an amount due to the Vendor of approximately HK$24.72 million and the TD Loan of approximately HK$19.42 million (including interest payable of approximately HK$0.50 million). As stated in the Letter from the Board, the amount due to the Vendor of approximately HK$25.31 million has been waived by the Vendor as at the Latest Practicable Date.

(iii) Operating results and financial positions of Tongda (Xiamen) and its subsidiaries

As advised by the management of the Company, Tongda (Xiamen) mainly manufactures handset casings made by high precision plastic and two of its subsidiaries, namely Tongda (Xiamen) Communication Co. Ltd. and Nanan Zhangda Electronic Circuits Co. Ltd., provide processing services for Tongda (Xiamen). Another subsidiary of Tongda (Xiamen), Taiwan Tongda Communication Co. Ltd., is principally engaged in manufacturing of electronics and communication facilities. Among these companies, Tongda (Xiamen) contributed 100% and approximately 98.86% of the revenue for FY2013 and FY2014.

Set out below is the unaudited consolidated financial information of Tongda (Xiamen) and its subsidiaries for FY2013 and FY2014 prepared in accordance with Hong Kong Financial Reporting Standards:

Table 3: Consolidated financial information of Tongda (Xiamen)

<u>*Operating results*</u>

	For the year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	1,008,824	1,740,775
Gross profit	132,898	318,439
Profit before tax	36,547	171,273
Profit for the year	28,490	154,006
Profit for the year attributable to owners of Tongda (Xiamen)	32,386	158,134

Financial positions

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Total assets	711,890	1,460,201
Total liabilities	390,031	919,866
Net asset value	321,859	540,335
Equity attributable to owners of Tongda (Xiamen)	320,840	543,456

Based on Table 3 above, the consolidated revenue of Tongda (Xiamen) increased by approximately 72.56% from approximately HK$1,008.82 million for FY2013 to approximately HK$1,740.78 million for FY2014.

As advised by the management of the Company, due to the change in sales mix with higher proportion of handset casings of greater complexity with higher gross profit margin and improved utilisation rate of equipment, the gross profit margin improved from approximately 13.17% in FY2013 to approximately 18.29% in FY2014. In addition, with the 72.56% increase in revenue from FY2013 to FY2014, the consolidated profit after tax increased significantly from approximately HK$28.49 million in FY2013 to approximately HK$154.01 million in FY2014.

As at 31 December 2014, the total consolidated assets of Tongda (Xiamen) mainly comprised trade and bills receivables of approximately HK$632.59 million, property, plant and equipment of approximately HK$380.98 million, inventory of approximately HK$247.13 million, pledged deposits of approximately HK$56.92 million and cash and cash equivalents of approximately HK$41.11 million. The total consolidated liabilities of Tongda (Xiamen) as at 31 December 2014 mainly included trade and bills payables of approximately HK$470.44 million, amount payable to Tongda Electronic of approximately HK$126.45 million, short-term bank loan of approximately HK$88.38 million and dividend payables of approximately HK$55.53 million.

(iv) Operating results and financial positions of the Tongda Electronic

Set out below is the unaudited financial information of Tongda Electronic for FY2013 and FY2014 prepared in accordance with Hong Kong Financial Reporting Standards:

Table 4: Financial information of Tongda Electronic

Operating results

	For the year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	255,722	467,559
Gross profit	42,801	87,708
Profit before tax	15,478	52,311
Profit for the year	13,149	44,457

Financial positions

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Total assets	216,580	315,029
Total liabilities	113,345	167,728
Net asset value	103,235	147,301

As advised by the management of the Company, during the past two financial years, Tongda Electronic had supplied semi-finished products to (i) Tongda (Xiamen) in the amount of approximately HK$220.82 million and approximately HK$440.73 million in FY2013 and FY2014 respectively, accounted for around 86.35% and around 94.26% of the revenue of Tongda Electronic for the FY2013 and FY2014 respectively; and (ii) other companies in the Group accounted for around 7.89% and around 3.01% of the revenue of Tongda Electronic in FY2013 and FY2014 respectively. Based on Table 4 above, the revenue of Tongda Electronic increased by approximately 82.84% from approximately HK$255.72 million in FY2013 to approximately HK$467.56 million in FY2014. The significant increase in revenue of Tongda Electronic coincided with the growth of revenue of Tongda (Xiamen). The profit after tax of Tongda Electronic increased by approximately 238.10%, from approximately HK$13.15 million in FY2013 to approximately HK$44.46 million in FY2014 mainly due to the increase in revenue.

As at 31 December 2014, the total assets of Tongda Electronic mainly comprised property, plant and equipment of approximately HK$71.35 million, an amount due from Tongda (Xiamen) of approximately HK$126.45 million and inventory of approximately HK$76.03 million. The total liabilities of Tongda Electronic as at 31 December 2014 mainly comprised trade payables of approximately HK$137.47 million.

(v) Contribution of the PRC Group

Since the PRC Group are non-wholly owned subsidiaries of the Company, their financial results have already been consolidated into the Group and will continue to be consolidated into the Group after Completion. Based on the sales breakdown provided by the Company, the PRC Group, in aggregate, contributed revenue (after offsetting intercompany sales) of approximately HK$1,019.72 million and approximately HK$1,750.77 million for FY2013 and FY2014 respectively, representing approximately 28.11% and approximately 36.54% of the total revenue of the Group for FY2013 and FY2014 respectively.

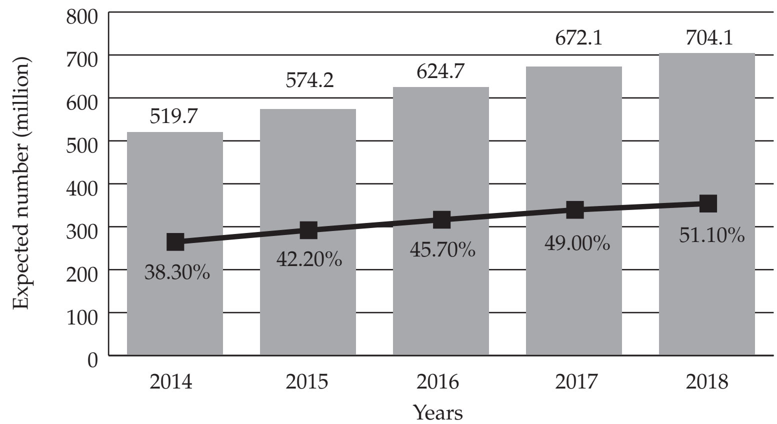
In the FY2013 and FY2014, over 90% of the revenue of the PRC Group were attributable to the handset products.

Immediately upon Completion, the Target Company and the PRC Companies will become indirect wholly-owned subsidiaries of the Company, and their financial results will be fully consolidated into the consolidated financial statements of the Group upon Completion. In addition, the Company's indirect equity interests in the PRC Companies' subsidiaries, namely Tongda (Xiamen) Communication Co. Ltd., Nanan Zhangda Electronic Circuits Co. Ltd. and Taiwan Tongda Communication Co. Ltd., will be increased from 60% to 80% immediately upon Completion.

3. Brief industry review

According to the market report (see below Table 5) released by eMarketer, an independent marketing research company, in December 2014, the number of smartphone users in the PRC is expected to have a steady growth from approximately 519.7 million (representing 38.3% of the national population) in 2014 to approximately 704.1 million (representing 51.1% of the national population) in 2018, representing a compound annual growth rate of approximately 7.90% between 2014 and 2018.

Table 5: Expected volume of smartphone users in the PRC, 2014-2018



Source: eMarketer

In recent years, mainland smartphone vendors have been emerged in the international market and some of them have become the market leaders. According to a research conducted by TrendForce, a global provider of market intelligence on the technology industries, released in January 2015, the number of PRC-based companies increased from four in 2013 to six in 2014 among the top 10 smartphone vendors based on their respective market share. The PRC-based leaders include Huawei, Coolpad and ZTE, etc., and their respective market shares have increased generally from 2013 to 2014.

According to the annual reports of Huawei for the years 2012 to 2014, its shipment volume has increased significantly from approximately 32 million in 2012 to approximately 52 million in 2013, and rose to approximately 75 million in 2014. The business development of another PRC mobile phone distributor, Xiaomi, has also been gaining international attention and has started to enter into the foreign markets. According to the statistics of China E-business Research Centre, a PRC-based research institution, the number of Xiaomi's smartphones sold has surged significantly from approximately 19 million in 2013 to approximately 61 million in 2014.

As announced by Ministry of Industry and Information Technology of the PRC ("**MIIT**") on 4 December 2013, the PRC first opened the 4G Network market by granting the licenses, namely TD-LTE (time division-long term evolution) license, to the largest three communication operators in the PRC, namely China Mobile, China Telecom and China Unicom. To further penetrate into the 4G Network in the PRC, another type of license, namely LTE FDD (frequency division duplexing-long term evolution) license, of the 4G Network had been also granted to China Telecom and China Unicom, as announced by MIIT on 27 February 2015. It is expected that the communication operators will expand its 4G Network coverage and hence boost the demand on the smartphones, which will be one of the growth drivers in high-tech handset manufacturing in the PRC in the future years.

Having considered the expected increase in smartphone users in the PRC in the near future and the rapid business growth of PRC handset brands in recent years, we concur with the management of the Company that the PRC business to be acquired is promising as the major customers of the PRC Group are those top-tier handset brands in the PRC, including abovementioned Huawei and Xiaomi.

4. *Reasons and benefits for entering into of the Acquisition Agreement*

As stated in the Letter from the Board, in view of expansion of the smartphone market and the greater focus by the domestic handset brands on outstanding specifications and product differentiation, the Directors consider that there will be a growing demand on the products with better decoration for appearance, texture and functionality. Apart from the manufacturing of handsets components, including battery covers, display frames and middle frames, the Group has been actively searching for other business opportunities so as to diversify the Group's business into a new line of business with growth potential and to broaden its source of income that can bring return to the Shareholders. Apart from the handsets segment, the PRC Companies held by the Target Company actively tap into the worldwide household durable products industry and sports gear for producing the plastic products. Having considered that the PRC Group is equipped with experience in the industry with diversified clientele and being specialised in providing precise plastic products solutions, the Directors believe that the prospect of the PRC Group is promising. Upon Completion, the Group will continue to develop its existing business.

As disclosed in the 2014 Annual Report, the handset segment of the Group has been progressing alongside with various fast growing domestic and international brands, including Huawei, Xiaomi, OPPO, ZTE, Lenovo, Coolpad and TCL. During the year of 2014, a number of handsets distinguished themselves in the market with exceptional cost-performance ratio. As such, a number of brands successfully drove up their penetration in the international market and were ranked amongst the top ten handset brands in the world, with significant increase in shipment. The management of the Company is confident about the business development in the coming years and the Group would actively procure potential international customers and strengthen its competiveness to maximise its profit. The Company currently owns 75% equity interests in the PRC Companies and thus is heavily involved in the business and operation of the PRC Group. Through the Acquisition of the Target Company, the Company's total equity interest in the PRC Companies will increase to 100% and the indirect interest in the three non-wholly owned subsidiaries of Tongda (Xiamen) will also be increased from 60% to 80%. As a result, it maximises the total profit contribution from the PRC Group attributable to the Shareholders.

We concur with the Directors' view that the entering into of the Acquisition Agreement is fair and reasonable as (i) the acquisition of the remaining interests in the PRC Companies which has shown significant improvement in profitability in FY2014 and the positive future business prospect will maximise the profit attributable to the Shareholders; (ii) the Acquisition consolidates the control over the PRC Group by the Company which provides operational efficiency in developing strategies and implementing business decisions for the PRC Group in the future; and (iii) the Acquisition is in line with the strategies of the Group.

II. Principal terms of the Acquisition Agreement

1. Consideration

Pursuant to the Acquisition Agreement, the Consideration is HK$275,077,000. The Consideration shall be satisfied by the Purchaser in the following manner:

(i) as to HK$30,357,000 to be paid by the Purchaser to the Vendor by way of cash, but which shall be withheld by the Purchaser for the purpose of settling all tax which may be payable by the Vendor in respect of the sale of the Sale Shares under Bulletin 7, and will only be released after (a) deducting any tax payable by the Vendor to the relevant tax authority of the PRC for the sale of the Sale Shares; or (b) until the 5th anniversary of the Completion Date if the parties to the Acquisition Agreement have not received any demand for payment of tax during the period of five years from the Completion Date, whichever is earlier; and

(ii) as to the balance of HK$244,720,000 to be settled by the Purchaser by way of procuring the Company to allot and issue an aggregate of 190,000,000 Consideration Shares at the issue price of HK$1.288 per Share (the "**Issue Price**") to the Vendor (or his nominee(s)), credited as fully paid, upon Completion.

As advised by the Company, the payment of cash consideration will be financed by internal resources of the Group and will be paid subject to the conditions as stated above, but in any case no later than five years from Completion. We note that as one of the condition precedents to Completion, the Vendor and/or the Target Company shall have filed Bulletin 7 reports with the competent tax authorities and the Vendor has undertaken that he will, within 30 days from the date of Acquisition Agreement and in any event before Completion, make the filings with the competent tax authorities in the PRC in relation to the sale of Sale Shares, pursuant to Bulletin 7 and to pay all tax in respect of the sale of Sale Shares under Bulletin 7 if so required by the competent tax authorities. In the event that the Vendor fails, or fails to procure the Target Company, to file the Bulletin 7 reports and pay all tax required to be paid, the Purchaser shall have the right to either file the Bulletin 7 reports on behalf of the Vendor and to apply the withheld part of the Consideration above to settle the tax payment on behalf of the Vendor, and such deducted and/or withheld amounts shall be treated for all purposes having been paid to the Vendor. We also note from the Acquisition Agreement that the Vendor will enter into a deed of indemnity at Completion, under which the Vendor agrees with the Purchaser and the PRC Companies that he will indemnify and guarantee and at all times keep them and each of them indemnified and guaranteed against any taxation and any incidental costs, interest, penalties, charge and expenses which may be payable or paid on behalf of the Vendor pursuant to the Bulletin 7 to any competent tax authority by the PRC Companies or the Purchaser, in relation to the sale of the Sale Shares under the Acquisition Agreement. We are of the view that the withholding of the cash portion of the Consideration and the deed of indemnity would provide an added level of comfort to the Purchaser as it protects the Purchaser against any tax implication arising from the sale and purchase of the Sale Shares which is in the interests of the Company and the Shareholders as a whole.

As noted above, the balance and major part of the Consideration is to be satisfied by the allotment and issue of the 190,000,000 Consideration Shares. The Consideration Shares represent (i) approximately 3.47% of the existing issued share capital of the Company; and (ii) approximately 3.36% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

As advised by the management of the Company, in determining the method of Consideration, having taken into account that (i) the Vendor is confident in the future prospect of the PRC Companies and the Group and would like to retain interests in the business through holding the Consideration Shares; (ii) the Consideration Shares will be issued at the Issue Price, being the 5-days average closing price at the time of determination, is determined after arm's length negotiations between the Purchaser and the Vendor and is considered as fair and reasonable (please refer to following section in this letter for evaluation of the Issue Price of the Consideration Shares); (iii) the Consideration Shares will be subject to the lock up undertakings; and (iv) external borrowings usually take longer time to arrange and incur financial cost, the Board considered that the direct issue of the Consideration Shares would be the best option.

We concur with the view of the management of the Company and consider that the issue of Consideration Shares enables the Group to maximise its profit without a large outlay of cash and is having lower financial risk compared to seeking external loan financing for the Acquisition. In addition, the lock up undertaking of the Consideration Shares together with the retaining of the Vendor as an employee for five years would encourage the continued contribution of the Vendor in the growth of the business of the PRC Companies alongside with the Group which is also in the benefit of the Company and the Independent Shareholders. The dilution effect of the Consideration Shares on shareholding to the existing public Shareholders is elaborated in section IV in this letter.

2. Lock up undertakings

As noted from the Letter from the Board, the Vendor has undertaken to the Purchaser that, during the relevant periods as detailed below, he will not (and will procure his nominee(s) not to), in respect of the relevant Consideration Shares, pledge, sell or contract to sell or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Consideration Shares, save in accordance with the following:

(a) no disposal of any Consideration Shares is allowed during the period of one year from the Completion Date;

(b) disposal(s) of up to 30% of the initial number of Consideration Shares (i.e. up to 57,000,000 Consideration Shares) is allowed during the period from the 1st anniversary of the Completion Date to the 2nd anniversary of the Completion Date;

(c) disposal(s) of up to 60% of the initial number of Consideration Shares (i.e. up to 114,000,000 Consideration Shares inclusive of any Consideration Shares disposed of pursuant to (b) above) is allowed during the period from the 2nd anniversary of the Completion Date to the 3rd anniversary of the Completion Date; and

(d) disposal(s) of up to 100% of the initial number of Consideration Shares (i.e. up to all the 190,000,000 Consideration Shares) is allowed during the period from the 3rd anniversary of the Completion Date and thereafter.

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

3. Management and employees retention

We note from the Acquisition Agreement that as one of the condition precedents to Completion, each of the Vendor and certain employees of the PRC Companies designated by the Purchaser shall have entered into an employment contract with the designated companies of the Group for a fixed term of five years.

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

4. Non-competition and non-solicitation

As stated in the Acquisition Agreement, for a period of five years following Completion, except for as otherwise authorised, the Vendor shall not on behalf of himself or any other person (i) directly or indirectly own, manage, operate or control, or be employed by, engaged in or assist anyone to engage in, or have a financial interest in, any business in the PRC which competes with the business of the Target Company or the PRC Group in Fujian and Guangdong Provinces, the PRC; or (ii) directly or indirectly solicit or entice away any person who is or has been a customer of the Target Company or the PRC Group within five years before the Completion; or (iii) directly or indirectly solicit or endeavour to entice away from or discourage from being employed by the Company or the PRC Group any person who is at the date of the Acquisition Agreement an officer or employee of the Target Company or the PRC Group; or (iv) directly or indirectly employ or engage or attempt to employ or engage or negotiate or arrange the employment or engagement by any other person, firm or company of any person who is at the date of the Acquisition Agreement an officer or employee of the Target Company or the PRC Group.

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

III. Evaluation of the Consideration

1. Basis of the Consideration

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the net asset value of the acquiring business of approximately HK$157.48 million, based on (a) 25% of the net asset value of the PRC Companies and their subsidiaries (after taking into account the consolidation adjustments) as at 31 December 2014; and (b) the assets (other than the 25% investment in the PRC Companies) and liabilities of the Target Company (mainly comprising the TD Loan and the interest payable thereon) as at 31 December 2014. The Consideration represents the price-to-book ratio of the Target Company of approximately 1.75 times; (ii) the price-to-earnings ratio of the Target Company of approximately 5.49 times based on (a) the loss of approximately HK$0.54 million of the Target Company for FY2014; and (b) 25% of the profit attributable to owners of Tongda Electronic and consolidated profit attributable to owners of Tongda (Xiamen) for FY2014 in aggregate of approximately HK$50.65 million; and (iii) prospects of the PRC Group.

In order to assess the fairness and reasonableness of the Consideration, we have attempted to identify comparable companies of the Group (the "**Comparable Companies**") that (i) are currently listed on the Stock Exchange; (ii) are engaged in manufacturing casing for handsets or notebook computers in the PRC; and (iii) have market capitalisation of not less than HK$5 billion as at the Last Trading Day.

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

In our assessment, we have considered price-to-earnings ratio (the "**P/E Ratio**") and price-to-book value ratio (the "**P/B Ratio**") analysis, which are commonly used to assess the financial valuation of a company principally engaged in similar business. Set out below is the Comparable Companies analysis:

Table 6: Comparable Companies analysis

Comparable Companies	**Stock code**	**Principal business**	**Principal market locations**	**Market capitalisation as at the date of the Announcement** *(Note 1)* *(approx. HK$ million)*	**P/E Ratio** *(Note 2)* *(times)*	**P/B Ratio** *(Note 3)* *(times)*
Ju Teng International Holdings Ltd.	3336	Manufacture and sale of casings for notebook computer and handheld devices.	PRC	5,573.90	7.29	0.85
FIH Mobile Ltd.	2038	Providing vertically integrated manufacturing services for the handset industry worldwide.	PRC	32,793.68	24.97	1.08
BYD Electronic International Co. Ltd.	285	Manufacture of handset components and modules; provision of design and assembly services for handsets.	PRC	26,497.68	23.49	2.19
				Maximum	**24.97**	**2.19**
				Minimum	**7.29**	**0.85**
				Average	**18.58**	**1.37**
The Company				7,438.04	14.83	2.14
The Consideration					5.49 *(Note 4)*	1.75 *(Note 5)*

Sources: website of the Stock Exchange and the latest published annual report of the respective companies

Notes:

1. Market capitalisation of the Comparable Companies and the Company are based on the closing share prices as at the Last Trading Day extracted from the website of the Stock Exchange.

2. P/E Ratios of the Comparable Companies and the Company are calculated by dividing the market capitalisation as at the Last Trading Day by the net profit attributable to the shareholders of the company for the most recent financial year, based on the exchange rate of RMB1=HK$1.251 and US$1=HK$7.75.

3. P/B Ratios of the Comparable Companies and the Company are calculated by dividing the market capitalisation as at the Last Trading Day by equity attributable to the shareholders of the company for the most recent financial year, based on the exchange rate of RMB1=HK$1.251 and US$1=HK$7.75.

4. Based on the loss of approximately HK$0.54 million of the Target Company for FY2014 and the 25% of the profit of attributable to owners of Tongda Electronic and the consolidated profit attributable to owners of Tongda (Xiamen) for FY2014 in aggregate of approximately HK$50.65 million, the Consideration represents a P/E Ratio of approximately 5.49 times.

5. The net asset value of the acquiring business is calculated as approximately HK$157.48 million, based on (i) 25% of the net asset value of the PRC Companies and their subsidiaries (after taking into account the consolidation adjustments) as at 31 December 2014; and (ii) the assets (other than the 25% investment in the PRC Companies) and liabilities of the Target Company (mainly comprising the TD Loan and the interest payable thereon) as at 31 December 2014. The Consideration represents a P/B Ratio of approximately 1.75 times.

(i) P/E Ratio

As shown in Table 6 above, the P/E Ratios of the Comparable Companies ranged from approximately 7.29 times to 24.97 times (the "**Comparable P/E Range**") with an average of 18.58 times. The P/E Ratio of the Company is 14.83 times and falls within the Comparable P/E Range and is lower than the average of the Comparable P/E Range.

The P/E Ratio of the Consideration of approximately 5.49 times is lower than both the Comparable P/E Range and the P/E Ratio of the Company, thus indicating that the Consideration is priced better than both the Comparable Companies in similar business and the Company in the open market.

(ii) P/B Ratio

As shown in Table 6 above, the P/B Ratios of the Comparable Companies ranged from approximately 0.85 times to 2.19 times (the "**Comparable P/B Range**") with an average of 1.37 times. The P/B Ratio of the Company is 2.14 times and falls within the Comparable P/B Range.

The P/B Ratio of the Consideration of approximately 1.75 times falls within the Comparable P/B Range and is lower than the P/B Ratio of the Company. It implied that it is priced within an acceptable range of the market for both Comparable Companies in similar business and the Company in the open market.

Having taken into account that (i) the P/E Ratio of the Consideration is lower than both the Comparable P/E Range and the P/E Ratio of the Company, and (ii) the P/B Ratio of the Consideration falls within the Comparable P/B Range and is lower than the P/B Ratio of the Company, we consider that the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

2. *Evaluation of the Issue Price of the Consideration Shares*

(i) Comparison of the Issue Price

As noted from the Letter from the Board, the Issue Price of HK$1.288 of the Consideration Shares was agreed between the Purchaser and the Vendor in the MOU which is equal to the average of the closing prices per Share of the five consecutive trading days immediately prior to the date of the MOU (i.e. 17 April 2015) and the Issue Price also represents:

(i) a discount of approximately 5.29% to the closing price of HK$1.36 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 28 April 2015), being the date of the Acquisition Agreement;

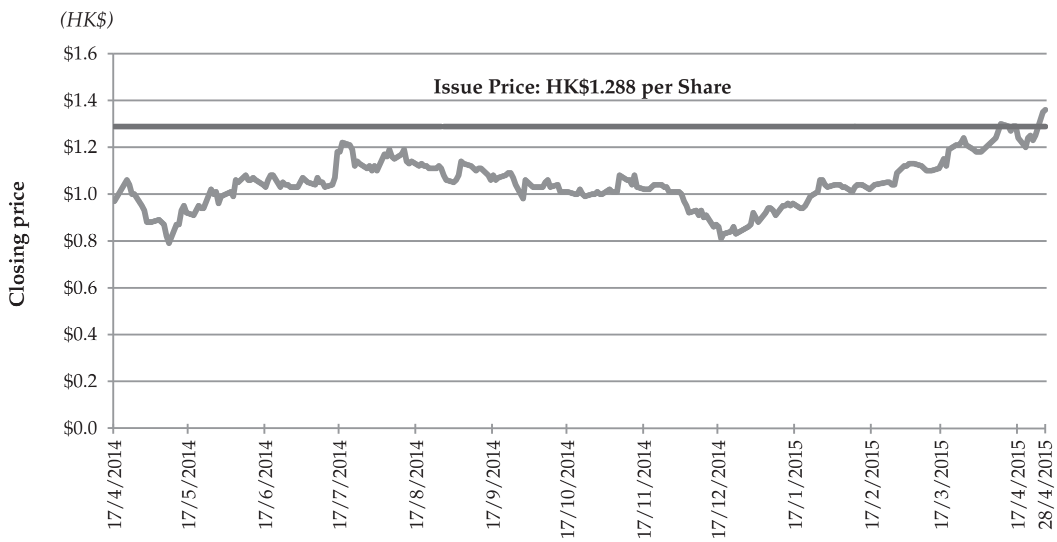
(ii) the average of the closing prices of approximately HK$1.288 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 1.42% over the average of the closing prices of approximately HK$1.27 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 195.15% over the net asset value per Share attributable to the Shareholders of approximately HK$0.66 as at 31 December 2014; and

(v) a discount of approximately 13.56% to the closing price of HK$1.49 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the closing price level of the Shares during the period from 17 April 2014 (being the 12 months period prior to the date of the MOU) to the date of the Acquisition Agreement, i.e. 28 April 2015 (the "**Review Period**"). The chart below illustrates the closing price level of Shares during the Review Period:



Source: website of the Stock Exchange (www.hkex.com.hk)

From the above chart, we note that the closing prices of the Shares have fluctuated during the Review Period. Since late 2014, there is an increasing trend of trading price of the Shares price and it reached its highest price on the date of announcing the Acquisition Agreement.

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK$1.36 (on 28 April 2015) and HK$0.79 (on 9 May 2014) respectively, with an average closing price of approximately HK$1.05 per Share.

Out of the 252 trading days of the Shares within the Review Period, only 6 trading days were with closing prices equal to or higher than the Issue Price, which were all recorded in the same month the Company entered into the MOU and the Agreement.

Having taken into account that (i) the Issue Price had been above or equal to the closing prices of the Shares during majority of the Review Period; (ii) the Issue Price represents a significant premium of approximately 22.67% over the average closing price of the Shares during the Review Period; and (iii) the Issue Price was already agreed at the time of entering into the MOU and was equal to the average of the closing prices per Share of the five consecutive trading days immediately prior to the date of the MOU, we consider that the Issue Price is at reasonable level based on the historical Share price movement.

(ii) Comparable transactions

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed acquisition transactions, including connected transactions, announced by companies listed on the Main Board of the Stock Exchange which involved the issuance of consideration shares (the "**Comparable Transactions**") during the period three months immediately prior to the date of the Acquisition Agreement. We note that the companies involved in the Comparable Transactions are not engaged in businesses similar to the principal business of the Company. However, the Comparable Transactions were transacted at the time close to the date of the MOU and the Acquisition Agreement under similar market conditions and investment sentiments, we are of the view that the Comparable Transactions, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, the Comparable Transactions can provide a general reference to the Independent Shareholders as they can reflect recent market trends of the terms involved in issuing shares as full or partial settlement of consideration for acquisitions.

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

Table 7: Comparable Transactions analysis

			Premium/(discount) of the issue price over/(to) the average closing price of		
Company name	**Stock code**	**Date of announcement**	**Last trading day**	**Last 5 trading days**	**Last 10 trading days**
Kiu Hung International Holdings Limited	381	3 February 2015	(18.52%)	1.85%	6.28%
Guocang Group Limited	559	4 February 2015	(19.10%)	(14.89%)	(4.64%)
Enterprise Development Holdings Limited	1808	16 February 2015	(15.03%)	(13.56%)	(11.38%)
Chinlink International Holdings Limited	997	18 February 2015	0.50%	0.30%	0.00%
China Fire Safety Enterprise Group Limited	445	27 February 2015	(40.30%)	(39.39%)	(38.46%)
China Household Holdings Limited	692	3 March 2015	3.77%	(16.16%)	(20.86%)
Pegasus Entertainment Holdings Limited	1326	6 March 2015	(3.80%)	(5.69%)	(7.01%)

Company name	Stock code	Date of announcement	Premium/(discount) of the issue price over/(to) the average closing price of Last trading day	Last 5 trading days	Last 10 trading days
Madex International (Holdings) Limited	231	10 March 2015	(9.91%)	(9.34%)	(10.71%)
Highlight China IoT International Limited	1682	25 March 2015	(30.17%)	(15.84%)	(12.50%)
Lerado Group (Holding) Company Limited	1225	31 March 2015	(12.28%)	(16.94%)	(19.22%)
China Precious Metal Resources Holdings Co., Ltd	1194	1 April 2015	26.67%	24.18%	34.75%
North Asia Resources Holdings Limited	61	2 April 2015	0.00%	0.59%	3.03%
Hoifu Energy Group Limited	7	10 April 2015	17.90%	17.04%	14.68%
Heritage International Holdings Limited	412	10 April 2015	(46.00%)	(19.00%)	1.50%
Century Sage Scientific Holdings Limited	1450	14 April 2015	(15.97%)	(7.83%)	4.55%
Alibaba Health Information Technology Limited	241	15 April 2015	(22.10%)	(13.30%)	(10.80%)
Greater China Holdings Limited	431	15 April 2015	(20.15%)	(21.31%)	(8.96%)
SMI Culture Group Holdings Limited	2366	17 April 2015	1.69%	(1.96%)	5.82%
Yuan Heng Gas Holdings Limited	332	21 April 2015	0.00%	(1.67%)	(6.10%)
PetroAsian Energy Holdings Limited	850	24 April 2015	29.60%	25.58%	25.58%
Guocang Group Limited	559	26 April 2015	(10.11%)	(2.68%)	(0.87%)
Karrie International Holdings Limited	1050	27 April 2015	19.23%	19.54%	20.78%
China Mining Resources Group Limited	340	27 April 2015	(50.70%)	(50.50%)	(50.00%)
		Maximum	29.60%	25.58%	34.75%
		Minimum	(50.70%)	(50.50%)	(50.00%)
		Average	(9.34%)	(7.00%)	(3.68%)
		Issue Price	(5.29%)	0.00%	1.42%

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

As illustrated in Table 7 above, the issue prices of the Comparable Transactions ranged widely (i) from a discount of approximately 50.70% to a premium of approximately 29.60% to/over the closing price of the last trading day with an average discount of approximately 9.34%; (ii) from a discount of approximately 50.50% to a premium of approximately 25.58% to/over the average closing price of the last 5 trading days with an average discount of approximately 7.00%; and (iii) from a discount of approximately 50.00% to a premium of approximately 34.75% to/over the average closing price of the last 10 trading days with an average discount of approximately 3.68%.

We note that the Issue Price represents a discount of approximately 5.29% to the closing price of the Shares on the Last Trading Day, an average to the average closing price of the Shares on last five consecutive trading days and a premium of approximately 1.42% over the average closing price of the Shares on last ten consecutive trading days. The Issue Price falls within the range of the discount/premium of the issue prices in the Comparable Transactions at each of the last trading day, last five trading days and the last ten trading days (jointly, the "**Comparison Days**") and is priced higher than the average of all the Comparison Days.

Also as noted from Table 7 above, out of the 23 Comparable Transactions identified, 14 Comparable Transactions were issued at a discount when compared to the closing price at the last trading day, ranging from a discount of 3.80% to 50.7% (the "**Discount Range**"), the issue of consideration shares at discount compared to the prevailing trading price is not exceptional in the market.

Since the Issue Price (i) falls within the discount/premium of the Comparable Transactions in the Comparable Days; (ii) represents a discount of approximately 5.29% to the closing price of Shares on the Last Trading Day, which is already the highest price during the Review Period; and (iii) is at the lower end of the Discount Range in the market, we consider that the Issue Price is reasonable compared to those in the Comparable Transactions.

3. Analysis on the Issue Price in comparison with the closing price level of the Shares during the Review Period and the Comparable Transactions

Having taken into account that (i) the profitable track record and strong customer base of the PRC Group, and the optimistic business environment, the future prospect of the PRC Group is promising; (ii) both the P/E Ratio and the P/B Ratio of the Consideration indicate that the Consideration determined is reasonable compared to the Comparable Companies in similar business and the Company in the open market; (iii) the Issue Price was at a substantial premium over the net asset value per Share attributable to the Shareholders as at 31 December 2014; and (iv) the above comparisons of the Issue Price with historical price movement of the Shares and the Comparable Transactions, we consider that the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IV. Dilution effect on shareholding of the existing public Shareholders

The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) immediately after the issue of the Consideration Shares is set out in the Letter from the Board in the Circular. As noted from the Letter from the Board, shareholding of public Shareholders will decrease slightly by 1.59% (from approximately 47.17% to approximately 45.58%) immediately after Completion. Although the shareholding interest of the existing public Shareholders will be diluted, having considered, (i) the benefits of the Acquisition attributable to the Group as mentioned previously under the section headed "Background and reasons for the Acquisition"; (ii) the Consideration is fair and reasonable and will be mainly settled by way of issuing Consideration Shares which enables the Group to retain a higher level of cash resources for general working capital; (iii) other methods of financing the Acquisition such as external loan financing will incur finance cost, and will lower future profitability of the Group; (iv) the Consideration for the Acquisition represents a lower P/E Ratio than the Comparable Companies and the P/B Ratio falls within the Comparable P/B Range; (v) the Consideration represents a lower P/E Ratio and P/B Ratio than that of the Company; and (vi) the lock up arrangement prevents the Consideration Shares being sold in the market in short term, we consider that the dilution effects on shareholding of the existing public Shareholders to be acceptable.

V. Possible financial effects of the Acquisition

1. Net asset value

The financial results of Tongda (Xiamen) and Tongda Electronic have been consolidated in the Group before Completion with the Company's indirect interest of 75% only. Upon Completion, the Target Company, Tongda (Xiamen) and Tongda Electronic, will become wholly-owned subsidiaries of the Group, and their financial results will be fully consolidated with that of the Group. As to the three non-wholly owned subsidiaries of Tongda (Xiamen), namely Tongda (Xiamen) Communication Co. Ltd., Nanan Zhangda Electronic Circuits Co. Ltd. and Taiwan Tongda Communication Co. Ltd., since they are currently non-wholly owned subsidiaries of the Company, their financial results have already been consolidated into the Group and will continue to be consolidated into the Group after Completion, with the Company's indirect equity interests in these subsidiaries increasing from 60% to 80% immediately upon Completion.

As advised by the Company, the equity attributable to owners of the Company is expected to increase by approximately HK$127.12 million upon Completion, after taking into account (i) the increase in the Group's 25% interests of the net asset value of the PRC Companies and the attributable interest in Tongda (Xiamen)'s subsidiaries; (ii) the consolidation of the assets and liabilities of the Target Company; and (iii) the cash payment of the cash consideration.

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

2. *Earnings*

According to the 2014 Annual Report, the revenue of the Group amounted to approximately HK$4.79 billion. As the income of the PRC Companies had already been consolidated to the income statement of the Group, and that the Target Company has no material business operation and minimal administrative cost, the Acquisition is expected to have no material impact on the future earnings of the Group. However, profit (or loss) attributable to the owners of the Company is expected to increase upon Completion.

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

3. *Working capital*

According to the Letter from the Board, part of the Consideration, in an amount of HK$30,357,000, will be settled in cash through internal resources. According to the 2014 Annual Report, the Group has cash and cash equivalent of approximately HK$360.16 million as at 31 December 2014 which is sufficient to settle the said cash consideration of the Acquisition. Accordingly, the Company considers that it will not affect the normal operations of the Group.

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

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Acquisition Agreement and transactions contemplated thereunder (including the allotment and issue of the Consideration Shares) are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Teresa Tsang
Director

Ms. Teresa Tsang is a licensed person registered with the SFC and as a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over nine years of experience in the corporate finance industry.

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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV to the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of SFO); or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") are as follows.

Interests in the ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficially owned	Through controlled corporation	Notes	Total	Percentage of the Company's issued share capital
Mr. Wang Ya Nan	269,570,000	2,296,490,000	1, 2	2,566,060,000	46.92
Mr. Wang Ya Hua	55,720,000	2,000,490,000	1	2,056,210,000	37.60
Mr. Wong Ah Yeung	67,800,000	2,000,490,000	1	2,068,290,000	37.82
Mr. Wong Ah Yu	60,960,000	2,000,490,000	1	2,061,450,000	37.69
Mr. Wang Ming Che	16,000,000	–		16,000,000	0.29
Mr. Choi Wai Sang	24,750,000	78,750,000	3	103,500,000	1.89
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	6,030,000	–		6,030,000	0.11
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	5,950,000	–		5,950,000	0.11
Mr. Ting Leung Huel Stephen	7,450,000	–		7,450,000	0.14

Interests in share options of the Company:

Name of director	**Number of share options directly beneficially owned**
Mr. Wang Ya Nan	35,500,000
Mr. Wang Ya Hua	35,500,000
Mr. Wong Ah Yeung	35,500,000
Mr. Wong Ah Yu	35,500,000
Mr. Wang Ming Che	3,000,000
Mr. Choi Wai Sang	8,000,000
Dr. Yu Sun Say, *GBM, GBS, SBS, JP*	2,700,000
Mr. Cheung Wah Fung, Christopher, *SBS, JP*	3,000,000
Mr. Ting Leung Huel Stephen	3,000,000
	161,700,000

Notes:

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

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.

3. These shares are held by Faye Limited, the entire issued share capital of which is held and beneficially owned by Mr. Choi Wai Sang.

Save as disclosed above, as at 31 December 2014, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at the Latest Practicable Date, none of the Directors holds any directorship or employment in a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DISCLOSURE OF OTHER INTERESTS

(i) Interests in contract or arrangement

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

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up.

(iii) Interests in competing business

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. EXPERT

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

Name	Qualifications
INCU	A licensed corporation permitted to carry on type 6 (advising on corporate finance) regulated activity under the SFO

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

As of the Latest Practicable Date, INCU did not have any direct or indirect interest in any assets which had since 31 December 2014 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

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

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014 being the date to which the latest published audited financial statements of the Group was made up.

7. MISCELLANEOUS

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the principal place of business of the Company in Hong Kong at Room 1201-03, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

(a) the Acquisition Agreement;

(b) the letter from the Independent Board Committee, the text of which is set out on pages 18 and 19 in this circular;

(c) the letter of advice from INCU to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 46 in this circular;

(d) the written consent referred to in the appendix to this circular; and

(e) this circular.

TONGDA GROUP

TONGDA GROUP HOLDINGS LIMITED

通達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 698)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Tongda Group Holdings Limited (the "**Company**") will be held at Room 298, 2nd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Friday, 3 July 2015 at 11:00 a.m. to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the conditional sale and purchase agreement dated 28 April 2015 (the "**Acquisition Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "**A**") entered into between Mr. Hui Wai Man as vendor (the "**Vendor**") and Tongda (Xiamen) Company Limited as purchaser in relation to the acquisition of the entire issued share capital of Grand Prosper Investments Limited for an aggregate consideration of HK$275,077,000 (the "**Consideration**") and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of 190,000,000 new shares (the "**Consideration Shares**") of HK$0.01 each in the share capital of the Company, credited as fully paid, at the issue price of HK$1.288 per Consideration Share to the Vendor (or his nominee(s)) pursuant to the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder be and is hereby approved; and

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

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

Hong Kong, 15 June 2015

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

Head office and principal place of business in Hong Kong:
Room 1201-03, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Notes:

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

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

3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof (as the case may be).

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

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

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