

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 Hong Tai 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 manager, licensed securities dealer, registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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



通達宏泰
TONGDA HONG TAI
TONGDA HONG TAI HOLDINGS LIMITED
通達宏泰控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2363)

- (1) PROPOSED OPEN OFFER ON THE BASIS OF
ONE OFFER SHARE FOR EVERY ONE SHARE
HELD ON THE RECORD DATE;**
**(2) CONNECTED TRANSACTIONS IN RELATION TO
THE UNDERWRITING AGREEMENT AND
SET OFF OF SHAREHOLDER'S LOANS;**
**(3) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEAL; AND**
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Terms in this cover page have the same meanings as defined in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 77 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 40 to 41 of this circular.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 13 to 14 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

A notice convening the EGM to be held at Strategic Financial Relations Limited, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 11 November 2020 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend 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 branch share registrar of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (i.e. Monday, 9 November 2020 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

Please see the section headed "Precautionary Measures for the EGM" in this circular for measures being taken to try to prevent and control the spread of the COVID-19 Pandemic at the EGM.

23 October 2020

PRECAUTIONARY MEASURES FOR THE EGM

Reference is made to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the EGM.

VOTING BY PROXY IN ADVANCE OF THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 Pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

PREVENTIVE MEASURES AT THE EGM

The Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;
- (ii) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (iii) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;
- (iv) seating at the EGM will be arranged in a manner to allow for appropriate social distancing; and
- (v) no refreshments will be served and there will be no corporate gifts.

PRECAUTIONARY MEASURES FOR THE EGM

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of the COVID-19 Pandemic, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 Pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 Pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

CONTENTS

	<i>Page</i>
Definitions	1
Expected Timetable	10
Termination of the Underwriting Agreement	13
Letter from the Board	15
Letter from the Independent Board Committee	40
Letter from Maxa Capital	42
Appendix I — Financial Information	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — General Information	III-1
Notice of EGM	EGM-1

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcement”	the announcement of the Company dated 24 August 2020 in relation to, among other things, the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal
“Application Form(s)”	the form(s) of application to be issued to the Qualifying Shareholders to apply for the Offer Shares for their assured entitlement under the Open Offer
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“ChinaClear”	China Securities Depository and Clearing Corporation Limited
“Company”	Tongda Hong Tai 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: 2363)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Covid-19 Pandemic”	the Coronavirus (Covid-19) pandemic
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“First Loan Agreement”	the loan agreement dated 10 June 2020 and entered into between Mr. Wang and the Company in relation to the First Shareholder’s Loan
“First Shareholder’s Loan”	the shareholder’s loan in the principal amount of HK\$17,000,000 advanced by Mr. Wang to the Company at the interest rate of 2% per annum for the period from 10 June 2020 to 9 June 2021 pursuant to the First Loan Agreement
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all independent non-executive Directors, which has been established by the Board for the purpose of advising the Independent Shareholders on the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal and as to voting
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal and as to voting

DEFINITIONS

“Independent Shareholders”	Shareholders other than (i) Landmark Worldwide and the parties acting in concert with it; (ii) any Shareholders who are involved in or interested in the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal; and (iii) those Shareholders who have a material interest in the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal different from other Shareholders, including but not limited to those Directors who have a personal interest in the Shares (namely, Mr. Wong Ah Yu and Mr. Wang), who shall be required under the Listing Rules and/or the Takeovers Code to abstain from voting on the resolutions to approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal at the EGM
“Independent Third Parties”	person(s) who is/are independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Landmark Undertaking”	the irrevocable undertaking given by Landmark Worldwide in favour of the Company pursuant to the Underwriting Agreement
“Landmark Worldwide” or “Underwriter”	Landmark Worldwide Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a substantial shareholder of the Company and the underwriter to the Open Offer pursuant to the Underwriting Agreement
“Last Trading Day”	24 August 2020, being the last trading day of the Shares immediately prior to the release of the Announcement
“Latest Lodging Time”	4:00 p.m. on Monday, 16 November 2020 or such other date and/or time as the Underwriter and the Company may agree as the latest time for lodging transfer of Shares in order to qualify for the Open Offer
“Latest Practicable Date”	20 October 2020, being the latest practicable date prior to the despatch of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Monday, 7 December 2020 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on 11 December 2020 or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	collectively, the First Loan Agreement, the Second Loan Agreement and the Third Loan Agreement
“Mr. Wang”	Mr. Wang Ya Nan, being a non-executive Director, a substantial shareholder of the Company and a party acting in concert with Landmark Worldwide
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Offer Shares (whether partially or fully) in their assured entitlements, or Prohibited Shareholders (as the case may be)
“Offer Share(s)”	189,115,638 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed issue of the Offer Shares by way of open offer at the Subscription Price to be made by the Company to the Qualifying Shareholders on the basis of one Offer Share for every one Share held on the Record Date in accordance with the terms and conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer

DEFINITIONS

“Overseas Shareholders(s)”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“Placing Agent”	Sinomax Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 24 August 2020 (as amended by the Supplemental Placing Agreement) and entered into between the Company and the Placing Agent in respect of the Unsubscribed Arrangements, pursuant to which the Placing Agent has agreed to procure places on a best effort basis to subscribe for the Unsubscribed Shares
“Placing End Date”	10 December 2020, or such other date as may be agreed between the Company and the Placing Agent as the latest date for acceptance of, and payment for, the Unsubscribed Shares under the Placing Agreement
“Placing Period”	the period from 9 December 2020 up to 4:00 p.m. on 10 December 2020, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements
“Placing Price”	the placing price of HK\$0.325 per Unsubscribed Share
“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 Southbound Trading Investors”	the PRC investors who hold the shares of Hong Kong listed companies through ChinaClear as nominee under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect
“Prohibited Shareholders”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them

DEFINITIONS

“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form to be used by the Qualifying Shareholders to apply for the Offer Shares
“Prospectus Posting Date”	23 November 2020 or such other date as may be agreed in writing between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Prohibited Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	20 November 2020 or such other date as may be agreed between the Company and the Underwriter, being the date by reference to which entitlements to the Open Offer are to be determined
“Registrar”	Union Registrars Limited of Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, being the Company’s branch share registrar and transfer office in Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Second Loan Agreement”	the loan agreement dated 2 July 2020 and entered into between Mr. Wang and the Company in relation to the Second Shareholder’s Loan
“Second Shareholder’s Loan”	the shareholder’s loan in the principal amount of HK\$17,000,000 advanced by Mr. Wang to the Company at the interest rate of 2% per annum for the period from 2 July 2020 to 1 July 2021 pursuant to the Second Loan Agreement
“Set Off”	the set off of the Subscription Price against the Shareholder’s Loans for the Offer Shares to which Landmark Worldwide and its associates are entitled under the Open Offer and the Underwritten Shares
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“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)
“Shareholder’s Loans”	collectively, the First Shareholder’s Loan, the Second Shareholder’s Loan and the Third Shareholder’s Loan
“Special Deal”	the special deal under Note 5 to Rule 25 of the Takeovers Code in relation to the Set Off of the Subscription Price against the Shareholder’s Loans for the Offer Shares to which Landmark Worldwide and its associates are entitled under the Open Offer and the Underwritten Shares
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.325 per Offer Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Placing Agreement”	the supplemental placing agreement dated 7 September 2020 and entered into between the Company and the Placing Agent in respect of the revised placing commission for the Unsubscribed Arrangements
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Loan Agreement”	the loan agreement dated 13 July 2020 and entered into between Mr. Wang and the Company in relation to the Third Shareholder’s Loan

DEFINITIONS

“Third Shareholder’s Loan”	the shareholder’s loan in the principal amount of HK\$11,000,000 advanced by Mr. Wang to the Company at the interest rate of 2% per annum for the period from 13 July 2020 to 12 July 2021 pursuant to the Third Loan Agreement
“Tongda”	Tongda Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 698)
“Tongda Shishi”	Tongda Electrics Company Limited, Shishi City Fujian Province (福建省石獅市通達電器有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Tongda
“Tongda Suzhou”	Tongda HT Technology (Suzhou) Company Limited (通達宏泰科技(蘇州)有限公司), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of the Company
“Underwriting Agreement”	the underwriting agreement dated 24 August 2020 and entered into between the Company and the Underwriter in relation to, among others, the Open Offer
“Underwritten Shares”	the total number of Offer Shares which Shareholders are entitled pursuant to the Open Offer less the Offer Shares which Landmark Worldwide has undertaken to subscribe under the Landmark Undertaking in accordance with the Underwriting Agreement
“Unsubscribed Arrangements”	arrangements to place the Unsubscribed Shares by the Placing Agent on a best effort basis to investors who (or as the case maybe, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties pursuant to Rule 7.26A(1)(b) of the Listing Rules
“Unsubscribed Share(s)”	Offer Shares that are not subscribed by the Qualifying Shareholders and Offer Shares which would otherwise have been allotted to the Prohibited Shareholders (as the case may be)

DEFINITIONS

“Untaken Offer Shares”	all such Unsubscribed Shares that have not been placed by the Placing Agent or they have been placed but the placees have not paid for at 4:00 p.m. on the Placing End Date
“Whitewash Waiver”	a waiver in respect of the obligation of Landmark Worldwide to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by Landmark Worldwide and the parties acting in concert with it as a result of the underwriting of the Offer Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

* *For identification purpose only*

EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only and has been prepared on the assumption that the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	Time and Date
	2020
Despatch date of the Company's circular, proxy form and notice of EGM	Friday, 23 October
Latest time for lodging transfer of Shares in order to qualify for attendance and voting at the EGM	4:00 p.m. on Thursday, 5 November
Register of members of the Company closed for EGM (both days inclusive)	Friday, 6 November to Wednesday, 11 November
Latest time for lodging proxy forms for the EGM	10:00 a.m. on Monday, 9 November
Record date for determining attendance and voting at the EGM	Wednesday, 11 November
EGM	10:00 a.m. on Wednesday, 11 November
Announcement of results of EGM to be published on the Stock Exchange website	Wednesday, 11 November
Register of members of the Company re-opens	Thursday, 12 November
Last day of dealings in Shares on a cum-entitlement basis	Thursday, 12 November
First day of dealings in Shares on an ex-entitlement basis	Friday, 13 November
Latest Lodging Time	4:00 p.m. on Monday, 16 November

EXPECTED TIMETABLE

Register of members of the Company closed for Open Offer (both days inclusive)	Tuesday, 17 November to Friday, 20 November
Record Date	Friday, 20 November
Register of members of the Company re-opens	Monday, 23 November
Despatch of the Prospectus Documents (in case of the Prohibited Shareholders, the Prospectus only) . .	Monday, 23 November
Latest Time for Acceptance	4:00 p.m. on Monday, 7 December
Announcement of the number of the Unsubscribed Shares subject to the Unsubscribed Arrangements	Tuesday, 8 December
Commencement of placing of the Unsubscribed Shares subject to the Unsubscribed Arrangements	Wednesday, 9 December
Placing End Date for placing the Unsubscribed Shares	4:00 p.m. on Thursday, 10 December
Latest Time for Termination	4:00 p.m. on Friday, 11 December
Announcement of results of acceptance of the Offer Shares to be published on the Stock Exchange	On or before Monday, 14 December
Despatch of share certificates and refund cheques (if applicable) for Offer Shares	On or before Tuesday, 15 December
Dealings in Offer Shares commence	9:00 a.m. on Wednesday, 16 December

All times stated above refer to Hong Kong times.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning, or
- extreme conditions caused by super typhoons,

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 7 December 2020. Instead, the Latest Time for Acceptance will be rescheduled to 12:00 noon on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates mentioned above may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Announcement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Open Offer,

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

The Underwriting Agreement further contains provisions that the Underwriter may terminate its commitment under the Underwriting Agreement if prior to the Latest Time for Termination, there is:

- (a) any material breach of any of the representations, warranties or undertakings under the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Open Offer will not proceed.



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

Executive Directors:

Mr. Wong Ming Li
Mr. Wong Ah Yu
Mr. Wang Ming Zhi

Registered office:

Cricket Square
Hutchins Drive PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Mr. Wang Ya Nan (*Chairman*)

Principal place of business

in Hong Kong:

Room 1203, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Independent non-executive Directors:

Ms. Leung Pik Kwan
Mr. Sun Wai Hong
Mr. Wu Kin San Alfred

23 October 2020

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED OPEN OFFER ON THE BASIS OF
ONE OFFER SHARE FOR EVERY ONE SHARE
HELD ON THE RECORD DATE;**
- (2) CONNECTED TRANSACTIONS IN RELATION TO
THE UNDERWRITING AGREEMENT AND
SET OFF OF SHAREHOLDER'S LOANS;**
- (3) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEAL; AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement and the announcements of the Company dated 7 September 2020 and 8 September 2020 in relation to, among other matters, the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with among other things, details of (i) the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal; (ii) the recommendation of the Independent Board Committee in relation to the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal; and (iv) a notice convening the EGM.

PROPOSED OPEN OFFER

The Board proposes to raise approximately HK\$61.5 million before expenses, by way of Open Offer of 189,115,638 Offer Shares at the Subscription Price of HK\$0.325 per Offer Share on the basis of one Offer Share for every one Share held on the Record Date and payable in full on acceptance. Landmark Worldwide, a substantial shareholder, beneficially holding 35,712,250 Shares, representing approximately 18.88% of the issued share capital of the Company as at the Latest Practicable Date, has conditionally agreed to fully underwrite all the Untaken Offer Shares, on the terms and conditions set out in the Underwriting Agreement.

The Board had considered (i) the estimated funding requirements of the Group and the Subscription Price; and (ii) such offer ratio to minimise any fractional entitlement under the Open Offer, in setting the open offer ratio.

Issue statistics

Basis of the Open Offer:	One Offer Share for every one Share held on the Record Date
Subscription Price:	HK\$0.325 per Offer Share
Number of Shares in issue:	189,115,638 Shares as at the Latest Practicable Date
Number of Offer Shares:	189,115,638 Offer Shares
Number of Offer Shares undertaken to be taken up by Landmark Worldwide:	Pursuant to the Landmark Undertaking, Landmark Worldwide has irrevocably undertaken to the Company that (i) the 35,712,250 Shares registered in the name of and beneficially owned by Landmark Worldwide will remain registered in the name of and beneficially owned by Landmark Worldwide before the date when the announcement of the results of the Open Offer is published; (ii) Landmark Worldwide will accept its entitlements under the Open Offer for an aggregate of 35,712,250 Offer Shares; and (iii) Landmark Worldwide will lodge the Application Form in respect of its assured entitlements accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

LETTER FROM THE BOARD

Number of Offer Shares underwritten by the Underwriter: 153,403,388 Offer Shares, being the total number of the Offer Shares less the number of the Offer Shares to be taken up by Landmark Worldwide under the Landmark Undertaking. The Open Offer (other than the Offer Shares undertaken to be taken up by Landmark Worldwide under the Landmark Undertaking) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

Subscription Price

The Subscription Price is HK\$0.325 per Share, payable in full on application. The subscription price represents:

- (i) a discount of approximately 13.33% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.14% to the theoretical ex-entitlement price of HK\$0.35 per Share based on the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 13.79% to the average closing price of HK\$0.377 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 15.14% to the average closing price of HK\$0.383 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 42.98% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 79.44% to the audited consolidated net asset value per Share of approximately HK\$1.581 (based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$299,061,000 and 189,115,638 Shares in issue as at 31 December 2019); and
- (vii) a discount of approximately 77.22% to the unaudited consolidated net asset value per Share of approximately HK\$1.427 (based on the latest published unaudited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$269,919,000 and 189,115,638 Shares in issue as at 30 June 2020).

LETTER FROM THE BOARD

The net Subscription Price per Offer Share (after deducting the relevant expenses) will be approximately HK\$0.306 per Offer Share.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the prevailing market price of the Shares; (ii) the prevailing market conditions; (iii) the Group's current financial position; (iv) the uncertain impact of the Covid-19 Pandemic on the business of the Group in the foreseeable future; and (v) the funding and working capital needs of the Group, including but not limited to the repayment of the Shareholder's Loans as set out in the paragraph headed "Reasons for the Open Offer and Use of Proceeds" below.

As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer. Taking into account that the Subscription Price represents (i) a discount of approximately 15.14% to the average closing price of HK\$0.383 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; (ii) a discount of approximately 42.98% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (iii) a discount of approximately 79.44% to the audited consolidated net asset value per Share of approximately HK\$1.581 as at 31 December 2019, the Directors considered that the Subscription Price had been set at a reasonable discount for the Shareholders who wish to participate in the Open Offer.

In view of the above, the Directors (excluding the independent non-executive Directors whose opinion is set forth in the Letter from the Independent Board Committee in this circular and excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it) consider that the determination of the Subscription Price is appropriate.

Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors after taking into consideration of the advice of the Independent Financial Adviser, but excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

LETTER FROM THE BOARD

Qualifying Shareholders and PRC Southbound Trading Investors

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to Qualifying Shareholders; and (ii) the Prospectus with the Overseas Letter, for information only, to the Prohibited Shareholders.

To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Record Date and must not be a Prohibited Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificate(s)) with the Registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than the Latest Lodging Time.

The PRC Southbound Trading Investors may participate in the Open Offer through ChinaClear. ChinaClear will provide nominee services for the PRC Southbound Trading Investors to subscribe for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Open Offer in accordance with the relevant laws and regulations.

Rights of Overseas Shareholders and Prohibited Shareholders

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than in Hong Kong.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries as to whether the issue of Offer Shares to the Overseas Shareholder may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders. The Offer Shares which would otherwise have been in the assured allotments of the Prohibited Shareholders will, if possible, be placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties and, if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement. The Company will disclose the results of the enquiry in the circular and/or the Prospectus regarding the legal restrictions on the issue and allotment of Offer Shares to the Overseas Shareholders.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were two Shareholders with registered addresses outside Hong Kong, namely in the PRC and the Philippines. Based on the legal opinions obtained by the Company, there is no restriction under the applicable laws of the relevant jurisdiction or requirements of the relevant regulatory body or stock exchange for Shareholders with registered addresses in the PRC and the Philippines to receive Shares under the Open Offer. Accordingly, Shareholders with registered addresses in the PRC and the Philippines will be entitled to receive Shares under the Open Offer.

The Prohibited Shareholders, so long as he/she/it is an Independent Shareholder, will be entitled to vote at the EGM to consider and, if thought fit, for the resolution(s) approving the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal.

Closure of register of members

The register of members of the Company will be closed from Friday, 6 November 2020 to Wednesday, 11 November 2020, both days inclusive, to determine the eligibility of the Shareholders to attend and vote at the EGM. No transfer of Shares will be registered during this period.

The register of members of the Company will be closed from Tuesday, 17 November 2020 to Friday, 20 November 2020, both days inclusive, to determine the entitlements to the Open Offer. No transfer of Shares will be registered during this period.

Fractions of Offer Shares

On the basis of one Offer Share for every one Share held on the Record Date, no fractional entitlement will arise under the Open Offer. No entitlements of the Prohibited Shareholders to the Offer Shares will be issued to the Prohibited Shareholders. The Prohibited Shareholders (which are excluded from the Open Offer) would not have any entitlement under the Open Offer. Such Offer Shares will form part of the Unsubscribed Shares and if possible be placed by the Placing Agent under the Unsubscribed Arrangements to independent placees, and if not successfully placed out, will become Untaken Offer Shares and be taken up by the Underwriter in accordance with the terms set out in the Underwriting Agreement. No odd lot matching services will be provided by the Company in respect of the Offer Shares.

Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements

Pursuant to Rule 7.26A(2) of the Listing Rules, as Landmark Worldwide, being a substantial shareholder, shall act as the underwriter of the Open Offer, the Company must make arrangements as stipulated in Rule 7.26A(1)(b) of the Listing Rules to dispose of any Unsubscribed Shares not validly applied for by the No Action Shareholders by offering such Unsubscribed Shares to independent placees for the benefit of those Shareholders.

LETTER FROM THE BOARD

Any Unsubscribed Shares (which comprise (i) Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (ii) Offer Shares which would otherwise have been in the assured allotments of the Prohibited Shareholders) will be first placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties, and if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

In order to comply with the Listing Rules, the Company has entered into the Placing Agreement and the Supplemental Placing Agreement with the Placing Agent to place the Unsubscribed Shares at the Placing Price. Any unplaced Unsubscribed Shares will then be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Principal terms of the Placing Agreement are summarised below:

Date: 24 August 2020

Placing Agent: Sinomax Securities Limited

As at the Latest Practicable Date, (i) the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties; and (ii) the Placing Agent and its ultimate beneficial owner(s) are independent from the Underwriter and parties acting in concert with it

Placing commission: The Company shall pay the Placing Agent a placing commission, being the higher of HK\$300,000 and 2% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Shares which are successfully placed by the Placing Agent

Placing Price: HK\$0.325 per Unsubscribed Share

Placing Period: The period from Wednesday, 9 December 2020 up to 4:00 p.m. on Thursday, 10 December 2020, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements

Places: The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties

LETTER FROM THE BOARD

Condition precedent: The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional (save for the condition that the Placing Agreement has become unconditional)

The Placing Agent shall, on a best efforts basis during the Placing Period, seek to procure placees who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) to subscribe for the Unsubscribed Shares.

As the Placing Price is the same as the Subscription Price, no premium over the Subscription Price is expected and no monetary benefits will be payable to the No Action Shareholders.

Although the Unsubscribed Arrangements will not offer any monetary benefits to the No Action Shareholders, the Company considers that it still provides a compensatory arrangement and benefits to the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole given that: (i) the Unsubscribed Arrangements facilitate the implementation of the Open Offer, which in turn will satisfy the funding needs and improve the financial position of the Group; (ii) the Open Offer is the most appropriate method to raise the necessary funding for the Group taking into account the benefits and cost of the alternative fund raising methods, details of which are set out in the paragraph headed "Reasons for the Open Offer and Use of Proceeds" in this circular; and (iii) under the Unsubscribed Arrangements, the Unsubscribed Shares will be first placed by the Placing Agent to independent placees with proceeds accrued to the Company before any unplaced Unsubscribed Shares will then be taken up by the Underwriter. Hence, this could potentially increase the shareholder base of the Company and may enhance the liquidity of the Shares, which will be beneficial to the No Action Shareholders.

The Underwriter confirms that it and parties acting in concert with it will not be involved in screening and selecting of placees in relation to the Unsubscribed Shares.

The Placing Agent confirms that it is an Independent Third Party, and that there is no other arrangement, agreement, understanding or undertaking with the Underwriter in relation to the Shares. The terms of the Placing Agreement, including the placing commission, were determined after arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 7.26A(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

Application for listing

The Company shall make an application to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares on or before Tuesday, 15 December 2020 by ordinary post at their own risk. If the Open Offer is terminated, refund cheques in respect of the applications for Offer Shares are expected to be posted on or before Tuesday, 15 December 2020 by ordinary post to the applicants at their own risk.

UNDERWRITING ARRANGEMENT

The Landmark Undertaking

Pursuant to the Landmark Undertaking, Landmark Worldwide has irrevocably undertaken to the Company that (i) the 35,712,250 Shares registered in the name of and beneficially owned by Landmark Worldwide will remain registered in the name of and beneficially owned by Landmark Worldwide before the date when the announcement of the results of the Open Offer is published; (ii) Landmark Worldwide will accept its entitlements under the Open Offer for an aggregate of 35,712,250 Offer Shares; and (iii) Landmark Worldwide will lodge the Application Form in respect of its assured entitlements accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

LETTER FROM THE BOARD

Save for the undertakings as disclosed above, the Board has not received any information or irrevocable undertakings from any substantial shareholders of their intention to take up the securities of the Company to be offered to them under the Open Offer.

Underwriting Agreement

Date: 24 August 2020

Underwriter: Landmark Worldwide

Landmark Worldwide is an investment holding company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua

Landmark Worldwide, a substantial shareholder, beneficially holding 35,712,250 Shares, representing approximately 18.88% of the issued share capital of the Company as at the Latest Practicable Date

Number of Offer Shares underwritten: Pursuant to the Underwriting Agreement, Landmark Worldwide as the underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up under the Landmark Undertaking) which have not been taken up by the Qualifying Shareholders and which have not been placed out by the Placing Agent under the Unsubscribed Arrangements. Accordingly, the Open Offer is fully underwritten

Commission: Nil

Conditions of the Open Offer

The Open Offer is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM of ordinary resolutions to approve the Open Offer, the Set Off, the Underwriting Agreement, the Special Deal and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the EGM by way of poll), and the Whitewash Waiver (at least 75% of the Independent Shareholders at the EGM by way of poll), in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the CWUMPO not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (e) the Executive granting the Whitewash Waiver to Landmark Worldwide and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (f) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (g) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

The conditions set out above are incapable of being waived. If the conditions above are not satisfied by the Latest Time for Termination or such other date or dates as the Company and the Underwriter may agree in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, save for condition (g), none of the above conditions had been fulfilled.

INFORMATION ON THE PARTIES

The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories.

LETTER FROM THE BOARD

Information on the Underwriter

Landmark Worldwide, being the Underwriter, is an investment holding company incorporated in the British Virgin Islands with limited liability. It directly holds 35,712,250 Shares as at the Latest Practicable Date and is a substantial shareholder of the Company.

Landmark Worldwide is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua, all of whom are brothers.

Prior to approaching Landmark Worldwide to act as the underwriter to fully underwrite the Open Offer, the Company approached three independent securities brokers to act as the underwriter to fully underwrite the Open Offer, but none of them was willing to underwrite the Open Offer of such a scale given the prevailing market conditions and the thin trading volume of the Shares. The Board has considered, among other factors: (i) the terms of the Open Offer proposed by the underwriters; and (ii) the terms of the underwriting agreement including but not limited to the underwriting commission, in selecting the underwriters.

The Company then approached Landmark Worldwide, which is a substantial shareholder of the Company, to act as the underwriter even though it is not in the ordinary course of business of Landmark Worldwide to underwrite issues of shares. Landmark Worldwide's role as an underwriter in respect of the Open Offer and the Landmark Undertaking given by itself signify strong support from a substantial shareholder of the Company to the Group and its confidence in the prospects and development of the Group.

It is the intention of Landmark Worldwide to continue carrying on the businesses of the Group and to continue the employment of the employees of the Group. Landmark Worldwide has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

Information on the Placing Agent

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

LETTER FROM THE BOARD

CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND SET OFF OF THE SHAREHOLDER'S LOANS

Pursuant to the Underwriting Agreement, Landmark Worldwide and the Company have agreed that the aggregate Subscription Price required to be paid by Landmark Worldwide and its associates under its underwriting obligations of the Underwriting Agreement and the Open Offer will be settled by way of firstly the Set Off and after the Set Off in full, by cash. The Set Off and the Underwriting Agreement constitute connected transactions on the part of the Company.

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the PC manufacturing sector has been adversely affected since the beginning of 2020 primarily due to the outbreak of the Covid-19 Pandemic. The quarantine measures have disrupted the logistics chain of the Group and the disruptions have also caused negative impact to the working capital of the Group. Further, during the relevant period, one of the principal banks of the Group indicated that it had no intention to renew the revolving loan facility of up to RMB25 million that it had previously made available to the Group upon the expiry of the term of the relevant facility agreement in July 2020.

In view of the above and in order to ensure the Group has sufficient liquidity to meet its short-term working capital needs, Mr. Wang, as the lender, and the Company, as the borrower, entered into the Loan Agreements pursuant to which Mr. Wang agreed to advance the Shareholder's Loans in the total principal amount of HK\$45 million (as to HK\$17 million for the First Shareholder's Loan, HK\$17 million for the Second Shareholder's Loan and HK\$11 million for the Third Shareholder's Loan) to the Company. As at the Latest Practicable Date, the Company is indebted to Mr. Wang the Shareholder's Loans in the total principal amount of approximately HK\$45 million under the Loan Agreements. The Shareholder's Loans are unsecured, bearing an interest at 2% per annum and with a term of one year. The maturity dates of the First Shareholder's Loan, the Second Shareholder's Loan and the Third Shareholder's Loan shall fall on 9 June 2021, 1 July 2021 and 12 July 2021 respectively.

Details of the breakdown of the actual usage of the Shareholder's Loans of HK\$45 million by the Group and the corresponding timeline is as follows:

- (i) the First Shareholder's Loan of HK\$17 million was utilised as to approximately (a) HK\$16.3 million for payments to the Group's suppliers; and (b) HK\$0.7 million for staff costs of the Group, during the period from June 2020 to July 2020;
- (ii) the Second Shareholder's Loan of HK\$17 million was utilised as to approximately (a) HK\$16.2 million for repayment of bank loans of the Group; (b) HK\$0.6 million for staff costs of the Group; and (c) HK\$0.2 million for payments to the Group's suppliers, in July 2020; and

LETTER FROM THE BOARD

- (iii) the Third Shareholder's Loan of HK\$11 million was utilised as to approximately (a) HK\$9.6 million for repayment of bank loans of the Group; (b) HK\$1.2 million for payments to the Group's suppliers; and (c) HK\$0.2 million for staff costs of the Group, in July 2020.

Pursuant to the Underwriting Agreement, Landmark Worldwide and the Company have agreed that the Subscription Price payable by Landmark Worldwide and its associates for the Offer Shares to which each of them is entitled under the Open Offer and the Underwritten Shares would be by way of the Set Off in first place and the remaining balance of the Subscription Price will be settled in cash. Although the Open Offer is fully underwritten, the exact amount of the Shareholder's Loans to be set off for such aggregate Subscription Price depends on the number of Offer Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent places pursuant to the Unsubscribed Arrangements.

Assuming there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer, (i) the minimum amount of the Shareholder's Loans to be set off will be approximately HK\$11.6 million (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements); and (ii) the maximum amount of the Shareholder's Loans to be set off will be approximately HK\$45 million (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Landmark Worldwide) respectively.

The completion of the Set Off is subject to the same conditions of the Open Offer. Completion of the Set Off shall take place simultaneously with the issue of the Offer Shares by the Company pursuant to the terms of the Open Offer.

Reason for the Set Off

The Directors consider that the Set Off will enable the Group to repay part or whole of the Shareholder's Loans without cash outflow and will allow the Group to reduce its gearing level. The Directors accordingly consider that the Set Off is in the interests of the Company and the Shareholders as a whole.

Although the maturity dates of the Shareholder's Loans shall fall in June and July 2021, the Set Off was agreed after arm's length negotiations between the Company as issuer and Landmark Worldwide as underwriter. In the event of absence of the Set Off arrangement in the Open Offer, Landmark Worldwide will have additional cash outflow of approximately HK\$45 million under the Open Offer and this will affect the willingness of Landmark Worldwide to act as underwriter for the Open Offer. Given that Landmark Worldwide will not charge any underwriting commission and the Shareholder's Loans were utilised towards the general working capital of the Group and repayment of

LETTER FROM THE BOARD

outstanding bank loans of the Company, the Company considers that the Set Off arrangement is fair and reasonable.

Further, several principal banks of the Group had previously indicated to the Company that it would consider the aggregate shareholding percentage of Landmark Worldwide and parties acting in concert with it as one of the significant factors in determining whether to renew the revolving loan facilities of the Group or the amount of credit limit to be granted to the Group. In the event that the aggregate shareholding percentage of Landmark Worldwide and parties acting in concert increases as a result of the underwriting of the Offer Shares by Landmark Worldwide, the said principal banks of the Group would be more likely to renew the revolving loan facilities of the Group and to maintain the existing amount of credit limit granted to the Group. Hence, the Company considers that the Set Off arrangement is in the interest of the Company and the Shareholders.

Implications under Listing Rules

Since Landmark Worldwide and parties acting in concert with it are a group of controlling shareholders, the Set Off and the Underwriting Agreement constitutes connected transactions on the part of the Company under Chapter 14A of the Listing Rules and requires the approval of the Independent Shareholders.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories.

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the PC manufacturing sector has been adversely affected since the beginning of 2020 primarily due to the outbreak of the Covid-19 Pandemic. The quarantine measures have disrupted the logistics chain of the Group and the disruptions have also caused negative impact to the working capital of the Group. The Group recorded total revenue of approximately HK\$188.0 million for the six months ended 30 June 2020, representing a decrease of approximately 25.7% from approximately HK\$253.1 million for the same period last year. The decrease in total revenue was mainly attributable to the disruption of the Group’s operation resulted from the Covid-19 Pandemic and the persisting fierce and competitive market environment which created pressure on the Group’s pricing of the products. The Group also recorded a net loss for the period attributable to equity holders of the Company of approximately HK\$31.4 million for the six months ended 30 June 2020 as compared with net loss for the period attributable to equity holders of the Company of approximately HK\$9.4 million for the same period last year. As at 30 June 2020, the Group had cash and bank balances of approximately HK\$13.1 million. On the other hand, as at 30 June 2020, the total interest-bearing bank borrowings of the Group repayable within one year were approximately HK\$244.7 million. In light of the financial performance of the Group for the six months ended 30 June 2020 and the uncertain impact of the Covid-19 Pandemic on the business of the Group in the foreseeable future, the Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market.

LETTER FROM THE BOARD

The gross proceeds from the Open Offer are expected to be approximately HK\$61.5 million. The net proceeds from the Open Offer after deducting related expenses after the Set Off of approximately HK\$45 million are estimated to be approximately HK\$13 million. The net Subscription Price per Offer Share is expected to be approximately HK\$0.306. The Company intends to apply the net proceeds from the Open Offer of approximately HK\$13 million as follows: as to (i) approximately HK\$4.5 million for settling the legal and professional fees of the Group; (ii) approximately HK\$3.5 million for staff costs of the Group; (iii) approximately HK\$3.5 million for payment to the Group's suppliers; and (iv) approximately HK\$1.5 million as general working capital of the Group.

The table below summarises the expected timeline for the intended use of proceeds from the Open Offer (after the Set Off) of approximately HK\$13 million:

	Expected timeline for intended usage				Sub-total HK\$'000 approximately
	From 1 October 2020 to 31 March 2021 HK\$'000 approximately	From 1 April 2021 to 30 September 2021 HK\$'000 approximately	From 1 October 2021 to 31 March 2022 HK\$'000 approximately	From 1 April 2022 to 30 September 2022 HK\$'000 approximately	
Legal and professional fees	2,000	250	2,000	250	4,500
Staff costs	760	920	900	920	3,500
Payments to suppliers	936	782	1,000	782	3,500
General working capital	375	375	375	375	1,500
Total	4,071	2,327	4,275	2,327	13,000

Based on the Board's latest estimates, the Company's expected funding needs for the next 12 months is approximately HK\$532 million, which will be financed by the proceeds from the Open Offer and the internal financial resources presently available to the Group including internally generated funds from operations and available banking facilities.

The Board has taken into account, among other things, the following key assumptions and factors in arriving at such estimates: (a) there is no material change in inflation rates, interest rates or foreign currency exchange rates in the countries, regions or industries applicable to the business activities of the Group from those presently prevailing; (b) there is no material change in the bases and rates of taxation, surcharges or other government levies, both direct and indirect, in the countries or territories in which the Group operates; and (c) the principal repayments are made according to the terms in loan documents. The Directors consider that the proceeds from the Open Offer and the financial resources presently available to the Group including internally generated funds from operations and available banking facilities can satisfy the Group's expected funding needs for the next 12 months following the date of this circular.

LETTER FROM THE BOARD

As at the Latest Practicable Date, apart from the Open Offer, the Company does not have any intention to conduct equity fund raising exercises in the next 12 months.

In the event that the Open Offer is not proceeded, it will likely have an adverse impact on the Group's business and operations. Taking into account the high gearing ratio of the Group, the principal banks of the Company may not be willing to further increase their existing credit limit granted to the Company. Even if the Company is able to secure additional banking facilities from the relevant banks, such banking facilities is likely to be subject to higher finance costs. Given that the Group already faces tremendous pressure in product pricing in order to maintain its competitiveness among other market competitors, the additional finance costs to be incurred by the Group will result in a further decline of its gross profit. On the other hand, if the general working capital of the Group falls below the desired level, the Group may need to temporarily scale back its production capacity and costs. This may in turn affect the Group's competitiveness compared with other market competitors in securing sizable contracts from its major customers and lead to a decrease in sales.

The Company has considered (i) placing of new shares; (ii) debt financing; (iii) disposal of assets as fund raising alternatives in comparison to the Open Offer. However, the placing would only be available to certain places and debt financing would result in additional finance costs and increase the Group's liabilities burden. The Board also considered that debt financing cannot address the high gearing ratio of the Group, and the disposal of assets is not a viable solution to the Group due to the absences of liquid and valuable assets that can generate significant cashflow to improve the financial position of the Group within short time interval. On the other hand, the Board considered that the fundraising by way of the Open Offer will improve the financial position of the Group immediately.

The Board has considered rights issue to be an alternative option for fund raising before resolving to the Open Offer, due to the flexibility of the Shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements. However, conducting a rights issue would incur a higher cost and additional time will be needed as compare to conducting the Open Offer, which is due to the printing, posting, processing of trading arrangements, as well as to administer the trading of the nil-paid right.

The Open Offer is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so. However, those Shareholders who do not participate in the Open Offer to which they are entitled should note that their shareholding interest in the Company will be diluted. Since the Open Offer provide a fair and equal opportunity to the Shareholders to maintain their proportionate shareholdings interest in the Company, therefore to conduct the Open Offer is more cost effective and efficient and beneficial to the Company and the Shareholders, even without allowing the Shareholders to trade their nil-paid rights as in a rights issue.

LETTER FROM THE BOARD

The Board has considered that the potential dilution impact on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, to be acceptable. Having taken into account the terms and conditions of the Open Offer, the Directors (including the independent non-executive Directors after taking into consideration of the advice of the Independent Financial Adviser but excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it) consider that the terms of the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Company is aware that any fund-raising activities by way of issuing securities of the Company will cause potential dilution impact to the shareholding of the existing Shareholders. However, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders (other than the Prohibited Shareholders) to participate in the growth of the Company in proportion to their shareholdings.

Having considered the above factors, including but not limited to the current financial position of the Group and the maturity dates of the Shareholder's Loans, and taking into account the benefits and cost of the alternative fund raising methods, the Directors (including the independent non-executive Directors after taking into consideration of the advice of the Independent Financial Adviser but excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it) therefore considers that the Open Offer is an appropriate method to raise the necessary funding for the Company which will allow the Shareholders to have the right to participate in the new share issue to maintain their pro rata shareholdings interest in the Company should they wish to do so and is also in the interest of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Open Offer is set out below:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up all his/her/its entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming a no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertakings; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements (Note 8))		Immediately after completion of the Open Offer (assuming a no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Landmark Worldwide (Note 8))	
	No. of Shares	Approx. percentage %	No. of Shares	Approx. percentage %	No. of Shares	Approx. Percentage %	No. of Shares	Approx. Percentage %
Landmark Worldwide (Note 1) E-Growth	35,712,250	18.88	71,424,500	18.88	71,424,500	18.88	224,827,888	59.44
Resources Limited (Note 2)	7,400,000	3.91	14,800,000	3.91	7,400,000	1.96	7,400,000	1.96
Mr. Wang (Note 3)	9,653,000	5.10	19,306,000	5.10	9,653,000	2.55	9,653,000	2.55
Mr. Wong Ah Yu (Note 4)	2,411,000	1.28	4,822,000	1.28	2,411,000	0.64	2,411,000	0.64
Mr. Wong Ah Yeung (Note 5)	2,982,500	1.58	5,965,000	1.58	2,982,500	0.79	2,982,500	0.79
Mr. Wang Ya Hua (Note 6)	2,280,500	1.21	4,561,000	1.21	2,280,500	0.60	2,280,500	0.60
Landmark Worldwide and parties acting in concert with it	60,439,250	31.96	120,878,500	31.96	96,151,500	25.42	249,554,888	65.98
Wykeham Capital Asia Value Fund (Note 7)	20,991,000	11.09	41,982,000	11.09	20,991,000	5.55	20,991,000	5.55
Independent places	-	-	-	-	153,403,388	40.56	-	-
Public Shareholders	107,685,388	56.95	215,370,776	56.95	107,685,388	28.47	107,685,388	28.47
Total	189,115,638	100.00	378,231,276	100.00	378,231,276	100.00	378,231,276	100.00

LETTER FROM THE BOARD

Notes:

1. Landmark Worldwide is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua. Save for Mr. Wong Ah Yu and Mr. Wang, none of the Directors hold any Shares. Mr. Wang is the sole director of Landmark Worldwide.
2. E-Growth Resources Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is wholly and beneficially owned by Mr. Wang. Under the SFO, Mr. Wang is deemed to be interested in 7,400,000 Shares held by E-Growth Resources Limited. Mr. Wang is the sole director of E-Growth Resources Limited.
3. Mr. Wang is the younger brother of Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua.
4. Mr. Wong Ah Yu is the younger brother of Mr. Wong Ah Yeung and the elder brother of Mr. Wang Ya Hua and Mr. Wang.
5. Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang.
6. Mr. Wang Ya Hua is the elder brother of Mr. Wang and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu.
7. Mr. Howel Gruffudd Rhys Thomas was deemed to be interested in the 20,991,000 Shares owned by Wykeham Capital Asia Value Fund by virtue of his 100% shareholding interest in Wykeham Capital Limited (which was the investment manager of Wykeham Capital Asia Value Fund). Each of Wykeham Capital Asia Value Fund, Wykeham Capital Limited and Mr. Howel Gruffudd Rhys Thomas (a) became a substantial shareholder of the Company on 28 August 2020; and (b) is independent from Landmark Worldwide and parties acting in concert with it.
8. Further announcement will be made by the Company as soon as practicable when the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent placees and the number of placees are confirmed.

As at the Latest Practicable Date, the existing public Shareholders hold as to approximately 56.95% of the entire issued share capital of the Company. Upon completion of the Open Offer (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertakings; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Landmark Worldwide), the existing public Shareholders hold as to approximately 28.47% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled and the Prohibited Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Open Offer. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Open Offer is 50%.

Taking into account that:

- (i) the shareholding interests of the Qualifying Shareholders who take up their pro-rata Offer Shares in full will not be diluted;
- (ii) the Open Offer provide a fair and equal opportunity to the Shareholders to maintain their proportionate shareholdings interest in the Company;

LETTER FROM THE BOARD

- (iii) the Independent Shareholders are offered with an opportunity to attend and vote for or against the relevant resolutions in relation to, among others, the Open Offer and the Underwriting Agreement at the EGM;
- (iv) the net proceeds from the Open Offer after the Set Off of the Shareholder's Loans enable the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market;
- (v) the Subscription Price, which is offered to all Shareholders for subscription of the Offer Shares, is set at a reasonable discount to attract the Qualifying Shareholders to participate in the Open Offer; and
- (vi) the Open Offer, which is offered to all Shareholders on the same basis and at the same price and is fully underwritten by the Underwriter without any underwriting commission, is on normal commercial terms in respect of the Underwriting Agreement,

the Board considers that the terms of the Open Offer are fair and reasonable and in the interest of the Company and the Shareholders with reference to the potential dilution impact.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past twelve months immediately preceding the Latest Practicable Date.

APPLICATION FOR WHITEWASH WAIVER

Assuming (i) there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than Landmark Worldwide have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangements, the aggregate shareholding of Landmark Worldwide and parties acting in concert with it in the Company upon the close of the Open Offer will increase from the current level of approximately 31.96% to approximately 65.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Landmark Worldwide will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26 of the Takeovers Code. If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by Landmark Worldwide and parties acting in concert with it as a result of the underwriting of the Offer Shares by Landmark Worldwide pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. Landmark Worldwide and parties acting in concert with it may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

LETTER FROM THE BOARD

An application has been made by Landmark Worldwide to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the EGM by way of poll, and the Open Offer, the Set Off, the Underwriting Agreement, the Special Deal and the transactions contemplated thereunder would be subject to, among others, the approval by more than 50% of the Independent Shareholders at the EGM by way of poll.

The Directors (including the independent non-executive Directors after taking into consideration of the advice of the Independent Financial Adviser but excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it) considers that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SPECIAL DEAL

As at the Latest Practicable Date, (i) Mr. Wang, who is a non-executive Director and a substantial shareholder, is the beneficial owner of 9,653,000 Shares and is deemed to be interested in 7,400,000 Shares held by E-Growth Resources Limited under the SFO; and (ii) the Company is indebted to Mr. Wang the Shareholder's Loans in the total principal amount of approximately HK\$45 million under the Loan Agreements. The Shareholder's Loans are unsecured, bearing an interest at 2% per annum and with a term of one year.

Pursuant to the Underwriting Agreement, Landmark Worldwide and the Company have agreed that the Subscription Price payable by Landmark Worldwide and its associates for the Offer Shares to which each of them is entitled under the Open Offer and the Underwritten Shares would be by way of the Set Off in first place and the remaining balance of the Subscription Price will be settled in cash. The exact amount of the Shareholder's Loans to be set off for such aggregate Subscription Price depends on the number of Offer Shares to be taken up by the Qualifying Shareholders.

Assuming there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer, (i) the minimum amount of the Shareholder's Loans to be set off will be approximately HK\$11.6 million (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements); and (ii) the maximum amount of the Shareholder's Loans to be set off will be approximately HK\$45 million (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Landmark Worldwide) respectively.

LETTER FROM THE BOARD

The proposed Set Off, which is a form of repayment to a Shareholder of indebtedness due by the Company, is not capable of being extended to all Shareholders and constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state in its opinion that the terms of the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which Mr. Wang and parties acting in concert with him who are Shareholders will be required to abstain from voting on the relevant resolutions approving the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal. The Company has applied to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

The Directors (including the independent non-executive Directors after taking into consideration of the advice of the Independent Financial Adviser but excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it) considers that the Special Deal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.24A(1) of the Listing Rules, as the Offer Shares are not issued pursuant to the general mandate of the Company, the Open Offer must be made conditional on minority Shareholders' approval at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling shareholders and their associates, or where there is no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Open Offer.

The Set Off and the Underwriting Agreement constitute connected transactions for the Company as Landmark Worldwide, being a substantial shareholder and the Underwriter, is a connected person of the Company. Accordingly, the Set Off and the Underwriting Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Wong Ah Yu and Mr. Wang are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it, and have a personal interest in the Shares, Mr. Wong Ah Yu and Mr. Wang have abstained from voting on the board resolutions to approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver, the Special Deal and the transactions contemplated thereunder. Save for Mr. Wong Ah Yu and Mr. Wang, none of the Directors hold any Shares or has any material interest in the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal.

LETTER FROM THE BOARD

GENERAL

Independent Board Committee

An Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred, in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders as to whether the terms of the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable and whether the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

Independent Financial Adviser

Maxa Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable and to advise the Independent Shareholders on how to vote.

EGM

A notice convening the EGM to be held at Strategic Financial Relations Limited, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 11 November 2020 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend 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 branch share registrar of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM (i.e. Monday, 9 November 2020 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

Landmark Worldwide and parties acting in concert with it and any Shareholders who are involved in or interested in the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal and those Shareholders who have a material interest in the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal different from other Shareholders, including but not limited to those Directors who have a personal interest in the Shares (namely, Mr. Wong Ah Yu and Mr. Wang) will abstain from voting on the resolutions to approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal at the EGM. The total percentage of shareholding which is required to abstain from voting on the resolutions to approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal at the EGM is approximately 31.96%.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (excluding Mr. Wong Ah Yu and Mr. Wang, each of whom are beneficially holding 25% of the issued shares in Landmark Worldwide and/or parties acting in concert with it and may thus have conflict of interests in the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal) consider that the terms of the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 40 and 41 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from Maxa Capital set out on pages 42 to 77 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal.

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

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



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

23 October 2020

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE;**
- (2) CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT AND SET OFF OF SHAREHOLDER'S LOANS;**
- (3) APPLICATION FOR WHITEWASH WAIVER AND CONSENT FOR SPECIAL DEAL; AND**
- (4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 23 October 2020 (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 advise the Independent Shareholders as to whether the terms of the Open Offer, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Maxa Capital has been appointed as the Independent Financial Adviser to advise you and us in this respect.

We wish to draw your attention to (i) the letter of advice from Maxa Capital as set out on pages 42 to 77 of this circular; and (ii) the letter from the Board as set out on pages 15 to 39 of this circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal are on normal commercial terms, are in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal.

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

Ms. Leung Pik Kwan
*Independent
non-executive Director*

Mr. Sun Wai Hong
*Independent
non-executive Director*

Mr. Wu Kin San Alfred
*Independent
non-executive Director*

LETTER FROM MAXA CAPITAL

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal, which has been prepared for the purpose of inclusion in this circular.



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

23 October 2020

*To the Independent Board Committee and the Independent Shareholders
of Tongda Hong Tai Holdings Limited*

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER ON THE BASIS OF
ONE OFFER SHARE FOR EVERY ONE SHARE
HELD ON THE RECORD DATE;
(II) CONNECTED TRANSACTIONS
IN RELATION TO THE UNDERWRITING AGREEMENT AND
SET OFF OF SHAREHOLDER'S LOANS; AND
(III) APPLICATION FOR WHITEWASH WAIVER AND
CONSENT FOR SPECIAL DEAL**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 October 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 24 August 2020 (the “**Announcement**”). As set out in the Announcement, on 24 August 2020, the Board proposed to raise approximately HK\$61.5 million before expenses, by way of Open Offer of 189,115,638 Offer Shares at the Subscription Price of HK\$0.325 per Offer Share on the basis of one Offer Share for every one Share held on the Record Date and payable in full on acceptance. Landmark Worldwide beneficially holding 35,712,250 Shares, representing approximately 18.88% of the issued share capital of the Company as at the Latest Practicable Date, has conditionally agreed to fully underwrite all the Untaken Offer Shares, on the terms and conditions set out in the Underwriting Agreement. The Open Offer will not be extended to the Prohibited Shareholders.

LETTER FROM MAXA CAPITAL

Pursuant to the Underwriting Agreement, Landmark Worldwide and the Company have agreed that the aggregate Subscription Price required to be paid by Landmark Worldwide and its associates under its underwriting obligation of the Underwriting Agreement and the Open Offer will be settled by way of firstly the Set Off and after the Set Off in full, by cash. The Set Off and the Underwriting Agreement constitute connected transactions on the part of the Company.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

In accordance with Rule 7.24A(1) of the Listing Rules, as the Offer Shares are not issued pursuant to the general mandate of the Company, the Open Offer must be made conditional on minority Shareholders' approval at the EGM and, pursuant to Rule 7.27A(1) of the Listing Rules, any controlling Shareholders and their associates, or where there is no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Open Offer.

As at the Latest Practicable Date, Landmark Worldwide and the parties acting concert with it are interested in approximately 31.96% of the issued share capital of the Company. Accordingly, Landmark Worldwide is a controlling shareholder and connected person of the Company. The Set Off and the Underwriting Agreement constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and require the approval of the Independent Shareholders.

Assuming (i) there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than Landmark Worldwide have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangements, the aggregate shareholding of Landmark Worldwide and its concert parties in the Company upon the close of the Open Offer will increase from the approximately 31.96% to approximately 65.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Landmark Worldwide will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26 of the Takeovers Code.

LETTER FROM MAXA CAPITAL

An application has been made by Landmark Worldwide to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the EGM. As it is a condition precedent to the completion of the Open Offer that the Whitewash Waiver is granted by the Executive, the Open Offer will not proceed if the Whitewash Waiver is not granted by the Executive.

As at the Latest Practicable Date, the Company is indebted to Mr. Wang, who is a non-executive Director and a controlling Shareholder, the Shareholder's Loans in the total amount of approximately HK\$45 million under the Loan Agreements. The Shareholder's Loans are unsecured, bearing an interest at 2% per annum and with a term of one year. The proposed Set Off of the Shareholder's Loans is not capable of being extended to all Shareholders and constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and therefore requires consent by the Executive and the approval by the Independent Shareholders at the EGM. The Company has applied to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

An Independent Board Committee, comprising all independent non-executive Directors (namely Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred) has been established to advise the Independent Shareholders in respect of the Open Offer, the Set Off, the Underwriting Agreement and the transactions contemplated thereunder respectively, the Whitewash Waiver and the Special Deal and to make a recommendation as to voting. Mr. Wang, the non-executive Director, is a party acting in concert with Landmark Worldwide and the lender of the Shareholder's Loans. Accordingly, Mr. Wang is considered to have interest in the Open Offer, the Set Off and the Underwriting Agreement and therefore excluded from acting as a member of the Independent Board Committee under the Takeovers Code. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise them and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company and any of their respective associates that could reasonably be regarded as relevant to our independence and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders. Save for our appointment as the Independent Financial Adviser, there was no other engagement between the Company and us in the past two years. Apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee pursuant to Rule 13.84 of the Listing Rules and to the Takeovers Code.

LETTER FROM MAXA CAPITAL

BASIS OF OUR OPINION

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

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

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

LETTER FROM MAXA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1 Background information of the Group

The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories. The Group manufactures and sells different casings and components of notebook and tablet.

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 December 2018 and 2019 as extracted from the annual reports of the Company for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2019 and 2020 from the interim reports of the Company for the six months ended 30 June 2019 and 2020 (the “2020 Interim Report”):

	For the year ended		For the six months ended	
	31 December		30 June	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	507,429	532,939	253,076	188,011
Gross Profit	90,088	19,876	36,025	9,387
Gross Profit Margin	17.8%	3.7%	14.2%	5.0%
 Profit/(loss) for the year/period	 4,073	 (68,121)	 (9,394)	 (31,371)

The Group’s revenue increased from approximately HK\$507.4 million for the year ended 31 December 2018 to approximately HK\$532.9 million for the year ended 31 December 2019, representing an increase of approximately 5.0%. Sales of notebooks casings continued to be largest revenue stream of the Group as it accounted for approximately 97.3% and 98.8% of the Group’s total revenue for the year ended 31 December 2018 and 2019 respectively. While the Group recorded growth in its revenue for the year ended 31 December 2019, the Group faced a very challenging business environment due to the shortage of processors began in 2018 and have persisted through 2019, the continuing undersupply of processors in the notebook and the US-China trade disputes, all of which had dampened Original Equipment Manufacturer (“OEM”) customers’ demand in personal computers (“PC”) manufacturing. For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$188.0 million, representing a decrease of 25.7% as compared to the six months ended 30 June 2019. The Group’s operation for the six months ended 30 June 2020 was inevitably affected by the outbreak of COVID-19 pandemic (the “Pandemic”). The quarantine measures implemented to control the Pandemic had caused blockage to the logistic chain, procurement of raw materials, and shipment of finished goods; therefore resulting in disruption to the operation chain of the PC manufacturing sector and the Group’s operation.

LETTER FROM MAXA CAPITAL

For the year ended 31 December 2019, due to fierce market competition within the entry to mid-level notebook casing manufacturing industry, the Group's average sales price plummeted significantly. As a result of decrease in product pricing and increase in inventory provision, the Group's gross profit decreased by 77.9% from approximately HK\$90.1 million for the year ended 31 December 2018 to approximately HK\$19.9 million for the year ended 31 December 2019. The gross profit margin also dropped from 17.8% for the year ended 31 December 2018 to 3.7% for the year ended 31 December 2019. The persisting fierce competition environment continued to create pressure on the Group's pricing of products for the six months ended 30 June 2020. The Group's gross profit decreased by approximately 73.9% to approximately HK\$9.4 million for the six months ended 30 June 2020 and its gross profit margin deteriorated from approximately 14.2% for the six months ended 30 June 2019 to approximately 5.0% for the six months ended 30 June 2020. As a result of the foregoing, the Group recorded loss of approximately HK\$68.1 million for the year ended 31 December 2019 as compared with profit of approximately HK\$4.1 million for the year ended 31 December 2018. For the six months ended 30 June 2020, the Group recorded loss of approximately HK\$9.4 million as compared to profit of approximately HK\$31.4 million for the six months ended 30 June 2019.

	As of 31 December		As of 30 June
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Inventories	370,327	341,965	330,626
Trade and bills receivables	281,447	259,850	218,088
Cash and bank balances	64,768	31,246	16,713
Total assets	849,600	754,790	679,158
Interest-bearing bank borrowings	341,269	282,309	244,729
Total liabilities	468,136	455,729	409,239
Total equity	381,464	299,061	269,919
Gearing ratio (Note 1)	72.5%	84.0%	84.5%

Notes:

- Gearing ratio is calculated by net debt/total equity. Net debt is calculated by the aggregate amount of interest bearing borrowings net of cash and bank balances.

LETTER FROM MAXA CAPITAL

The Group's total assets mainly comprise of inventories, trade and bills receivables, and properties, plant and equipment. The Group's inventories and trade and bills receivables as of 30 June 2020 had decreased as compared to the position as of 31 December 2019 and 2018. However, the Group's inventory turnover days for the six months ended 30 June 2020 increased to approximately 343.6 days as compared to approximately 251.7 days and 254.0 days for the year ended 31 December 2019 and 2018 respectively. The Group's trade and bills receivables turnover days for the six months ended 30 June 2020 also increased to approximately 232.0 days as compared to approximately 185.3 days and 179.4 days for the year ended 31 December 2019 and 2018 respectively. The Group's cash and bank balances decreased by 74.2% from approximately HK\$64.8 million as of 31 December 2018 to approximately HK\$16.7 million as of 30 June 2020. The Company raised IPO net proceeds of approximately HK\$48.5 million from the listing of its shares on the Stock Exchange in March 2018. As of 30 June 2020, the unutilised amount of the IPO net proceeds amounted to approximately HK\$10.7 million, which will be mainly used for (i) lease of factory; (ii) refurbishment of the new factory; and (iii) capital expenditure for additional production facilities and machineries.

The Group's total liabilities mainly comprise of trade payables and interest-bearing bank borrowings. The Group's bank borrowings had decreased from approximately HK\$341.3 million as of 31 December 2018 to approximately HK\$244.7 million as of 30 June 2020. As of 30 June 2020, all of the Group's bank borrowings are unsecured with maturity date within 12 months. The interest rates of the Group bank borrowings ranged from 3.07% to 5.22% per annum, which is higher than the interest rate of the Shareholder's Loans of 2.0% per annum. Due to the deterioration in the Group's financial results as mentioned above, the Group's total equity decreased from approximately HK\$381.5 million as of 31 December 2018 to approximately HK\$269.9 million as of 30 June 2020. The Group's gearing ratio gradually increased from 72.5% as of 31 December 2018 to 84.5% as of 30 June 2020. The increase in gearing ratio is mainly due to the decrease of cash and bank balances as a result of the utilisation of the IPO net proceeds and decrease in the Group's total equity.

2 Reasons for and benefits of the Open Offer

2.1 Background and reasons for the Open Offer

As disclosed in the 2020 Interim Report, due to the continuing fierce competition among other industry participants and the disruption of the operation chain of the PC manufacturing sector during the Pandemic, the Group's revenue and gross profit for the six months ended 30 June 2020 decreased by approximately 25.7% and 73.9% to approximately HK\$188.0 million and HK\$9.4 million respectively. The net loss for the period increased from approximately HK\$9.4 million for the six months ended 30 June 2019 to approximately HK\$31.4 million for the six months ended 30 June 2020. In light of the financial performance of the Group during the first half of 2020 and the uncertain impact of the Pandemic on the business of the Group in the foreseeable future, the Directors considered that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market.

LETTER FROM MAXA CAPITAL

As of 30 June 2020, the Group had cash and bank balance of approximately HK\$16.7 million and interest-bearing bank borrowings of approximately HK\$244.7 million. We noted from the 2020 Interim Report that, out of the HK\$16.7 million cash and bank balance as of 30 June 2020, the unutilised amount of the IPO net proceeds was approximately HK\$10.7 million, which had been earmarked for leasing of factory, refurbishment of factory and capital expenditure purposes. Therefore, the cash and bank balance available for general working capital as of 30 June 2020 was amounted to approximately HK\$6.0 million. We discussed with the Management and noted that the Group had been utilising its banking facilities as the primary source of financing the working capital needs of its PRC subsidiaries. The banking facilities are supported by the corporate guarantees provided by the Company. The Group's banking facilities were amounted to approximately HK\$325.6 million as of 31 December 2019, of which an aggregate amount of approximately HK\$271.1 million was utilised.

The Management advised that in April 2020, the Company had commenced negotiation with one of the financial institutions for renewal of its banking facilities which would expire in July 2020. However, having taken into account the adverse impact from the Pandemic and decrease in the Group's revenue since beginning of 2020, the Management anticipated that there was uncertainty surrounding the renewal of the banking facilities with such financial institution. The banking facilities with such financial institution was subsequently lapsed in July 2020. The Management was also concerned that it would be difficult to secure new banking facilities from other financial institutions given the Group's loss-making position for the year ended 31 December 2019 and increase in the Group's gearing level. In order to replenish the Group's working capital and prevent disruption to the Group's operation, the Management approached Mr. Wang, being a non-executive Director and a party acting in concert with Landmark Worldwide, for financial assistance. With a view to provide support for the Group's development and in order to ensure the Group has sufficient liquidity to meet its short-term working capital needs, Mr. Wang advanced the Shareholder's Loans in total principal amount of HK\$45 million (as to HK\$17 million for the First Shareholder's Loan, HK\$17 million for the Second Shareholder's Loan and HK\$11 million for the Third Shareholder's Loan) to the Company. The Shareholder's Loans are unsecured, bearing an interest at 2% per annum with a term of one year, and which will mature in June and July 2021.

We understand from the Management that due to the less than satisfactory financial performance of the Group and adverse impact from the Pandemic, the financial institutions have indicated to the Management that the Company should take appropriate measures to strengthen its capital base and improve its liquidity position. Also, the Company has difficulty in obtaining new debt financing from other financial institutions for the reason stated above. Therefore, the Directors consider that the Open Offer would enable the Group to have access to additional funding and reduce the Group's gearing level.

LETTER FROM MAXA CAPITAL

The gross proceeds from the Open Offer are expected to be approximately HK\$61.5 million. Assuming there is no change in the number of issued Shares as at the Latest Practicable Date up to and including the date of close of the Open Offer, (i) the minimum amount of the Shareholder's Loans to be Set Off will be approximately HK\$11.6 million (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements); and (ii) the maximum amount of the Shareholder's Loans to be Set Off will be approximately HK\$45 million (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Landmark Worldwide) respectively. Accordingly, the net proceeds from the Open Offer after deducting related expenses and after the Set Off and repayment of the Shareholder's Loans of approximately HK\$45 million are estimated to be approximately HK\$13 million.

As stated in the Letter from the Board, the Company intends to apply the net proceeds from the Open Offer of approximately HK\$13 million as follows: as to (i) approximately HK\$4.5 million for settling the legal and professional fees of the Group; (ii) approximately HK\$3.5 million for staff costs of the Group; (iii) approximately HK\$3.5 million for payment to the Group's suppliers; and (iv) approximately HK\$1.5 million as general working of the Group. As advised by the Management, the net proceeds will be used mainly by the Group's Hong Kong head office to cover its overhead expenses and settle the payments with offshore suppliers. Based on the amount of the offshore entities' cash and bank balances available as at 30 June 2020, the Management estimated that such cash and bank balances will only be sufficient to cover the Hong Kong head office's operation for the next six months to nine months. Given the Hong Kong head office does not generate any revenue and mainly relied on the dividend payments and interest payment from its PRC subsidiaries to replenish its working capital and the offshore entities do not possess any material tangible assets that can be used as collaterals, the Management advised that it would be difficult to secure financing from offshore financial institutions without incurring relatively high financing cost. Furthermore, the Company has already executed its corporate guarantee to support its PRC subsidiaries' banking facilities and therefore would not be feasible for the Hong Kong head office to obtain further bank financing through the Company's corporate guarantee arrangement. Therefore, the Directors consider that the net proceeds raised from the Open Offer is necessary for the Hong Kong head office to maintain sufficient funding to meet its payment obligations and avoid any disruption to its operation.

2.2 *Fund raising alternatives*

As disclosed in the Letter from the Board, the Company has considered alternative means of fund raising before resolving to the Open Offer, the final selection of Open Offer was principally considered with respect to cost, accessibility and timing. The Company has considered (i) placing of new shares; (ii) debt financing; (iii) disposal of assets as fund raising alternatives; and (iv) rights issue in comparison to the Open Offer. We have not identified any other alternative options, other than the alternatives which have been mentioned above. Regarding placing of new Shares, the Directors are of view that placing of new Shares may only raise funds in a relatively small amount and dilute the shareholding of the existing Shareholders which the existing Shareholders do not have right to participate in the development of the Group, therefore is considered unfair to the existing Shareholders due to limited accessibility to the placing by the existing Shareholders. Regarding debt financing, gearing ratio has increased from 72.5% as at 31 December 2018 to 84.5% as at 30 June 2020 as discussed in the section headed "1 Background information of the Group" above. If the Group were to endure a higher gearing ratio, there would be a probability that it would create liquidity issue when the debts reach upon maturity, coupled with the low level of cash and bank balances of HK\$16.7 million as of 30 June 2020, it would not be considered as a viable option for the Group to improve its financial position. Disposal of assets is considered not a viable solution to the Group due to the absences of liquid and valuable assets that can generate significant cashflow to improve the financial position of the Group within a short time interval.

In accordance with Rule 7.18 of the Listing Rules, a rights issue is an offer by way of rights to the existing Shareholders in proportion to their existing shareholding. The Directors are of the view that rights issue will involve administrative work, time and cost for the trading arrangements in relation to the nil paid rights sold in rights issue. As discussed with the Management, we understand that additional time and cost for the Company, primarily additional fee for other professional parties and service providers such as, financial printer, share registrar and legal advisers, estimated to be approximately HK\$380,000, will be incurred in trading of the rights during the subscription period should the Company choose to raise fund by a rights issue when compared to the Open Offer. We also understand from the Management that the Company has approached three independent brokers to act as underwriter and reviewed various correspondences made between the Company and the brokers in relation to the negotiations made but none of them is willing to undertake a rights issue of such a scale given the thin trading volume of the Shares.

LETTER FROM MAXA CAPITAL

After considering the fund raising alternatives mentioned above and taking into account the pros and cons as well as costs of each of the alternatives, and the fact that (i) the minimum placing commission of HK\$300,000 for the Unsubscribed Arrangements (please refer to the section headed “4.3.2 Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements” below) is less than the additional cost to be incurred for a rights issue; and (ii) additional placing commission will only be incurred if the Unsubscribed Shares are successfully placed by the Placing Agent, the Directors are of the view that a rights issue would not be in the overall interest of the Company and the Shareholders and the Open Offer is more cost effective and efficient and beneficial to the Company and the Shareholders as a whole.

After taking into account all of the above factors and considerations, we concur with the Directors’ view that the current fund raising method by way of the Open Offer, which provides opportunities for the Shareholders to maintain their stakes in the Company and allow the Group to reduce its gearing level and improve its liquidity position, is appropriate and acceptable for the Company and its Shareholders as a whole.

3 The Set Off

As mentioned in the section headed “2.1 Background and reasons for the Open Offer” above, the Company is indebted to Mr. Wang the Shareholder’s Loans in the total principal amount of approximately HK\$45 million under the Loan Agreements. The Directors consider that the Set Off will enable the Group to repay part or whole of the Shareholder’s Loans without cash outflow and will allow the Group to reduce its gearing level. The Shareholder’s Loans were made by Mr. Wang to the Group at the material time in order to meet the Group’s short-time working capital needs. Please refer to the Letter from the Board regarding the details of the breakdown of the actual usage of the Shareholder’s Loans of HK\$45 million by the Group.

We note that the maturity dates of the Shareholder’s Loans will fall in June and July 2021 and that based on the Group’s 2020 Interim Report, the Group had trade payables and interest-bearing bank borrowings of approximately HK\$104.0 million and HK\$244.7 million respectively. We understand from the Management that it was Mr. Wang’s intention for the Shareholder’s Loans to be relatively short-term in nature in order to meet the Group’s working capital needs. Mr. Wang was willing to provide the Shareholder’s Loans at a term of one year so as to allow the Company to have more flexibility in raising additional funding through equity or debt financing in the near future to repay the Shareholder’s Loans. However, given the limited fund-raising options as discussed in the section headed “2.2 Funding raising alternatives” above and the prevailing market condition, the Directors consider that the Open Offer is the most viable option for the Company to raise fund. In addition, the Company had difficulties in identifying any independent brokers that are willing to act as the underwriter for the Open Offer. As disclosed in the Letter from the Board, the Set Off was agreed after arm’s length negotiations between the Company as issuer and Landmark Worldwide as underwriter. As Mr. Wang and his associates had already provided considerable amount of financial assistance to the Group (including the Shareholder’s Loans and two interest-free loans in the principal amount of RMB13 million and RMB15 million respectively to Tongda Suzhou

LETTER FROM MAXA CAPITAL

as disclosed in the section headed “Appendix I – Financial Information” to the Circular) in order to meet its working capital needs recently, it would exert greater financial pressures to Mr. Wang, Landmark Worldwide and parties acting concert with them if they are required to provide additional funding to the Group through the Open Offer. In the event of the absence of the use of net proceeds from the Open Offer to set off against the Shareholder’s Loans, it will affect the willingness of Landmark Worldwide to act as underwriter for the Open Offer as Mr. Wang, Landmark Worldwide and parties acting concert with them will need to subscribe for the Untaken Offer Shares with additional funding. We consider that the Set Off is part of the arrangement under the Open Offer which incentivise Landmark Worldwide to act as the underwriter to fully underwrite the Untaken Offer Shares.

We concur with the Directors’ view that the Company’s financial position will be strengthened by the Set Off by way of reduction in the Group’s liabilities and increase in its equity. As a result of the Set Off, the Group will be able to settle the Shareholder’s Loans and Mr. Wang’s role will change from a creditor to a Shareholder through the subscription of the Offer Share. Through conversion into Shareholder, Mr. Wang is giving up his right as a creditor in terms of relative certainty of the right to interest repayment (as compared to shareholder’s right to dividend payment), and claims over the Group’s assets upon winding up (as compared to shareholder’s right to surplus assets (if any) upon liquidation). Instead, in light of the deterioration in the Group’s financial position, the Set Off signifies Mr. Wang’s continued support to the Group as he is still willing to increase his equity investment in the Company through the Set Off arrangement to help reduce gearing level of the Group upon completion of the Open Offer. As discussed in the section headed “4.3.1 Principal terms of the Underwriting Agreement” below, given the thin trading volume of the Shares, we consider that Landmark Worldwide did not charge any commission on underwriting the Open Offer is beneficial to the Company by avoiding any additional transaction cost to be incurred for the Open Offer should the Company appoint an independent broker to act as underwriter for the Open Offer. In view of the above, we consider that both the Set Off and Underwriting Agreement are part of the terms to facilitate the Company to conduct the fund-raising activity by way of the Open Offer in order to alleviate the Group financial pressure.

Having considered that (i) the Shareholder’s Loans represented financial support from Mr. Wang in order for the Group to meet its working capital needs, while Mr. Wang is not obliged, as Shareholder of the Company, to provide such financial assistance given his right is no different from other Shareholders; (ii) the Set Off, is part of the terms of the Underwriting Agreement, arrived at based on arm’s length negotiation between the Company and the Underwriter and, as mentioned in the Letter from the Board, the absence of the Set Off in the Open Offer will affect the willingness of the Underwriter to act as underwriter of the Open Offer; (iii) the Set Off and underwriting the Open Offer without charging any commission demonstrate Mr. Wang’s continued support for the Group’s development in the long run by extinguishment of the Shareholder’s Loans and increase his investment in the equity of the Company through the Open Offer, we consider that the Set Off is fair and reasonable to the Independent Shareholders.

LETTER FROM MAXA CAPITAL

4 Principal terms of the Open Offer and the Underwriting Agreement

4.1 Issue statistics

Set out below are the summary of the principal terms of the proposed Open Offer:

Basis of the Open Offer:	One (1) Offer Share for every one (1) Share held on the Record Date
Subscription Price:	HK\$0.325 per Offer Share
Number of Shares in issue:	189,115,638 Shares as at the Latest Practicable Date
Number of Offer Shares:	189,115,638 Offer Shares
Number of Offer Shares undertaken to be taken up by Landmark Worldwide:	Pursuant to the Landmark Undertaking, Landmark Worldwide has irrevocably undertaken to the Company that (i) the 35,712,250 Shares registered in the name of and beneficially owned by Landmark Worldwide will remain registered in the name of and beneficially owned by Landmark Worldwide before the date when the announcement of the results of the Open Offer is published; (ii) Landmark Worldwide will accept its entitlements under the Open Offer for an aggregate of 35,712,250 Offer Shares; and (iii) Landmark Worldwide will lodge the Application Form in respect of its assured entitlements accompanied by appropriate remittances which shall be honoured on first presentation and otherwise comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

LETTER FROM MAXA CAPITAL

Number of Offer Shares underwritten by the Underwriter: 153,403,388 Offer Shares, being the total number of the Offer Shares less the number of the Offer Shares to be taken up by Landmark Worldwide under the Landmark Undertaking. The Open Offer (other than the Offer Shares undertaken to be taken up by Landmark Worldwide under the Landmark Undertaking) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer. The 189,115,638 Offer Shares represent 100% of the Company's issued share capital as at the Latest Practicable Date and 50% of the enlarged issued share capital of the Company immediately upon completion of the Open Offer.

Subscription Price

The Subscription Price is HK\$0.325 per Share, payable in full on application. The subscription price represents:

- (i) a discount of approximately 13.33% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.14% to the theoretical ex-entitlement price of HK\$0.35 per Share based on the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 13.79% to the average closing price of HK\$0.377 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 15.14% to the average closing price of HK\$0.383 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

LETTER FROM MAXA CAPITAL

- (v) a discount of approximately 42.98% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 79.44% to the audited consolidated net asset value per Share of approximately HK\$1.581 (based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$299,061,000 and 189,115,638 Shares in issue as at 31 December 2019).

The net Subscription Price per Offer Share (after deducting the relevant expenses) will be approximately HK\$0.306 per Offer Share.

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the prevailing market price of the Shares; (ii) the prevailing market conditions; (iii) the Group's current financial position; (iv) the uncertain impact of COVID-19 on the business of the Group in the foreseeable future; and (v) the funding and working capital needs of the Group, including but not limited to the repayment of the Shareholder's Loans.

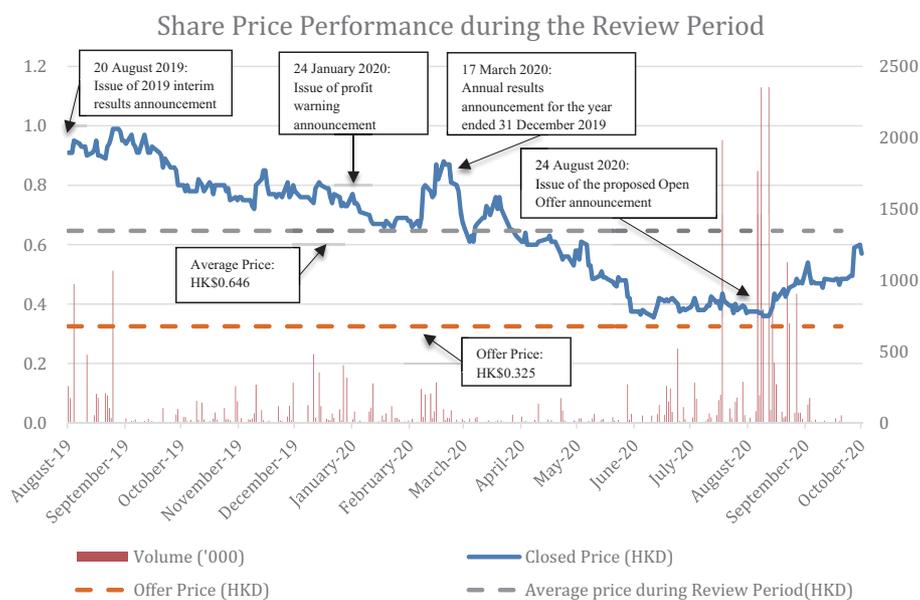
LETTER FROM MAXA CAPITAL

4.2 Analysis on the terms of the Open Offer

In order to assess the fairness and reasonableness of the terms of the Open Offer, we have considered the following principal factors based on the Subscription Price:

4.2.1 Review of the historical share price performance

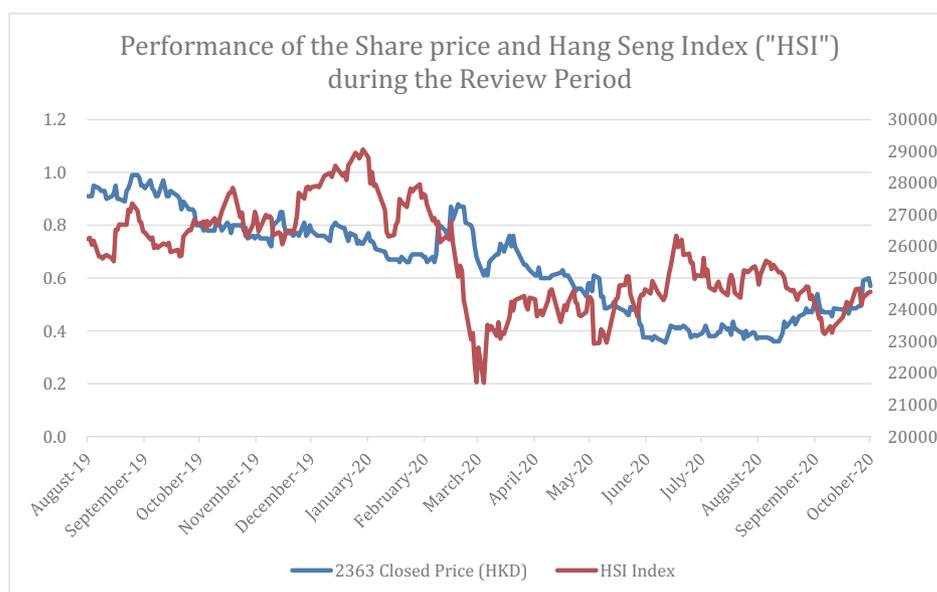
We have reviewed the daily closing prices of the Shares for the period from 24 August 2019 (being the 12-month period prior to the Last Trading Day) and up to the Latest Practicable Date (the “Review Period”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Latest Practicable Date and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: the Stock Exchange

LETTER FROM MAXA CAPITAL

As illustrated in the chart above, during the Review Period, the closing Share price traded at an average of approximately HK\$0.65. The Company announced its 2019 interim results on 20 August 2019 and its Share price subsequently reached the highest point of HK\$0.99 in mid-September 2019, which increased by approximately 5.32% as compared to the Share price of HK\$0.94 at the beginning of the Review Period. Since then, the Share price demonstrated a declining trend which we believe could be due to the less than satisfactory financial performance of the Group. On 24 January 2020, the Company issued a profit warning announcement for the year ended 31 December 2019 due to the continuing undersupply of processors in the notebook sales industry and US-China trade disputes which had intensified the competitions within the entry to mid-level notebook casing manufacturing industry and lead to a decline in unit sales prices of the Group's products and its overall gross profit margin. We note that there is a surge in the Share price between February and March 2020. We have reviewed announcements made by the Company between February and March 2020 and are not aware of any material information that might trigger the price increase during that period. The outbreak of the Pandemic had caused the Share price to continue to decline and reached its lowest point of HK\$0.355 at the end of June 2020, representing a decrease of approximately 62.23% as compared to the Share price at the beginning of the Review Period. The Subscription Price represents a discount of approximately 49.69%, 67.17% and 8.45% to the average, highest and lowest closing prices during the Review Period, respectively. After the announcement of the Open Offer on 24 August 2020, the Share price traded in the region of HK\$0.36 to HK\$0.60, which decreased by approximately 61.70% and 36.17% as compared to the Share price at the beginning of the Review Period.



Source: the Stock Exchange

LETTER FROM MAXA CAPITAL

As illustrated in the chart above, the Share price demonstrated a general decline trend and underperformed the HSI during the Review Period. The HSI reached its highest and lowest points of 29,056 and 21,696 in January and March 2020 respectively, representing an increase and decrease of approximately 13.14% and 15.51% as compared to the HSI at the beginning of the Review Period. The decrease of HSI in March 2020 was mainly caused by the unprecedented downturn in economic activities due to the outbreak of the Pandemic. The HSI had shown resilience during March to August 2020 after a sharp decline throughout January to February 2020. As at the Latest Practicable Date, the Share price has decreased by approximately 39.36% as compared to the beginning of the Review Period while the HSI only decreased by approximately 4.33%.

4.2.2 Liquidity of the Shares

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period:

Historical monthly trading volume of the Shares

Months	Total number of issued Shares as at the end of the month/ period	Total trading volume of Shares for the month/ period	Number of trading days	Average daily trading volume (Note 1)	% of average daily trading volume to total issued Shares (Note 2)
2019					
August (from 24 to 31 August 2019)	189,115,638	492,425	5	98,485	0.0521%
September	189,115,638	2,161,252	21	102,917	0.0544%
October	189,115,638	779,250	21	31,107	0.0196%
November	189,115,638	1,201,749	21	57,226	0.0303%
December	189,115,638	1,418,275	20	70,914	0.0375%
2020					
January	189,115,638	2,069,744	20	103,487	0.0547%
February	189,115,638	922,611	20	46,131	0.0244%
March	189,115,638	1,080,191	22	49,100	0.0260%
April	189,115,638	380,750	19	20,039	0.0106%
May	189,115,638	541,751	20	27,088	0.0143%
June	189,115,638	624,299	21	29,729	0.0157%
July	189,115,638	2,291,250	22	104,148	0.0551%
August	189,115,638	10,800,625	21	514,315	0.2720%
September	189,115,638	5,158,250	22	234,466	0.1240%
October	189,115,638	548,218	11	49,838	0.0264%
Minimum					0.0106%
Average					0.0548%
Maximum					0.2720%

Source: the Stock Exchange

LETTER FROM MAXA CAPITAL

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

We note from the above table that the trading volume of the Shares is generally thin during the Review Period, where the percentages of average daily trading volume of the Shares to the total issued Shares during the Review Period is below 0.272%. Due to the thin trading volume of the Shares, the Company is unlikely to raise fund by way of placing without substantial discount. Even if the Company is able to conduct placing of new shares with a substantial discount, it may not be able to raise a sufficient level of fund as compared to the Open Offer. Also, we consider that it would be unfair to the existing Shareholders as they will not be able to participate in the placing of new Shares. In view of the declining trend of the Share price and thin liquidity of the Shares during the Review Period, we are of the view that the Open Offer is an appropriate and equitable way of equity financing for both the Company and the Shareholders.

With reference to the thin trading liquidity of the Shares during the Review Period and the basis of one Offer Share for every one Share of the Open Offer, the Qualifying Shareholders who select to take up in full the respective assured entitlements under the Open Offer would double its number of Shares held. We anticipate that the Qualifying Shareholders may have difficulties in selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Open Offer without exerting a downward pressure on the market price of the Shares. We are therefore of the view that the Subscription Price at a discount, which is at a discount of approximately 8.45% to the lowest Share price during the Review Period, would provide greater opportunity for the Qualifying Shareholders to lower his/her overall investment costs per Share should they choose to take up the assured entitlement under the Open Offer. Therefore, the Subscription Price fixed at a discount to the prevailing market price would be attractive to the Qualifying Shareholders to participate in the Open Offer.

According to the recent survey results released by a global market research and advisory company with over 100 offices around the world, given the impact of the COVID-19 epidemic on the supply and demand chain, the global PC shipments which includes desktop, notebook, super mobile computers, for the first quarter of 2020 were 51.6 million units, dropped by 12.3% year-on-year. We consider that the quarantine measures implemented by the governments around the world in the beginning of 2020 had caused disruption and blockade to the logistic chain, resulting in the drop in PC

LETTER FROM MAXA CAPITAL

shipments in the first quarter of 2020. In the second quarter, contributed by the demand for PCs driven by work-from-home and distance learning amidst the epidemic, coupled with suppliers' replenishment of inventory, the global PC shipments increased by 2.8% to 64.8 million units as compared to that of the corresponding period of last year. We consider that the resumption in the supply and logistic chain couple with the increase in demand for PC mentioned above resulted in the rebound in shipment for PCs in the second quarter of 2020. As a notebook casing and component manufacturer, the Group's business operation and demand for its products are driven by its OEM customers' demand in PC manufacturing. Given the rebound in the PC shipment in second quarter of 2020 as mentioned above, the increase in demand from its OEM customers will eventually drive the demand for the Group's products.

As disclosed in the 2020 Interim Report, the uncertainties arising from the Pandemic will remain an obstacle for the Company to conquer. On the other hand, the continuing fierce competition among other competitors within the industry will remain as the major challenges to the Group. Based on our research on the financial information released by four major notebook casing and component manufacturers listed on the Stock Exchange and the PRC stock exchanges, we note that the Group's revenue is substantially less than its peers and that the Group's gross profit margin of approximately 3.7% for the year ended 31 December 2019 falls below the average of its peers of approximately 15.4%. We consider that the Group had difficulty in gaining more market share of the notebook casing industry while it continued to face pressure in its products pricing, resulting in substantial decrease in its gross profit margin and fall below the average of its peers. Although the demand of such products slightly rebounded globally, the gross profit margin of the Company has continued to lag behind; as such, it is anticipated that the gross profit margin will remain under pressure. Nevertheless, the Group expects that the operation chain of PC manufacturing will gradually restore its order in the second half of 2020 as the increasing trend of remote working and studying will stimulate the demand of the PCs and notebooks. The Group's efficient production facilities, comprehensive manufacturing solutions and strong research and development capabilities have provided a solid foundation for the Group to face the headwind amid the challenging times. The Management will remain vigilant to the market changes and adopt a prudent decision-making approach on resources allocation in order to make a timely and efficient responses and achieve the best outcome of the Group. In view of the above, we concur with the Directors' view that the Group's operations will ultimately benefit from the recovery of demand for PC products in second half of 2020 which will drive up the demand of the Group's OEM customers for notebook casing products.

4.2.3 *Comparison with recent open offers*

In assessing the fairness and reasonableness of the Subscription Price, we have conducted a search of recent proposed open offers based on the following selection criteria: (i) company listed on the Main Board of the Stock Exchange; (ii) open offer transaction which involves an application for whitewash waiver but excluding the proposed offers conducted during a reverse takeover exercise; and (iii) open offer transaction, announced within approximately twenty four months prior to the Last Trading Day and up to the Latest Practicable Date (the “**Comparable Review Period**”) to understand the trend of the recent market practice. Given that there are only a limited number of open offer transactions which also involve an application for whitewash waiver, we therefore decide to use a twenty-four months period in order to generate a meaningful sample size. Based on our research, we have identified an exhaustive list of three comparable open offers, which involves two companies listed on the Main Board of the Stock Exchange (the “**Comparable Open Offers**”) during the Comparable Review Period. We note that the Comparable Open Offers may have different principal activities and none of them are engaged in manufacturing of casing for notebooks and other accessories. We have extended our search on all the open offer transactions announced during the Review Period but noted that none of the subject company engages in similar line of business as the Company. However, we consider that the terms of the open offer depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., but are often influenced by the recent market trends for open offer. Notwithstanding that the Comparable Open Offers include issuers which engaged in different business or with different financial performance, we consider that the Comparable Open Offers are acceptable to serve as reference for the purpose of assessing the Subscription Price as (i) all of the Comparable Open Offers are listed on the Main Board of the Stock Exchange; (ii) our analysis is mainly focused on the comparison of the subscription price to closing price, theoretical ex-rights price and net asset value, and maximum dilution on the shareholding; and (iii) the twenty-four months period for the selection of the Comparable Open Offers has resulted in generation of a reasonable sample size, we are of the view that the Comparable Review Period is fair and reasonable and that the Comparable Open Offers are fair, representative and exhaustive samples for our assessment of the Subscription Price.

LETTER FROM MAXA CAPITAL

Comparable Open Offers

Date of announcement	Company name (stock code)	Principal Business Activities	Closing market capitalisation as of the last trading day prior to announcement in relation to the Open Offer Basis of (HKD' million) entitlement	Discount of the subscription price to the closing price per share on the last trading day prior to announcement in relation to the respective open offer	Discount of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the consolidated net asset value per share	Maximum dilution on the shareholding (Note 1)	Underwriting commission (%)
27/3/2020	Celestial Asia Securities Holdings Limited (1049.HK)	Providing retail and asset management services	87.2 2 for 1	-32.58%	-14.29%	66.67%	1.00%
19/10/2019	Rich Goldman Holdings Limited (70.HK)	Hotel operation, money lending and property leasing businesses	159.0 9 for 5	-28.57%	-93.02%	64.29%	nil
29/11/2018	Celestial Asia Securities Holdings Limited (1049.HK)	Providing retail and asset management services	87.2 1 for 1	-45.95%	-30.07%	50.00%	nil
	Maximum		-28.57%	-75.00%	66.67%	1.00%	
	Minimum		-45.95%	-93.02%	50.00%	nil	
	Average		-35.70%	-83.88%	60.32%	0.33%	
	Median		-32.58%	-83.61%	64.29%	nil	

LETTER FROM MAXA CAPITAL

Date of announcement	Company name (stock code)	Principal Business Activities	Closing market capitalisation as of the last trading day prior to announcement in relation to the Open Offer	Basis of entitlement	Discount of the subscription price to the closing price per share on the last trading day prior to announcement in relation to the respective open offer	Discount of the ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the consolidated net asset value per share	Maximum dilution on the shareholding	Underwriting commission (%)
	The Company	Principal Business Activities Manufacturing solution provider of casings for notebooks and other accessories	70.9	1 for 1	-13.33%	-7.14%	50.00%	nil

Source: *the Stock Exchange*

Note:

- Maximum dilution on the shareholding of each of the Comparable Open Offers is calculated as: $(\text{number of open offer shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the open offer shares under the basis of entitlement} + \text{number of open offer shares to be issued under the basis of entitlement} \times 100\%)$, e.g. for an open offer issue with basis of one (1) open offer share for every one (1) existing share, the maximum dilution effect is calculated as $(1 / (1+1) \times 100\%) = 50.0\%$.

LETTER FROM MAXA CAPITAL

As set out in the table above, we note that:

- (i) the discount of the subscription prices to the share price on the last trading day of the Comparable Open Offers ranged from discounts of approximately 28.57% to 45.95% (the “**Comparable LTD Range**”), with an average discount of approximately 35.70%. The discount of approximately 13.33% to the closing price per Share on the Last Trading Day as represented by the Subscription Price is less than the high end of the discount of the Comparable LTD Range;
- (ii) the discount of the subscription prices to the theoretical ex-rights price per share based on the last trading day of the Comparable Open Offers ranged from discounts of approximately 12.50% to 30.07% (the “**Comparable TERP Range**”), with an average discount of approximately 18.95%. The discount of 7.14% to the theoretical ex-rights price per Share on the Last Trading Day as represented by the Subscription Price is less than the high end of the discount of the Comparable TERP Range; and
- (iii) the discount of the subscription prices to the consolidated net asset value (“NAV”) per share of the Comparable Open Offers ranged from discounts of approximately 75.00% to 93.02% (the “**Comparable NAV Range**”), with an average discount of approximately 83.88%. Although the discount of 79.44% to the consolidated net asset value per Share as represented by the Subscription Price is slightly lower than the average discount of approximately 83.88%, we note that the Subscription Price still represents a substantial discount to the consolidated NAV of approximately HK\$1.58 per Share. The substantial discount to NAV is due to the fact that the Subscription Price is determined by the Directors with reference to, among others, the prevailing market price of the Share at the time of the Open Offer. Given that the Share price has been trading below NAV per Share during the Review Period, the Subscription Price also represents a substantial discount to NAV per Share.

While we reckon that the discounts of the Subscription Price to the closing price per Shares and theoretical ex-rights per Share on the Last Trading Day are not within the Comparable LTD Range and Comparable TERP Range, we consider the discounts of the subscription price would vary depending on a number of factors including the prevailing market condition, historical share price performance and liquidity, market capitalization, etc. The Subscription Price is at a discount of approximately 8.45% to the lowest closing price per Share during the Review Period (please refer to the section headed “4.2.1 Review of the historical share price performance” above), which we consider should be attractive to the Qualifying Shareholders to participate into the Open Offer. Although the discount of the Subscription Price to the NAV per Share is within the Comparable NAV Range, we note that the Comparable Open Offers are engaged in different business activities

LETTER FROM MAXA CAPITAL

compared to the Group and therefore their asset compositions are not directly comparable or relevant to the Group for the purposes of assessing the reasonableness of the discounts to the Subscription Price to NAV per Share. Based on our research, we note that there only a few companies listed on the Stock Exchange which are closely comparable to the principal business to the Company but none of these companies have conducted rights issue/open offer in recent years. In light of the lack of comparables for the assessing the discounts to NAV per Share, we consider that the recent Share price performance is more relevant in determining the reasonableness of the Subscription Price.

We note that the Subscription Price represents a significant discount of approximately 79.44% to the consolidated NAV of approximately HK\$1.581 per Share as at 31 December 2019. We understand from the Directors that when determining the Subscription Price, the Directors have taken into account the fact that the Subscription Price is at a substantial discount to the consolidated NAV per Share. As discussed in the section headed “4.2.1 Review of the historical share price performance” above, we note that the Share price performance displayed a general declining trend during the Review Period and the closing price per Share for all the trading days during the Review Period were below consolidated NAV per Share as of 31 December 2019. The highest and lowest closing price of HK\$0.99 and HK\$0.34 per Share recorded during the Review Period represent discounts of approximately 37.34% and 78.48% to consolidated NAV per Share respectively. If the Subscription Price were determined at a lower discount to the NAV, the Subscription Price may represent a premium to the prevailing market price of the Share which we consider would be less attractive to the Qualifying Shareholders. Given the Company’s genuine funding needs as discussed in the section headed “2.1 Background and reasons for the Open Offer” and the economic uncertainties caused by the Pandemic, we consider that the deep discount to the NAV as represented by the prevailing market price of the Share immediately before the proposed Open Offer can encourage the Qualifying Shareholders to participate in the Open Offer and maintain their shareholdings in the Company and benefiting from the future growth of the Company. As discussed in the section headed “5.1 Net assets” below and for illustration purpose, upon completion of the Open Offer, the unaudited consolidated NAV per Share would decrease from approximately HK\$1.58 to HK\$0.94 as at 31 December 2019. The Subscription Price would still represent a discount of approximately 65.43% to the adjusted NAV per Share of HK\$0.94 upon completion of the Open Offer.

The Open Offer will offer the Qualifying Shareholders an equal opportunity to subscribe for their Offer Shares to maintain their respective pro-rata shareholding interests in the Company at a significant discount as compared to the NAV per Share and historical and prevailing market price of the Shares. Having considered the above, we are of the view that the significant discount of the Subscription Price to the NAV per Share is in the interests of the Company and the Shareholders as a whole.

LETTER FROM MAXA CAPITAL

Based on the above table, we note that the dilution on the shareholding of the Comparable Open Offers ranged from approximately 50.00% to 66.67%, with an average of approximately 60.32%. The dilution on the shareholding of the Open Offer is 50.00%, which is at the low end of the dilution effect of the Comparable Open Offers. Taking into consideration of the maximum dilution on the shareholding of the Open Offer falls within the range of the Comparable Open Offers, we consider that the proposed offer basis is fair and reasonable to the Independent Shareholders.

4.3 *The Underwriting Arrangement for the Open Offer*

4.3.1 *Principal terms of the Underwriting Agreement*

Set out below are the principal terms of the Underwriting Agreement as extracted from the Letter from the Board:

Date: 24 August 2020

Underwriter: Landmark Worldwide

Landmark Worldwide is an investment holding company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua. Landmark Worldwide, a substantial shareholder, beneficially holding 35,712,250 Shares, representing approximately 18.88% of the issued share capital of the Company as at the Latest Practicable Date

Number of Offer Shares underwritten: Pursuant to the Underwriting Agreement, Landmark Worldwide as the underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up under the Landmark Undertaking) which have not been taken up by the Qualifying Shareholders and which have not been placed out by the Placing Agent under the Unsubscribed Arrangements

Commission: Nil

LETTER FROM MAXA CAPITAL

Based on the table set out in the section headed “4.2.3 Comparison with recent open offers” above, we note that the range of commission received by underwriters of the Comparable Open Offers ranged from nil to 1.00%, with an average underwriting commission of approximately 0.33%. Pursuant to the Underwriting Agreement, the Underwriter will not charge any underwriting commission for the Open Offer, which is at the low end of the Comparable Open Offers. As mentioned in the section headed “2.2 Fund raising alternatives” above, prior to approaching the Underwriter, the Company has approached three independent brokers to act as the underwriter for the Open Offer but none of them is willing to undertake the equity fund raising activity of such a scale given the thin trading volume of the Shares. The Management believe that even if the Company continues to approach more independent brokers and eventually identify a broker who is willing to act as underwriter for the Open Offer, a relatively high underwriting commission may be incurred. No commission will be charged by the Underwriter for the Open Offer is considered to be beneficial to the Company by avoiding any additional transaction cost to be incurred should the Company appoint a willing independent broker to act as the underwriter for the Open Offer. In view of the above, we concur with the Directors’ view that the Underwriting Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

4.3.2 Procedures in respect of the Unsubscribed Shares and the Unsubscribed Arrangements

As stated in the Letter from the Board, pursuant to Rule 7.26A(2) of the Listing Rules, as Landmark Worldwide, being a substantial shareholder, shall act as the underwriter of the Open Offer, the Company must make arrangements as stipulated in Rule 7.26A(1)(b) of the Listing Rules to dispose of any Unsubscribed Shares not validly applied for by the No Action Shareholders by offering such Unsubscribed Shares to independent places for the benefit of the those Shareholders.

As further mentioned in the Letter from the Board, it is noted that any Unsubscribed Shares (which comprise (i) Offer Shares that are not subscribed by the Qualifying Shareholders; and/or (ii) Offer Shares which would otherwise have been in the assured allotments of the Prohibited Shareholders) will be first placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties, and if not successfully placed out, will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

In order to comply with the Listing Rules, the Company has entered into the Placing Agreement and the Supplemental Placing Agreement with the Placing Agent to place the Unsubscribed Shares on a best efforts basis, the Placing Agent shall seek to procure places who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) to subscribe for the Unsubscribed Shares.

LETTER FROM MAXA CAPITAL

Principal terms of the Placing Agreement and the Supplemental Placing Agreement are summarised below:

Placing Agent:	Sinomax Securities Limited
	As at the Latest Practicable Date, (i) the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties; and (ii) the Placing Agent and its ultimate beneficial owner(s) are independent from the Underwriter and parties acting in concert with it
Placing commission:	The Company shall pay the Placing Agent a placing commission, being the higher of HK\$300,000 or 2% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Shares which are successfully placed by the Placing Agent
Placing Price:	HK\$0.325 per Unsubscribed Share
Placing Period:	The period from Wednesday, 9 December 2020 up to 4:00 p.m. on Thursday, 10 December 2020, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to affect the Unsubscribed Arrangements
Places:	The Unsubscribed Shares are expected to be placed to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties
Condition precedent:	The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional (save for the condition that the Placing Agreement has become unconditional)

The Company has made an arrangement to dispose of any Unsubscribed Shares through the Placing Agent by offering such Unsubscribed Shares to the places for the benefit of those Shareholders in compliance with Rule 7.26A(1)(b) of the Listing Rules. As the Placing Price is the same as the Subscription Price, no premium over the Subscription Price is expected and no monetary benefits will be payable to the No Action Shareholders. There will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules.

LETTER FROM MAXA CAPITAL

We understand that the Unsubscribed Arrangements is a compensatory arrangement at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Open Offer. The placing of the Unsubscribed Shares may be placed to independent placees under the Unsubscribed Arrangements which will expand the shareholders' base. As there will be no excess application arrangements in relation to the Open Offer as stipulated under Rule 7.26A(1)(a) of the Listing Rules, the Company has put in place the Unsubscribed Arrangements as required by Rule 7.26A(1)(b) of the Listing Rules. Given that the Unsubscribed Arrangements would (i) provide a distribution channel of the Unsubscribed Shares for the Company; (ii) broaden the shareholders' base of the Company; and (iii) although the placing arrangement will not offer any monetary benefits to the No Action Shareholders and the Prohibited Shareholders, (a) the placing arrangement facilitates the implementation of the Open Offer and will increase the amount of funds being raised if any Unsubscribed Shares are placed under the placing arrangement, in which case it will benefit the Company and the Shareholders as a whole as the Open offer will satisfy the funding needs of the Company; and (b) the placing arrangement also allows the Offer Shares to be placed to independent placees with proceeds accrued to the Company which could potentially increase the shareholder base of the Company. We are of the view that the Unsubscribed Arrangements are fair and reasonable to the Independent Shareholders.

Taking into account the principal terms of the Open Offer as highlighted above, we consider that the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement) are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

LETTER FROM MAXA CAPITAL

4.4 Potential dilution effect on the interests of the Independent Shareholders

The table below illustrates the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Open Offer (assuming there is no other change in the shareholding structure of the Company between the Latest Practicable Date and completion date of the Open Offer):

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up all his/her/its entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) all the Unsubscribed Shares were placed to Independent Third Parties under the Unsubscribed Arrangements)		Immediately after completion of the Open Offer (assuming (a) no Qualifying Shareholders take up any of his/her/its entitlements under the Open Offer except for Landmark Worldwide pursuant to the Landmark Undertaking; and (b) no Independent Third Parties took up the Unsubscribed Shares such that all the Unsubscribed Shares were taken up by Landmark Worldwide)	
	No. of Shares	Approx. percentage %	No. of Shares	Approx. percentage %	No. of Shares	Approx. percentage %	No. of Shares	Approx. percentage %
Landmark Worldwide (Note 1)	35,712,250	18.88	71,424,500	18.88	71,424,500	18.88	224,827,888	59.44
E-Growth Resources Limited (Note 2)	7,400,000	3.91	14,800,000	3.91	7,400,000	1.96	7,400,000	1.96
Mr. Wang	9,653,000	5.10	19,306,000	5.10	9,653,000	2.55	9,653,000	2.55
Wong Ah Yu	2,411,000	1.28	4,822,000	1.28	2,411,000	0.64	2,411,000	0.64
Wong Ah Yeung	2,982,500	1.58	5,965,000	1.58	2,982,500	0.79	2,982,500	0.79
Wang Ya Hua	2,280,500	1.21	4,561,000	1.21	2,280,500	0.60	2,280,500	0.60
Landmark Worldwide and parties acting in concert with it	60,439,250	31.96	120,878,500	31.96	96,151,500	25.42	249,554,888	65.98
Independent places Wykeham Capital	-	-	-	-	153,403,388	40.56	-	-
Asia Value Fund	20,991,000	11.09	41,982,000	11.09	20,991,000	5.55	20,991,000	5.55
Public Shareholders	107,685,388	56.95	215,370,776	56.95	107,685,388	28.47	107,685,388	28.47
Total	189,115,638	100.00	378,231,276	100.00	378,231,276	100.00	378,231,276	100.00

LETTER FROM MAXA CAPITAL

Notes:

1. Landmark Worldwide is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua. Save for Mr. Wong Ah Yu and Mr. Wang, none of the Directors hold any Shares. Mr. Wang is the sole director of Landmark Worldwide.
2. E-Growth Resources Limited is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is wholly and beneficially owned by Mr. Wang. Under the SFO, Mr. Wang is deemed to be interested in 7,400,000 Shares held by E-Growth Resources Limited. Mr. Wang is the sole director of E-Growth Resources Limited.

As illustrated above, if no Qualifying Shareholders take up the Open Offer Shares and no Unsubscribed Shares can be placed to independent places, (i) the shareholding of the existing public Shareholders would be reduced from approximately 56.95% to 28.47%, representing a possible dilution of approximately 28.47% in their shareholding interests arising from Open Offer; and (ii) the shareholding of Landmark Worldwide and its concert parties would be increased from approximately 31.96% as at the Latest Practicable Date to approximately 65.98% upon the completion of the Open Offer.

Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer in that the Qualifying Shareholders have their choice of whether to accept the Open Offer or not; (ii) the Open Offer offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (iii) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer; (iv) the inherent dilutive nature of open offers in general if the existing shareholders do not subscribe in full for their assured entitlements; (v) the Open Offer would enable to the Group improve its financial position; and (vi) the Unsubscribed Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Open Offer to address the concern that the Underwriter has the potential to increase its interests in the Company at a lower cost because the Subscription Price is at a discount to the recent prevailing market price, we are of the view that the potential dilution effect of the Open Offer is justifiable.

We are of the view that the implementation of the Open Offer is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Open Offer, having regard to the potential mitigating measure such as the Unsubscribed Arrangements.

5 Financial effects of the Open Offer and the Set Off

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets, before any adjustments, of the Group attributable to the equity holders of the Company was approximately HK\$299.1 million as at 31 December 2019.

5.1 *Net assets*

Assuming no other issue of Shares on or before the Record Date, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company would increase by approximately HK\$58.0 million as at 31 December 2019 upon completion of the Open Offer; and (ii) the unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company would decrease from approximately HK\$1.58 to approximately HK\$0.94 as at 31 December 2019.

5.2 *Liquidity*

According to the 2020 Interim Report, as at 30 June 2020, the cash and bank balances of the Group was approximately HK\$16.7 million and the Group had current assets of approximately HK\$580.0 million, current liabilities of approximately HK\$399.8 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2020 was approximately 1.45 times. Immediately upon completion of the Open Offer, the cash and bank balances of the Group after is expected to increase by the expected net proceeds from the Open Offer of approximately HK\$13 million and the Group's current liabilities after the Set Off is expected to decrease by approximately HK\$45 million. The current ratio will increase to approximately 1.67 times.

5.3 *Gearing ratio*

According to the 2020 Interim Report, as at 30 June 2020, the Group has a gearing ratio of 84.5% (being the net debt/ total equity). Upon the completion of the Open Offer and the Set Off, the net debt is expected to decrease by approximately HK\$58 million and the total equity of the Company will increase by the same amount. As a result, the gearing ratio of the Group is expected to improve to 51.8% upon completion of the Open Offer.

LETTER FROM MAXA CAPITAL

Although the unaudited pro forma adjusted consolidated net tangible assets value per Share will decrease by approximately 40.3%, the Open Offer will improve the liquidity position and gearing level of the Group. Thus, we are of the view that the Open Offer is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Open Offer and due to its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Company as at 31 December 2019 and 30 June 2020 or any future date; or (ii) the net tangible assets per Share of the Company as at 31 December 2019 or any future date.

6 Whitewash Waiver

Assuming (i) there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer; (ii) none of the Qualifying Shareholders other than Landmark Worldwide have taken up their entitlements under the Open Offer; and (iii) none of the Unsubscribed Shares have been taken up under the Unsubscribed Arrangements, the aggregate shareholding of Landmark Worldwide and parties acting in concert with it in the Company upon the close of the Open Offer will increase from the current level of approximately 31.96% to approximately 65.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares. Landmark Worldwide will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26 of the Takeovers Code. If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by Landmark Worldwide and parties acting in concert with it as a result of the underwriting of the Offer Shares by Landmark Worldwide pursuant to the Underwriting Agreement will exceed 50% of the voting rights of the Company. Landmark Worldwide and parties acting in concert with it may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers code to make a general offer.

An application has been made by Landmark Worldwide to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution(s) in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are casted either in person or by proxy by the Independent Shareholders at the EGM by way of poll.

LETTER FROM MAXA CAPITAL

Based on our analysis of the benefits and terms of the Open Offer, we consider that the Open Offer is fair and reasonable to the Independent Shareholders. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Open Offer will not proceed and the Company will lose all the benefits that are expected to be brought by the Open Offer. Accordingly, we consider that the Whitewash Waiver is to facilitate the implementation of the Open Offer and in the interests of the Company and the Independent Shareholders.

7 Special Deal

As disclosed in the Letter from the Board, pursuant to the Underwriting Agreement, Landmark Worldwide and the Company have agreed that the Subscription Price payable by Landmark Worldwide and its associates for the Offer Shares to which each of them is entitled under the Open Offer and the Underwritten Shares would be by way of the Set Off in first place and the remaining balance of the Subscription Price will be settled in cash. Although the Open Offer is fully underwritten, the exact amount of the Shareholder's Loans to be set off for such aggregate Subscription Price depends on the number of Offer Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Shares to be placed by the Placing Agent to the independent places pursuant to the Unsubscribed Arrangements.

The proposed Set Off, which is a form of repayment to a Shareholder of indebtedness due by the Company, is not capable of being extended to all Shareholders and constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly stated in its opinion that the terms of the Open Offer and the Special Deal are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which Mr. Wang and parties acting in concert with him who are Shareholders will be required to abstain from voting on the relevant resolutions approving the Special Deal. The Company has applied to the Executive for the consent to the Special Deal under Rule 25 of the Takeovers Code.

As mentioned in the section headed "2.1 Background and reasons for the Open Offer" above, the Company was in loss-making position since 2019 and its cash and bank balances had been decreased to approximately HK\$16.7 million as of 30 June 2020. With the increase in gearing level and decrease in revenue, the Group had difficulties in securing additional banking facilities from financial institutions in order to meet its short-term working capital needs. Against this backdrop, the Company approached Mr. Wang for financial assistance and Mr. Wang advanced the Shareholder's Loans to ensure the Group has sufficient liquidity to meet its short-term working capital needs. In order to improve the Group's financial position and strengthen its capital, the Directors have considered various financing alternatives, such as placing of new shares, debt financing from financial institutions before resolving to the Open Offer. As discussed in the section headed "3 The Set Off" above, the Set Off is part of the terms to facilitate the Company to conduct the fund-raising activity by way of the Open Offer.

Having considered the above, we are of the view that the Special Deal is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM MAXA CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above and summarised below:

- (i) the Open Offer, which the net proceeds of HK\$45 million would be contributed to the Set Off while HK\$13 million would be contributed to general working capital is expected to have a positive financial effect on the net assets, liquidity, gearing of the Group, more specially it is expected to lower the liabilities of the Group while increases its equity capital;
- (ii) taking into account the benefits and cost of each of the alternatives, the Open Offer represents an appropriate means for fund raising to improve the Group's financial position as discussed under the section headed "2.2 Fund raising alternatives" above;
- (iii) the Subscription Price and the dilution effects of the Open Offer are reasonable as discussed in the section headed "4.2 Analysis on the terms of the Open Offer" above. Given the deterioration of the Group's financial performance, price of the Share was in a declining trend during the Review Period and trading at a considerable discount to NAV per Share, setting the Subscription Price at a discount to the prevailing market price per Share can encourage the Shareholder to participate in the Open Offer;
- (iv) the Open Offer is conducted on the basis that all the Qualifying Shareholders have been offered the equal opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Offer Shares;
- (v) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the section headed "6 Whitewash Waiver" above; and
- (vi) the analysis on the fairness and reasonableness of the Special Deal as discussed in the section headed "7 Special Deal" above,

LETTER FROM MAXA CAPITAL

we are of the opinion that the terms of the Open Offer (including the transactions contemplated under the Underwriting Agreement), the Set Off, the Whitewash Waiver and the Special Deal are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Open Offer, the Underwriting Agreement, the Set Off, the Whitewash Waiver and the Special Deal to be proposed at the EGM.

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

Mr. Michael Fok is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in the corporate finance industry.

Mr. Sammy Leung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 8 years of experience in the corporate finance industry.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results of the Group for each of the three years ended 31 December 2017, 2018 and 2019 as extracted from the annual reports of the Company for the years ended 31 December 2018 and 2019, and the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 as extracted from the interim report of the Company for the six months ended 30 June 2020.

No qualified opinion had been given in the auditor's reports issued by Ernst & Young in respect of the three years ended 31 December 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Results

	For the	For the year ended 31 December		
	six months ended 30 June 2020 HK\$'000 (unaudited)	2019 HK\$'000 (audited)	2018 HK\$'000 (audited)	2017 HK\$'000 (audited)
Revenue	188,011	532,939	507,429	580,481
Selling and distribution expenses	(4,284)	(10,227)	(14,120)	(11,393)
General and administrative expenses	(29,231)	(64,875)	(69,119)	(64,229)
Finance costs	(5,535)	(15,438)	(12,617)	(8,870)
Profit/(loss) before taxation	(31,371)	(68,121)	4,073	27,139
Taxation	-	-	-	(4,276)
Profit/(loss) for the year attributable to:				
Owners of the Company	(31,371)	(68,121)	4,073	22,863
Non-controlling interests	-	-	-	-
Earnings/(loss) per Share attributable to:				
Owners of the Company	HK(16.59)	HK(36.02)	HK2.25	HK15.82
- basic and diluted	cents	cents	cents	cents
Non-controlling interests	-	-	-	-
- basic and diluted	-	-	-	-
Total comprehensive income/(expense) attributable to:				
Owners of the Company	(29,142)	(81,360)	(8,425)	25,548
Non-controlling interests	-	-	-	-

For each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, no dividend or dividend per share has been declared by the Group. Save as disclosed in the consolidated financial statements of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the unaudited consolidated interim results of the Group for the six months ended 30 June 2020, there were no material items of income or expense for each of the three years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020.

2. AUDITED FINANCIAL INFORMATION

The Company is required to set out or refer to in this circular the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); and (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 (the “**2020 Interim Financial Statements**”), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2017 Financial Statements and 2018 Financial Statements are set out on pages 41 to 103 of the annual report of the Company for the year ended 31 December 2018, which was published on 10 April 2019 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0410/ltn20190410171.pdf>

The 2019 Financial Statements are set out on pages 43 to 107 of the annual report of the Company for the year ended 31 December 2019, which was published on 14 April 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0414/2020041401027.pdf>

The 2020 Interim Financial Statements are set out on pages 9 to 32 of the interim report of the Company for the six months ended 30 June 2020, which was published on 31 August 2020 on the websites of the Stock Exchange and the Company, and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0831/2020083100495.pdf>

3. NO MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group for the period commencing since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) up to the Latest Practicable Date:

- (i) as disclosed in the interim report of the Company for the six months ended 30 June 2020, the outbreak of the Covid-19 Pandemic has casted a pervasive and severe impact to the worldwide economy. The Group was inevitably affected by the Covid-19 Pandemic and faced enormous challenges. The revenue of the Group decreased from approximately HK\$253.1 million for the six months ended 30 June 2019 to approximately HK\$188.0 million for the six months ended 30 June 2020. Due to the continuing fierce competition among other industry participants and the disruption to the operation chain of the personal computers manufacturing sector during the Covid-19 Pandemic, the gross profit of the Group reduced from approximately HK\$36.0 million for the six months ended 30 June 2019 to approximately HK\$9.4 million for the six months ended 30 June 2020. The net loss attributable to the equity holders of the Company increased from approximately HK\$9.4 million for the six months ended 30 June 2019 to approximately HK\$31.4 million for the six months ended 30 June 2020;
- (ii) as disclosed in the Announcement, Mr. Wang, as the lender, and the Company, as the borrower, entered into the Loan Agreements pursuant to which Mr. Wang agreed to advance the Shareholder's Loans in the total principal amount of HK\$45 million (as to HK\$17 million for the First Shareholder's Loan, HK\$17 million for the Second Shareholder's Loan and HK\$11 million for the Third Shareholder's Loan) to the Company;
- (iii) pursuant to a loan agreement dated 19 May 2020 and entered into between 通達(石獅)投資諮詢有限公司 (transliterated as Tongda (Shishi) Investment Consulting Company Limited) ("**Tongda Shishi Investment**"), a company established in the PRC with limited liability and which is wholly and beneficially owned by Mr. Wang, as lender, and Tongda Suzhou, as borrower, Tongda Shishi Investment had advanced an interest-free loan in the principal amount of RMB13 million to Tongda Suzhou for the period from 20 May 2020 to 19 May 2021. The purpose of the said loan was mainly to finance the general working capital, staff costs and payments to suppliers in respect of Tongda Suzhou; and

- (iv) pursuant to a loan agreement dated 1 September 2020 and entered into between Tongda Shishi Investment, as lender, and Tongda Suzhou, as borrower, Tongda Shishi Investment had at the request of Tongda Suzhou agreed to make available to Tongda Suzhou an interest-free loan in the principal amount of up to RMB20 million to Tongda Suzhou for the period from 1 September 2020 to 31 August 2021. The purpose of the said loan was mainly to finance the general working capital, staff costs and payments to suppliers in respect of Tongda Suzhou. As at the Latest Practicable Date, Tongda Suzhou has already draw down part of the loan in the principal amount of RMB15 million under the said loan agreement.

4. INDEBTEDNESS

As at the close of business on 31 August 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the respective indebtedness of the Group is as follows:

Borrowings

As at the close of business on 31 August 2020 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately HK\$265.6 million, comprising (i) bank borrowings of approximately HK\$206.3 million, which were secured by corporate guarantees of the Company and a substantial shareholder; (ii) unguaranteed and unsecured borrowings from a related company of approximately HK\$14.3 million; (iii) unguaranteed and unsecured Shareholder's Loan of approximately HK\$45.0 million.

Lease liabilities

As at the close of business on 31 August 2020, the Group had lease liabilities of approximately HK\$12.2 million.

Save as disclosed above, at the close of business on 31 August 2020, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts or other similar indebtedness, lease liabilities or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgage, charges, guarantees or other material contingent liabilities.

5. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources available to the Group, including internally generated funds, the expected renewal and availability of credit facilities; the expected renewal of loans from a related party and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for at least twelve months from the date of this circular.

6. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

The Group is a “one-stop” manufacturing solutions provider of notebook casings, components and other accessories. The Group is principally engaged in the manufacture and sale of a variety of casings and components of notebooks.

As set out in the interim report of the Company for the six months ended 30 June 2020, the outbreak of the Covid-19 Pandemic has casted a pervasive and severe impact to the worldwide economy. The Group was inevitably affected by the Covid-19 Pandemic and faced enormous challenges. The uncertainties arising from the Covid-19 Pandemic and the continuing fierce competition among other competitors within the industry will remain as the major challenges to the Group. As such, it is anticipated that the gross profit margin will remain under pressure.

Nevertheless, the Group expects that the operation chain of the personal computers manufacturing will gradually restore its order in the second half of 2020 as the increasing trend of remote working and studying will ultimately stimulate the demand of the personal computers and notebooks. The Group’s efficient production facilities, comprehensive manufacturing solutions and strong research and development capabilities have provided a solid foundation for the Group to face the headwind amid the challenging times. The management of the Group will remain vigilant to the market changes and adopt a prudent decision-making approach on resources allocation in order to make a timely and efficient responses and achieve the best outcome for the Group.

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

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 31 December 2019.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the published consolidated net assets of the Group as at 31 December 2019, as extracted from the published annual report of the Company for the year ended 31 December 2019 which are published on both the website of the Stock Exchange and the website of the Company, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to equity holders of the Group following the Open Offer.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2019 (Note 2) HK\$'000	Estimated net proceeds from the Open Offer (Note 3) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after completion of the Open Offer HK\$'000	Audited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 31 December 2019 (Note 4) HK\$	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after completion of the Open Offer (Note 5) HK\$
Based on 189,115,638 Offer Shares to be issued at the Subscription Price of HK\$0.325 per Offer Share (Note 1)	299,061	57,963	357,024	1.58	0.94

Notes:

1. Based on the 189,115,638 Offer Shares to be issued at the Subscription Price of HK\$0.325 per Offer Share pursuant to the Open Offer on the basis of one Offer Share for every one Share held and 189,115,638 Shares in issue as at the Latest Practicable Date.
2. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2019 is based on the capital and reserves attributable to the owners of the Company as at 31 December 2019 of approximately HK\$299,061,000, as extracted from the published annual report of the Company for the year ended 31 December 2019.
3. The estimated net proceeds from the Open Offer (prior to the Set Off of the Shareholder's Loans of approximately HK\$45,000,000) are based on 189,115,638 Offer Shares to be issued at the Subscription Price of HK\$0.325 per Offer Share, after deduction of the related estimated expenses of approximately HK\$3,500,000.
4. The number of Shares used for the calculation of audited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 31 December 2019 is 189,115,638 Shares.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after completion of the Open Offer is calculated based on 378,231,276 Shares in issue upon completion of the Open Offer, which represents the 189,115,638 Shares in issue as at the Latest Practicable Date and 189,115,638 Offer Shares expected to be issued on the completion of the Open Offer.
6. Saved for disclosed elsewhere within this circular, no adjustment has been made to reflect any trading results or other transactions of the Company entered into subsequent to 31 December 2019.

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation into this circular:

2. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Tongda Hong Tai Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tongda Hong Tai Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2019, and related notes as set out in Appendix II of the circular dated 23 October 2020 issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed issue of 189,115,638 offer shares (“**Offer Share**”) by way of open offer at the subscription price of HK\$0.325 per Offer Share (“**Subscription Price**”) on the basis of one Offer Share for every one share held on the record date (the “**Open Offer**”) and connected transactions in relation to the underwriting agreement entered into between the Company and Landmark Worldwide Holdings Limited (the “**Underwriter**”) and proposed set off of the Subscription Price against shareholder’s loans advanced by Mr. Wang Ya Nan of HK\$45 million (“**Shareholder’s Loans**”) for the Offer Shares to which the Underwriter and its associates are entitled under Open Offer and the underwriting agreement (collectively the “**Transactions**”) on the Group’s net tangible assets as at 31 December 2019 as if the Transactions had taken place at 31 December 2019. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2019, on which an annual report had been published.

Directors’ responsibility for the Pro Forma Financial Information

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

Our independence and quality control

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

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

Reporting accountants' responsibilities

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

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

Yours faithfully,

Certified Public Accountants
Hong Kong

23 October 2020

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 (other than the information relating to the Underwriter and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein (other than the information relating to the Underwriter and parties acting in concert with it) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to Landmark Worldwide and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by Landmark Worldwide) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of Landmark Worldwide, namely Mr. Wang, accepts full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Open Offer (assuming there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of close of the Open Offer) is set out as follows:

(i) as at the Latest Practicable Date:

<i>Authorised capital:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000.00</u>
 <i>Issued and fully paid or credited as fully paid:</i>		
<u>189,115,638</u>	Shares	<u>1,891,156.38</u>

(ii) immediately after completion of the Open Offer:

<i>Authorised capital:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000.00</u>
 <i>Issued and fully paid or credited as fully paid:</i>		
189,115,638	Shares as at the Latest Practicable Date	1,891,156.38
189,115,638	Number of Offer Shares to be issued	1,891,156.38
<u>378,231,276</u>	Shares upon completion of the Open Offer	<u>3,782,312.76</u>

All of the Offer Shares to be issued will rank pari passu in all respects with all the Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

The Company had not issued any Shares since 31 December 2019, being the date on which the latest audited financial statements of the Group were made up and up to the Latest Practicable Date.

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

There is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share HK\$
28 February 2020	0.800
31 March 2020	0.690
29 April 2020	0.610
29 May 2020	0.485
30 June 2020	0.355
31 July 2020	0.425
24 August 2020 (the Last Trading Date)	0.375
30 August 2020	0.900
30 September 2020	0.485
20 October 2020 (the Latest Practicable Date)	0.570

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 1 February 2020 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK\$0.355 on 30 June 2020 and HK\$0.800 on 28 February 2020 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests in Landmark Worldwide

As at the Latest Practicable Date, the Company does not have any interest in the equity share capital or any convertible securities, warrants, options or derivatives of Landmark Worldwide, and the Company had not dealt in the equity share capital or any convertible securities, warrants, options or derivatives of Landmark Worldwide during the Relevant Period.

(b) Interest in the Company

(i) *Director's and chief executive's interests in the Company or its associated corporations*

As at the Latest Practicable Date, the interests and short positions, of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of

the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

Long position in the Shares:

Name of director	Number of shares held, capacity and nature of interest			Total	Approximate percentage of the Company’s issued share capital
	Directly beneficially owned	Through controlled corporation	Notes		
Mr. Wang	9,653,000	43,112,250	1, 2	52,765,250	27.90%
Mr. Wong Ah Yu	2,411,000	35,712,250	1	38,123,250	20.16%

Notes:

- 35,712,250 Shares are held by Landmark Worldwide, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua.
- 7,400,000 Shares are held by E-Growth Resources Limited, the entire issued share capital of which is beneficially owned by Mr. Wang.

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

(ii) *Substantial shareholders and other persons' interests in Shares and underlying Shares*

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Long position in the Shares:

Name of director	Number of shares held, capacity and nature of interest				Notes	Total	Approximate percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Investment manager				
Mr. Wong Ah Yeung	2,982,500	35,712,250	-	1	38,694,750	20.46%	
Mr. Wang Ya Hua	2,280,500	35,712,250	-	1	37,992,750	20.09%	
Landmark Worldwide Wykeham Capital	35,712,250	-	-	1	35,712,250	18.88%	
Asia Value Fund	20,991,000	-	-	2	20,991,000	11.09%	
Wykeham Capital Limited	-	-	20,991,000	2	20,991,000	11.09%	
Mr. Howel Gruffudd Rhys Thomas	-	20,991,000	-	2	20,991,000	11.09%	

Notes:

- 35,712,250 Shares are held by Landmark Worldwide, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua.
- Mr. Howel Gruffudd Rhys Thomas was deemed to be interested in the 20,991,000 shares owned by Wykeham Capital Asia Value Fund by virtue of his 100% shareholding interest in Wykeham Capital Limited (which was the investment manager of Wykeham Capital Asia Value Fund).

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the issued share capital of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, save for the Set Off, the Underwriting Agreement and the Landmark Undertaking, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

9. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY

Save for the abovementioned under section headed "Special Deal", as at the Latest Practicable Date, neither Landmark Worldwide nor any parties acting in concert with it:

- (a) save for the Shares as set out in the section headed "Effects on Shareholding Structure", owns, controls or has direction over any Shares and right over Shares, outstanding share options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) or any other person (including the Directors) had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal and to accept or reject the Open Offer;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Landmark Undertaking given by Landmark Worldwide, details of which as set out in the section headed "The Landmark Undertaking" of this circular, there are no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company), which might be material to the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal, with any other persons;
- (e) save for the Underwriting Agreement and save that the Open Offer is conditional upon obtaining of the Whitewash Waiver by Landmark Worldwide as set out in "Conditions of the Open Offer" of this circular, has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal;

- (f) has dealt in any securities of the Company during the Relevant Period; or
- (g) has entered into any derivative in respect of the securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (a) the Company believes that the Open Offer, the Set off, the Underwriting Agreement, the Special Deal and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Open Offer, the Set off, the Underwriting Agreement, the Special Deal and the transactions contemplated thereunder do not comply with other applicable rules and regulations;
- (b) apart from the Offer Shares to be subscribed and underwritten by Landmark Worldwide and the Set Off, the Company has not paid and will not pay any other consideration, compensation or benefit in whatever form to Landmark Worldwide and any parties acting in concert with it in connection with the Open Offer and the Underwriting Agreement;
- (c) apart from the Set Off, the Underwriting Agreement, the Landmark Undertaking and the Special Deal, there is no other understanding, arrangement or special deal between the Group on the one hand, and Landmark Worldwide and any parties acting in concert with it on the other hand;
- (d) there is no understanding, arrangement or agreement or special deal between (i) any Shareholders; and (ii) Landmark Worldwide and any parties acting in concert with it; or the Company, its subsidiaries or associated companies;
- (e) there was no agreement, arrangement or understanding (including any compensation arrangement) between Landmark Worldwide and any parties acting in concert with it and other persons in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to Landmark Worldwide and parties acting in concert with it under the Open Offer or as a result of the obligations under the Underwriting Agreement;

- (f) save as disclosed in the paragraph headed “4. Disclosure of Interests” in this appendix, none of the Directors was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (g) save for the shares in Landmark Worldwide held by Mr. Wong Ah Yu and Mr. Wang, none of the Company and the Directors had owned or controlled, or had dealt for value in, any shares or any securities, convertible securities, warrants, options or derivatives in respect of the shares or securities of Landmark Worldwide;
- (h) save for the Shares held by Mr. Wang, none of the directors of Landmark Worldwide, if any, were interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of Landmark Worldwide had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (i) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (j) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal;
- (k) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) Landmark Worldwide and parties acting in concert with it and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal;
- (l) save for the Set Off, the Underwriting Agreement and the Landmark Undertaking, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal or otherwise connected therewith;

- (m) save for the Set Off, the Underwriting Agreement and the Landmark Undertaking, there was no material contract entered into by Landmark Worldwide and parties acting in concert with it in which any Director had a material personal interest;
- (n) save for the Set Off, the Underwriting Agreement and Landmark Undertaking, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (o) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (p) pursuant to the Landmark Undertaking, Landmark Worldwide will accept and pay for its entitlements under the Open Offer for an aggregate of 35,712,250 Offer Shares. Landmark Worldwide is beneficially owned as to 25% by each of Mr. Wong Ah Yu, an executive Director, Mr. Wang, a non-executive Director, Mr. Wong Ah Yeung and Mr. Wang Ya Hua, all of whom are brothers. Save as disclosed above, each of Mr. Wong Ah Yu and Mr. Wang did not express his intention, in respect of his own beneficial shareholding, to accept or reject the relevant Offer Shares to be provisionally allotted to him under the Open Offer; and
- (q) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualifications
Maxa Capital	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants

Each of Maxa Capital and Ernst & Young have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter, report and/or references to their name in the form and context in which they respective appear.

As at the Latest Practicable Date, each of Maxa Capital and Ernst & Young did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Maxa Capital and Ernst & Young did not have any direct or indirect interests in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement;
- (b) the Placing Agreement; and
- (c) the Supplemental Placing Agreement.

13. EXPENSES

The expenses in connection with the Open Offer, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK\$3.5 million, which are payable by the Company.

14. CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	Room 1203, 12th Floor Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
Authorised representatives	Mr. Wang Mr. Wong Ming Li
Company Secretary	Mr. Tam Hei Lap, Hedley, being a member of the Hong Kong Institute of Certified Public Accountants Room 1203, 12th Floor Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
Legal advisor to the Company	<i>As to Hong Kong laws:</i> Michael Li & Co. 19th Floor, Prosperity Tower 39 Queen's Road Central Central Hong Kong <i>As to Cayman Islands laws:</i> Conyers Dill & Pearman, Cayman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Independent financial adviser to the Independent Board Committee in relation to the Open Offer, the Set Off, the Underwriting Agreement, the Whitewash Waiver and the Special Deal	Maxa Capital Unit 1908, Harbour Centre 25 Harbour Road Wanchai Hong Kong

Auditor	Ernst & Young <i>Certified Public Accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Placing agent	Sinomax Securities Limited Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway Hong Kong
Underwriter	Landmark Worldwide Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Sole director of the Underwriter	Mr. Wang Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Shareholders of the Underwriter	Mr. Wong Ah Yu Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
	Mr. Wang Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong

	<p>Mr. Wong Ah Yeung Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong</p>
	<p>Mr. Wang Ya Hua Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong</p>
Principal share registrar	<p>Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Hong Kong branch share registrar	<p>Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong</p>
Principal bankers	<p>HSBC Bank (China) Company Limited Changshu Sub-Branch Room 101-3, Innovative Science & Technology Center No. 333 Dongnan Avenue Southeast Economic Development Zone Changshu Jiangsu Province PRC</p> <p>China Construction Bank Changshu Branch 34 North Hai Yu Road Changshu Jiangsu Province PRC</p>

Bank of Tokyo-Mitsubishi UFJ
(China), Ltd.
Suzhou Branch
15th Floor, Guangrong Building
No. 289 East Suzhou Avenue
Suzhou Industrial Park
Suzhou
Jiangsu Province
PRC

United Overseas Bank (China) Limited
Suzhou Branch
Unit 1801, Tower 1
Jinghope Square
No. 88, Huachi Street
Suzhou Industrial Park
Suzhou
Jiangsu Province
PRC

Shanghai Pudong Development Bank
Changshu Branch
1st Floor, Yukun Meicheng Building
33 Haiyu North Road
Changshu
Suzhou
Jiangsu Province
PRC

15. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Correspondence address
Executive Directors	
Mr. Wong Ming Li	Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Mr. Wong Ah Yu	Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong

Mr. Wang Ming Zhi

Room 1203
12th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Non-executive Director

Mr. Wang

Room 1203
12th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors

Ms. Leung Pik Kwan

Room 1203
12th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Sun Wai Hong

Room 1203
12th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Wu Kin San Alfred

Room 1203
12th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Senior management

Mr. Guo Qi Cai

Room 1203
12th Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Ba Ping An	Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Mr. Liu Qiang	Room 1203 12th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong

Executive Directors

Mr. Wong Ming Li, aged 38, is an executive Director and the chief executive officer (the “CEO”) of the Group. He is responsible for overall strategic directions and business operations of the Group. He has been the general manager of Tongda Suzhou since May 2010 and was re-designated as an executive Director on 21 March 2016 and appointed as the CEO on 24 September 2018. He was employed by Tongda Shishi as a manager of the procurement department from September 2007 to May 2010. Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products and Mr. Wong Ming Li was responsible for the overall management of the procurement cycle. He graduated from Macquarie University, Australia with a bachelor’s degree of Commerce in April 2007. He has over 11 years’ experience in the electronics and electrical industry. He is the son of Mr. Wong Ah Yu, an executive Director and nephew of Mr. Wang, a non-executive Director and the nephew of Mr. Wong Ah Yeung and Mr. Wang Ya Hua, each of whom is a substantial shareholder of the Company.

Mr. Wong Ah Yu, aged 67, is an executive Director. He is responsible for overall strategic directions and business operations of the Group. He has been the executive director of Tongda Suzhou since March 2010 and was re-designated as an executive Director on 19 April 2016. Mr. Wong Ah Yu has joined Tongda since December 1988 and has been an executive director of Tongda since September 2000 and before the listing of the Company’s shares on the Main Board of the Stock Exchange, and he is responsible for the overall strategic directions, financial management, human resources and administration of Tongda. He was re-designated as the non-executive director of Tongda from March 2018 to October 2019. He has over 35 years’ experience in the electronics and electrical industry. He is the brother of Mr. Wang, a non-executive Director and father of Mr. Wong Ming Li, an executive Director and CEO. He is also the brother of Mr. Wong Ah Yeung and Mr. Wang Ya Hua, each of whom is a substantial shareholder of the Company.

Mr. Wang Ming Zhi, aged 39, is an executive Director and is responsible for overall strategic directions and financial reporting of the Group. He was appointed as a financial manager of Tongda Suzhou in May 2010 and was re-designated as an executive Director on 21 March 2016. He was an accounting, financial laws and regulations teacher in Shishi Peng Shan Trade and Industrial School* (石獅鵬山工貿學校) from August 2004 to September 2006. From September 2006 to October 2009, he served as an office supervisor in Shishi Wannian Plastic Co., Ltd.* (石獅萬年塑料有限公司) which principally operates in the plastic packaging business and he was responsible for the overall human resources and administration of the company. He has held the position of leader of cost department in Tongda Shishi from October 2009 to May 2010, which he was mainly responsible for cost control, budget forecast and cost analyses of Tongda Shishi. He has over 10 years' experience in the electronics and electrical industry. He obtained a bachelor's degree in Management (School of Tourism) from Fujian Agriculture and Forestry University (福建農林大學) in July 2004.

Non-executive Director

Mr. Wang, aged 62, is a non-executive Director and the chairman of the Board. He is responsible for overall strategic directions of the Group. He is currently an executive director, the chairman and chief executive officer of Tongda. Mr. Wang has joined Tongda since December 1988 and has been an executive director of Tongda since September 2000, and he is mainly responsible for the overall strategic planning and business development of Tongda. He was appointed as a non-executive Director of the Group on 19 April 2016 for an initial term of 3 years commencing on 16 March 2018, being the date of which the Shares were listed on the Main Board of The Stock Exchange. He has over 35 years' experience in the electronics and electrical industry. He graduated with an Executive Master of Business Administration degree from Xiamen University in December 2012 and serves as a member of the Standing Committee of the Chinese People's Political Consultative Conference. He is the brother of Mr. Wong Ah Yu, an executive Director and an uncle of Mr. Wong Ming Li, an executive Director. He is also the brother of Mr. Wong Ah Yeung and Mr. Wang Ya Hua, each of whom is a substantial shareholder of the Company.

Independent non-executive Directors

Ms. Leung Pik Kwan, aged 41, was appointed as an independent non-executive Director on 8 February 2018. Ms. Leung is currently a certified public accountant practising as a sole proprietor and provides audit and assurance services. Ms. Leung obtained a bachelor's degree of Arts in Accountancy from the Hong Kong Polytechnic University in November 2001. Ms. Leung was admitted as a member of the HKICPA in January 2005 and a practicing member of the HKICPA since 2009.

Ms. Leung commenced her career with Deloitte Touche Tohmatsu from September 2001 to August 2006 as a staff accountant and she became a senior accountant before she left. She was a manager in KPMG from February 2007 to May 2008. During her employment with the international accounting firms, Ms. Leung was mainly involved in audit engagements of various manufacturing companies. From June 2008 to December 2010, she worked as financial controller in Kerson Technology Limited and was responsible to solve accounting issues and improve internal control. She has over 15 years of experience in accounting, auditing and financial management.

Mr. Sun Wai Hong, aged 35, was appointed as an independent non-executive Director on 8 February 2018. Mr. Sun obtained a bachelor's degree of Professional Accountancy from Chinese University of Hong Kong in December 2007. He was admitted as a member of the HKICPA in January 2011.

Mr. Sun was previously employed by Deloitte Touche Tohmatsu from September 2007 to January 2012 and became a senior associate in audit department before he left. He worked as financial analyst at Hutchison Telecommunications (Hong Kong) Limited from February 2012 to April 2013 and then joined the working holiday scheme in Australia from April 2013 to March 2014. He worked as business consultant at Whim Consultatory Limited, a business consulting company from April 2014 to November 2014. Mr. Sun is the co-founder and has been a director of eLabs Company Limited, one of the incubatees of Hong Kong Science and Technology Park, since April 2014 up to the present. He is responsible for its strategic planning, business development, sales and marketing planning, investor and finance management, and product design.

Mr. Wu Kin San Alfred, aged 38, was appointed as an independent non-executive Director on 8 February 2018. Mr. Wu obtained a bachelor's degree of Arts in Accounting and Financial Analysis and a Master's degree of Arts in International Financial Analysis from University of Newcastle upon Tyne (currently known as Newcastle University), the United Kingdom in July 2002 and December 2003, respectively. He has been a member of the HKICPA since March 2009.

Mr. Wu has approximately 15 years of experience in auditing, corporate finance and investment banking. Mr. Wu worked in the audit department of Deloitte Touche Tohmatsu, from January 2004 to August 2007 when he left the firm as a senior. Mr. Wu then commenced his career in corporate finance and investment banking in August 2007 when he served as an analyst in the investment banking division in ICEA Capital Limited which was a licensed corporation under SFC. In April 2009, Mr. Wu joined the investment banking division in ICBC International Holdings Limited until February 2010 when he left that company as an associate. In February 2010, Mr. Wu joined as a vice president in CMB International Capital Corporation Limited, a licensed corporation under the SFC, and left the company in May 2013. In May 2013, Mr. Wu joined the corporate finance department in Haitong International Capital Limited, a corporate finance firm (being a subsidiary of Haitong International Securities Group Limited, a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 665)) until August 2014 when he left that company as a vice president. In August 2014, Mr. Wu joined

the investment banking department for IPO execution in Guosen Securities (HK) Financial Holdings Co., Ltd. until April 2016 when he left that company as a director and a responsible officer. From April 2016 to present, Mr. Wu is a Managing Director and Co-head in the corporate finance department of Fortune Financial Capital Limited, being a subsidiary of China Fortune Financial Group Limited, a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 290). Since May 2019, Mr. Wu has been an independent non-executive director of Novacon Technology Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8635).

Senior management

Mr. Guo Qi Cai, aged 69, has been a deputy general manager and a chief engineer of the Group since May 2010 who is primarily responsible for the overall research and development activities for mould fabrication and technologies applied by the Group. Before joining the Group, Mr. Guo worked in Nanjing 6902 Factory* (南京6902工廠) from 1970 to 1985 as an engineer. He then worked in Xiamen Gaoning Electronics Co., Ltd.* (廈門高寧電子有限公司) from 1985 to 1994 and his last position was a general manager. Mr. Guo worked in Tongda Shishi from 1994 to 2010 as the assistant general manager and chief engineer. He has over 40 years of experience in design and development of moulds in the electronics industry. He studied machinery manufacturing in Chongqing Institution of Communication Engineering* (重慶通訊工程學院) from 1975 to 1978. He has not held any directorships in any public listed companies in the past three years.

Mr. Ba Ping An, aged 44, is the head of the engineering department and is primarily responsible for the overall project development and to improve the production process of the Group. He studied plastic moulding technology and its related equipment in Huazhong University of Science and Technology, Hankou Branch* (華中理工大學(漢口分校)) (currently known as Jiangnan University) from September 1992 to July 1995. Mr. Ba has over 10 years of experience in engineering field and specialises in computer applicant moulding design in the PRC. Before he joined the Group, Mr. Ba worked in Dading Company Accessory (Shanghai) Co., Ltd.* (大碇電腦配件(上海)有限公司) from July 2004 to March 2012 and his last position was an assistant manager in the engineering department. Mr. Ba joined the Group in April 2012 as a manager of the engineering department and has been promoted as the head of the engineering department since April 2014. He has not held any directorships in any public listed companies in the past three years.

Mr. Liu Qiang, aged 44, is the head of the sales department and is primarily responsible for the overall business development and customer relationship management of the Group. Before joining the Group, Mr. Liu worked in ShengMei Precision Industrial (Kunshan) Co., Ltd.* (聖美精密工業(昆山)有限公司) from 1998 to 2012 and his last position was a manager of the mould technology department. Mr. Liu joined the Group in May 2012 as a manager of the injection moulding department and promoted as the head of the sales department since March 2014 up to the present. Mr. Liu had over 19 years of working experience in the electronics and electrical industry. He has not held any directorships in any public listed companies in the past three years.

16. MISCELLANEOUS

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits from Hong Kong or repatriation of capital of the Company into Hong Kong.
- (ii) The English text of this circular shall prevail over Chinese text in case of any inconsistency.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the head office and principal place of business of the Company in Hong Kong at Room 1203, 12th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong during normal business hours (except Saturdays, Sundays and public holidays); and (ii) on the websites of the Company (www.tongdahongtai.com) and the SFC (www.sfc.hk) between the period from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the memorandum of association and the articles of association of Landmark Worldwide;
- (c) the letter from the Board, the text of which is set out on pages 15 to 39 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 40 to 41 of this circular;
- (e) the letter from Maxa Capital, the text of which is set out on pages 42 to 77 of this circular;
- (f) the annual reports of the Company for each of the years ended 31 December 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (g) the report from Ernst & Young on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (h) the written consents referred to in the paragraph headed “11. Qualifications and consents of experts” in this appendix;
- (i) the material contracts as referred to in the paragraph headed “12. Material contracts” in this appendix; and
- (j) this circular.



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Tongda Group Holdings Limited (the “**Company**”) will be held at Strategic Financial Relations Limited, 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 11 November 2020 at 10:00 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 23 October 2020 (the “**Circular**”)):

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Open Offer (as defined below) and the transactions contemplated thereunder be and are hereby approved:
 - (a) for the purpose of these resolutions, “Open Offer” means the proposed issue by way of open offer of 189,115,638 shares (the “**Offer Share(s)**”) of HK\$0.01 each in the capital of the Company at the subscription price of HK\$0.325 per Offer Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date by reference to which entitlement under the Open Offer will be determined (other than those shareholders (the “**Prohibited Shareholders**”) with registered addresses outside Hong Kong whom the directors (the “**Directors**”) of the Company, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one Offer Share for every one share (the “**Share(s)**”) of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Underwriting Agreement (as defined below);

NOTICE OF EGM

- (b) the placing agreement dated 24 August 2020 (as amended by the supplemental placing agreement dated 7 September 2020) (the “**Placing 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 the Company and Sinomax Securities Limited in relation to the placing of the Offer Shares that are not subscribed by the Qualifying Shareholders and Offer Shares which would otherwise have been allotted to the Prohibited Shareholders (as the case may be) (the “**Unsubscribed Shares**”) at the placing price of HK\$0.325 per Unsubscribed Share on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Prohibited Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and
 - (d) the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Open Offer, the Placing Agreement, and the transactions contemplated thereunder.”
2. “**THAT** the entering into of the underwriting agreement dated 24 August 2020 (the “**Underwriting Agreement**”) (copy of which, signed by the Chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked “**B**”) entered into between the Company and the Underwriter in relation to the Open Offer and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the Untaken Offer Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Underwriting Agreement.”

NOTICE OF EGM

3. “**THAT** the Subscription Price payable by Landmark Worldwide and its associates for the Offer Shares to which each of them is entitled under the Open Offer and the Underwritten Shares to be taken up Landmark Worldwide as underwriter in the Open Offer to be settled by way of the set off (the “**Set Off**”) against the shareholder’s loans (the “**Shareholder’s Loans**”) in the total principal amount of approximately HK\$45 million indebted by the Company to Landmark Worldwide in first place and the remaining balance of the Subscription Price, if any, in cash and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Set Off.”
4. “**THAT** subject to the consent of the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) pursuant to Rule 25 of the Code on Takeovers and Mergers of Hong Kong (the “**Takeovers Code**”) and any conditions that may be imposed thereon, the Set Off of the Subscription Price against the Shareholder’s Loans for the Offer Shares to which Landmark Worldwide and its associates are entitled under the Open Offer and the Underwritten Shares (the “**Special Deal**”) be and is hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Special Deal.”

SPECIAL RESOLUTION

5. “**THAT** the terms of the application for a waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive to the Underwriter pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a general mandatory offer for all the issued Shares not already owned by Landmark Worldwide and the parties acting in concert with it as a result of the underwriting of the Offer Shares by Landmark Worldwide pursuant to the Underwriting Agreement be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver.”

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

Hong Kong, 23 October 2020

NOTICE OF EGM

Registered office:

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal place of business

in Hong Kong:
Room 1203, 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 in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than Monday, 9 November 2020 at 10:00 a.m. (Hong Kong time).
4. The register of members of the Company will be closed from Friday, 6 November 2020 to Wednesday, 11 November 2020, both days inclusive, to determine the eligibility of the Shareholders to attend and vote at the Meeting. The record date for determining the entitlement of the Shareholders to attend and vote at the Meeting will be on Wednesday, 11 November 2020. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than Thursday, 5 November 2020 at 4:00 p.m. (Hong Kong time).
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. The voting at the Meeting shall be taken by way of poll.