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LETTER FROM THE BOARD

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**HNA Technology Investments Holdings Limited**

**海航科技投資控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2086)**

*Executive Directors:*

Mr. Jiang Hao  
Mr. Peng Zhi  
Mr. Xu Jie  
Mr. Wang Jing  
Mr. Wong Chi Ho

*Registered office:*

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

*Non-executive Director:*

Mr. Shum Ngok Wa

*Principal place of business  
in Hong Kong:*

Units 4108-4110  
41<sup>st</sup> Floor Manhattan Place  
23 Wang Tai Road  
Kowloon Bay  
Hong Kong

*Independent non-executive Directors:*

Mr. Guo Dan  
Dr. Lin Tat Pang  
Ms. O Wai

4 February 2022

*To the Independent Shareholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER  
BY HOORAY SECURITIES LIMITED  
ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
HNA TECHNOLOGY INVESTMENTS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY THE JOINT OFFERORS  
AND PARTIES ACTING IN CONCERT WITH ANY OF THEM)**

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### INTRODUCTION

Reference is made to the Joint Announcement.

As disclosed in the Joint Announcement, the Company was informed by the Joint Offerors that on 12 January 2022 (before trading hours), the Joint Offerors and the Vendor entered into the SPA, pursuant to which the Vendor agreed to sell, and the Joint Offerors agreed to acquire the Sale Shares and the Shareholder's Loan at nominal consideration of HK\$1.00 (taking into account the PF Loan and the ZZ Loans). Completion took place on 12 January 2022.

As at the Latest Practicable Date, the Company had 238,889,669 Shares in issue. Save as aforesaid, the Company did not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which were convertible or exchangeable into Shares as at the Latest Practicable Date.

Prior to Completion, the Target Company held 238,889,669 Shares, representing approximately 74.75% of the issued Shares as at the date of the Joint Announcement and as at the Latest Practicable Date.

Immediately prior to Completion, the Joint Offerors and the Joint Offerors' Concert Parties had no interest in the Shares (save for the security interest of Premium Financial under the Existing Share Charge over the 238,889,669 Shares held by the Target Company) and have not dealt in any securities of the Company during the Relevant Period.

Immediately after Completion and as at the Latest Practicable Date, the Target Company is held by Mars Development as to 60% and Megacore Development as to 40% and, as a result, the Joint Offerors collectively are the controlling Shareholders, indirectly holding in aggregate approximately 74.75% of the issued Shares.

Immediately after Completion, the Joint Offerors are in aggregate indirectly interested in 238,889,669 Shares (through their respective interests held in the Target Company), representing approximately 74.75% of the total issued share capital of the Company.

Pursuant to Note 8 to Rule 26.1 and Practice Note 19 to the Takeovers Code, a chain principle offer was triggered and based on the Pacpo Formula. In accordance with Rule 26.1 of the Takeovers Code, upon Completion, the Joint Offerors are required to make a mandatory unconditional cash offer for the Offer Shares, being all the issued Shares other than those Shares already owned by the Joint Offerors and the Joint Offerors' Concert Parties.

Details of the Offer are set out in the "Letter from Hooray Securities", Appendix I to this Composite Document and the accompanying Form of Acceptance.

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising three (3) independent non-executive Directors, namely, Mr. Guo Dan, Dr. Lin Tat Pang and Ms. O Wai to advise the Independent Shareholders in relation to the terms of the Offer, in particular as to whether the Offer is, or is not, fair and reasonable and as to acceptance of the Offer. Mr. Shum Ngok Wa, a non-executive Director, is a vice-president and a director of Premium Financial, which is presumed to be acting in concert with the Joint Offerors under class (9) of the definition of “acting in concert” under the Takeovers Code and is considered to have material interests in the Offer. Therefore, Mr. Shum Ngok Wa shall not be a member of the Independent Board Committee.

Pursuant to Rule 2.1 of the Takeovers Code, First Capital International Finance Limited has been appointed as the Independent Financial Adviser by the Company after approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable so far as the Independent Shareholder are concerned and as to the acceptance of the Offer.

The purpose of this Composite Document is to provide you with, amongst others, information relating to the Group, the Joint Offerors and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to acceptance.

### THE OFFER

The terms of the Offer as set out in the “Letter from Hooray Securities” are extracted below. You are recommended to refer to the “Letter from Hooray Securities” and the accompanying Form of Acceptance for further details.

Hooray Securities is making the Offer, on behalf of the Joint Offerors, in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.84 in cash**

The Offer Price of HK\$0.84 per Offer Share is approximately equal to but not lower than the effective acquisition price per effective acquisition Share paid by the Joint Offerors under the Transaction. The effective acquisition price of each Share under the Transaction is derived based on the following:

- (i) taking into account the aggregated consideration paid by and the Guarantees provided by the Joint Offerors Obligor for the purpose of the Transaction, which consists of (1) the ZZ Loan 1 of HK\$5,000,000; (2) the ZZ Loan 2 of HK\$20,000,000; (3) the

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aggregated financing for the Second Mandatory Prepayment and the Subsequent Mandatory Prepayment(s) in the amount of HK\$67,000,000; (4) the Guarantees to be assumed by the Joint Offerors Obligors for the principal amount of HK\$108,000,000 under the PF Loan (after the Second Mandatory Prepayment and Subsequent Mandatory Prepayment(s)); and (5) the consideration for the Sale Shares and the assignment of the Shareholder's Loan of HK\$1.00 under the SPA, the effective acquisition price of the Target Company is HK\$200,000,001;

- (ii) save and except for the above, the Joint Offerors confirm that no other payment (including but not limited to any unpaid interest or penalty associated with the PF Loan accrued before the date of Completion) was requested or paid for the purpose of the Transaction;
- (iii) save for the 238,889,669 Shares, representing approximately 74.75% of the issued Shares as at the date of Completion and up to the Latest Practicable Date, and the bank balance in cash in the amount of approximately HK\$1.46 million based on the unaudited management account of the Target Company as at 31 December 2021, the Target Company does not hold any other significant assets; and
- (iv) pursuant to Note 8 to Rule 26.1 and Practice Note 19 to the Takeovers Code, a chain principle offer was triggered and based on the Pacpo Formula, the effective acquisition price of each Share under the Transaction (i.e. dividing HK\$200,000,001 by 238,889,669 Shares) is approximately HK\$0.8372.

In this regard, despite the transactions described hereinabove represent understandings, arrangements or special deals between the Vendor and parties acting in concert with it on the one hand, and the Joint Offerors and the Joint Offerors' Concert Parties on the other hand, such favorable conditions are effectively extended to all Shareholders in full amount under the Offer by way of adopting all the favorable conditions into the effective acquisition price of the Transaction.

Save and except of the above, there is no other understanding, arrangement or special deal between the Vendor and parties acting in concert with it on the one hand, and the Joint Offerors and the Joint Offerors' Concert Parties on the other hand, that represents a favourable condition that is not extended to all Shareholders, which would constitute a special deal under Rule 25 of the Takeovers Code and require the consent of the Executive.

The Offer is unconditional in all aspects when it is made and will not be conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

The Joint Offerors will acquire the Shares tendered for acceptance by the Shareholders in accordance with the Ownership Percentage and the terms of the Offer. Each of the Joint Offerors will pay for the Shares tendered under the Offer according to the Ownership Percentage.

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date.

	Immediately prior to Completion		Immediately after Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Target Company	238,889,669 <i>(Note 1)</i>	74.75	238,889,669 <i>(Note 2)</i>	74.75
Public Shareholders	<u>80,675,223</u>	<u>25.25</u>	<u>80,675,223</u>	<u>25.25</u>
Total	<u><u>319,564,892</u></u>	<u><u>100.00</u></u>	<u><u>319,564,892</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Immediately prior to Completion, the Target Company was wholly-owned by the Vendor, which in turn is held as to 100% by HNA EcoTech Group Co., Ltd. HNA EcoTech Group Co., Ltd. is held as to 59.8% by HNA Group Co. Limited. HNA Group Co. Limited is held as to 70% by Hainan Traffic Administration Holding Co., Ltd. Hainan Traffic Administration Holding Co., Ltd. is in turn held as to 50% by Sheng Tang Development (Yangpu) Co., Ltd. Sheng Tang Development (Yangpu) Co., Ltd. is held as to 65% by Hainan Province Cihang Foundation and as to 35% by Tang Dynasty Development Co. Ltd. Tang Dynasty Development Co. Limited is in turn 98% held by Pan-American Aviation Holding Company, which is wholly held by Cihang Sino-Western Cultural and Educational Exchange Foundation Limited. Under the SFO, the Vendor was deemed to be interested in the 238,889,669 Shares held by the Target Company.
2. Immediately after Completion, the Target Company is owned as to 60% and 40% by Mars Development and Megacore Development respectively. Mars Development is a direct wholly-owned subsidiary of Mars Enterprise, which in turn is wholly-owned by Mr. Mai. Megacore Development is a direct wholly-owned subsidiary of Megacore International, which in turn is a direct wholly-owned subsidiary of Zhong Zhao, which in turn is direct wholly-owned by Mr. Zhang. On 12 January 2022, Mr. Mai and Mr. Zhang entered into the Deed of Concert Parties to acknowledge and confirm their acting-in-concert relationship. Under the SFO, each of Mars Development, Megacore Development, Mars Enterprise, Megacore International, Zhong Zhao, Mr. Mai and Mr. Zhang is deemed to be interested in the 238,889,669 Shares held by the Target Company.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in providing development, sales and distribution of smart card products, software and hardware and related services.

Your attention is drawn to Appendices II and III of this Composite Document which contain further financial and general information of the Group.

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### INFORMATION ON THE VENDOR AND THE TARGET COMPANY

The Vendor is a company incorporated under the laws of the Hong Kong with limited liability and is an investment holding company.

The Target Company is a company incorporated under the laws of Cayman Islands with limited liability and is an investment holding company. As at the Latest Practicable Date, save for the 238,889,669 Shares, representing approximately 74.75% of the issued Shares as at the Latest Practicable Date and the bank balance in cash in the amount of approximately HK\$1.46 million based on the unaudited management account of the Target Company as at 31 December 2021, the Target Company does not hold any other significant assets.

Prior to Completion, the Vendor indirectly owned all the issued shares in the Target Company, which in turn held approximately 74.75% of the issued Shares. After Completion, the Vendor ceased to hold any interest in the issued Shares.

### INTENTION OF THE JOINT OFFERORS

Your attention is drawn to the sections headed “Information on the Joint Offerors” and “Future intention of the Joint Offerors in relation to the Group” in the “Letter from Hooray Securities” contained in this Composite Document. Save for the anticipated changes to the members of the Board as described in section headed “9. Proposed Change to the Board Composition” in the “Letter from Hooray Securities”, the Company is given to understand from the Joint Offerors that they have no intention to (i) discontinue the employment of any employees of the Group or change the composition of the board of the directors of the Group’s subsidiaries; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group, following the close of the Offer. Based on the above, the Board is of the view that the intentions of the Joint Offerors in relation to the Group and its employees are reasonable as it would ensure continuity and stability of the Group’s business operations going forward and are not expected to have a material adverse impact on the existing business of the Group.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that, if, at close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

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The Board noted from the section headed “Future intention of the Joint Offerors to maintain the listing of the Company” in the “Letter from Hooray Securities” contained in this Composite Document that the Joint Offerors intend the Company to remain listed on the Stock Exchange after close of the Offer.

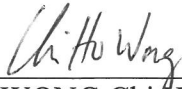
### **RECOMMENDATION**

Your attention is drawn to (i) the “Letter from the Independent Board Committee” on pages 37 to 38 of this Composite Document, which sets out its advice and recommendations to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof; and (ii) the “Letter from Independent Financial Adviser” on pages 39 to 66 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof, and the principal factors considered by it before arriving at its advice and recommendation.

### **ADDITIONAL INFORMATION**

Your attention is also drawn to the “Letter from Hooray Securities” and the additional information contained in the appendices to the Composite Document.

Yours faithfully  
By order of the Board  
**HNA Technology Investments Holdings Limited**

A handwritten signature in cursive script, appearing to read "Chi Ho Wong", is written above a horizontal line.

Name: WONG Chi Ho  
Title: Director