
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Tonghai International Financial Limited**, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Quam Tonghai Holdings Limited
華新通有限公司

(incorporated in Hong Kong with limited liability)



中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 952)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
AND
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF QUAM TONGHAI HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
QUAM TONGHAI HOLDINGS LIMITED AND PARTIES ACTING IN
CONCERT WITH IT (OTHER THAN THE VENDOR GROUP))**

Joint financial advisers to the Offeror



Financial adviser to the Company



紅日資本有限公司
RED SUN CAPITAL LIMITED

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



英皇企業融資有限公司
Emperor Corporate Finance Limited

Holders of the Offer Shares should inform themselves of and observe any applicable legal or regulatory requirements. See the section headed "Important Notice" beginning on page iv of this Composite Document.

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document unless the content requires otherwise.

A letter from Haitong International Securities and Red Sun, containing, among other things, the details of the terms and conditions of the Offer, is set out on pages 12 to 28 of this Composite Document. A letter from the Board is set out on pages 29 to 38 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 39 to 40 of this Composite Document. A letter from Emperor Corporate Finance containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 41 to 67 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:00 p.m. on Wednesday, 3 May 2023, or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the section headed "Important Notice", the subsection headed "Overseas Shareholders" in the section headed "Letter from Haitong International Securities and Red Sun" in, and Appendix I to, this Composite Document before taking any action. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of HKEXnews at <http://www.hkexnews.hk> and the Company at www.tonghaifinancial.com as long as the Offer remains open.

12 April 2023

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EXPECTED TIMETABLE

Expected Timetable

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

The expected timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate.

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Offer (*Note 1*) Wednesday, 12 April 2023

Latest time and date for acceptance of the Offer (*Notes 2 and 5*). 4:00 p.m. on Wednesday, 3 May 2023

Closing Date (*Notes 3 and 5*) Wednesday, 3 May 2023

Announcement of the results of the Offer (or its extension or revision, if any) as at the Closing Date, to be posted on the website of HKEXnews (*Notes 3 and 5*) no later than 7:00 p.m. on Wednesday, 3 May 2023

Latest date for posting of remittances for the amount due in respect of valid acceptances received under the Offer on or before 4:00 p.m. on the Closing Date (*Notes 4 and 5*). Friday, 12 May 2023

Notes:

1. The Offer, which is unconditional, is open for acceptance on and from Wednesday, 12 April 2023, being the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “5. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.
2. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

3. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will initially remain open for acceptances until 4:00 p.m. on Wednesday, 3 May 2023 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror and the Company will jointly issue an announcement through the website of HKEXnews by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or expired. In any event that the Offeror decides to extend the Offer, the joint announcement will state either the next closing date of the Offer or, a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
4. Remittances in respect of the cash consideration (after deducting the seller's Hong Kong ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered (as the case may be) under the Offer will be despatched to the accepting Independent Shareholder(s), respectively, (to the address specified on the relevant Form of Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) business days (as defined in the Takeovers Code) following date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid, in accordance with the Takeovers Code.
5. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning or "extreme conditions" caused by super typhoon:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force at and after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for posting of remittances will remain on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code and the posting of remittances will be made on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
6. Save as mentioned above, if the latest time for acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal and regulatory requirements.

It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholders in respect of such jurisdiction.

The Offeror and the parties acting in concert with it, the Company, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the subsection headed “Overseas Shareholders” in the section headed “Letter from Haitong International Securities and Red Sun” in, and Appendix I to, this Composite Document for details.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meaning:

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| “acting in concert” | has the meaning ascribed to it under the Takeovers Code |
| “Assigned Interests” | has the meaning ascribed to it in the section headed “Letter from Haitong International Securities and Red Sun — 5. BACKGROUND OF THE NOTES — Second Deed of Assignment” of this Composite Document |
| “Assigned Notes” | has the meaning ascribed to it in the section headed “Letter from Haitong International Securities and Red Sun — 5. BACKGROUND OF THE NOTES — Second Deed of Assignment” of this Composite Document |
| “associate(s)” | has the meaning ascribed to it under the Takeovers Code |
| “Board” | the board of Directors |
| “Business Day” | a day on which the Stock Exchange is open for the transaction of business |
| “BVI” | the British Virgin Islands |
| “California Mortgage” | a mortgage relating to parcels of land in San Francisco, California indirectly held by OHII |
| “CCASS” | the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited |
| “Charge Over Account” | the charge over account dated 15 September 2022 entered into between Realord (as chargee) and the Offeror (as chargor) in respect of all the securities (excluding the Sale Shares) and monies held from time to time in the name of the Offeror standing in the securities margin account maintained with Realord as security for the Loan Facilities |
| “Closing Date” | Wednesday, 3 May 2023, being the closing date of the Offer, which is no less than 21 days following the date on which this Composite Document is posted, or if the Offer is extended, any subsequent closing date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code |
| “COGL” | China Oceanwide Group Limited, a company incorporated in Hong Kong with limited liability, the immediate holding company as to 100% of the Vendor |

DEFINITIONS

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| “Company” | China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 952) |
| “Completion” | completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Deed of Share Purchase, which took place on 3 February 2023 |
| “Composite Document” | this composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code |
| “Consideration” | the consideration in the amount of HK\$819,702,000 for the Sale Shares pursuant to the Deed of Share Purchase |
| “controlling shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Deed of Appointment of Receivers” | the deed of appointment of receivers dated 20 October 2021 under the Security Deed pursuant to which the Receivers were appointed as the joint and several receivers over 4,098,510,000 Shares held by the Vendor |
| “Deed of Confirmation and Guarantee” | the deed of confirmation and guarantee dated 6 May 2022 entered into by the Vendor (as chargor) in favour of HIFCL (as noteholder), the Offeror (as noteholder) and Spring Progress (as security agent), and acknowledged and agreed by COGL as supplemental to the Security Deed and the Guarantee |
| “Deed of Share Purchase” | the deed of share purchase dated 15 September 2022 entered into among the Receivers, the Vendor and the Offeror relating to the sale and purchase of the Sale Shares |
| “Director(s)” | director(s) of the Company |
| “Equitable Share Mortgage” | an equitable share mortgage relating to the entire issued ordinary shares of OHII |
| “Equitable Share Mortgage — Preferred Shares” | an equitable share mortgage relating to the entire issued preferred shares of OHII |
| “Executive” | the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director |

DEFINITIONS

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| “Extension” | the extension of the long stop date of the Settlement Agreement (as amended and supplemented by supplemental agreements respectively dated 30 November 2021 and 31 March 2022) in relation to the Settlement Arrangements, which constitute a major and connected transaction under the Listing Rules and a special deal under the Takeovers Code |
| “First Deed of Assignment” | the deed of assignment dated 26 August 2021 entered into between Spring Progress (as assignor) and HIFCL (as assignee) in connection with the assignment of all the rights, claims, benefits, entitlements and interests in the Notes |
| “Form of Acceptance” | the form of acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document |
| “Grand Profit” | Grand Profit International Investment Limited, a company incorporated in the BVI with limited liability, of which the beneficial owner is Mr. HAN Lei |
| “Grand Profit’s Irrevocable Undertaking” | the irrevocable undertaking dated 8 August 2022 given by Grand Profit and Mr. HAN Lei to the Offeror |
| “Group” | the Company and its subsidiaries |
| “Guarantee” | the guarantee and indemnity dated 4 December 2018 entered into between COGL (as guarantor) and Spring Progress (as noteholder) |
| “Haitong International Capital” | Haitong International Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in respect of the Offer |
| “Haitong International Securities” | Haitong International Securities Company Limited, a fellow subsidiary of Haitong International Capital, and a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO |
| “HIFCL” | Haitong International Finance Company Limited, a company incorporated in Hong Kong with limited liability |
| ”HIFCL Notes” | has the meaning ascribed to it in the section headed “Letter from Haitong International Securities and Red Sun — 5. BACKGROUND OF THE NOTES — Second Deed of Assignment” of this Composite Document |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |

DEFINITIONS

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| “HKSCC Nominees Limited” | a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HT Loan Facility” | the margin loan facility of up to HK\$400 million granted by Haitong International Securities (as lender) to the Offeror (as borrower), which is secured by the HT Security Deed |
| “HT Loan Facility Agreement” | the facility agreement dated 15 September 2022 entered into between Haitong International Securities (as lender) and the Offeror (as borrower) in relation to the HT Loan Facility |
| “HT Security Deed” | the security deed dated 15 September 2022 entered into between the Offeror (as chargor) and Haitong International Securities (as chargee) in respect of the Sale Shares as security for the HT Loan Facility |
| “Independent Board Committee” | the independent board committee of the Company comprising five (5) independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun, established to advise the Independent Shareholders on the Offer |
| “Independent Financial Adviser” or “Emperor Corporate Finance” | Emperor Corporate Finance Limited (formerly known as Emperor Capital Limited), a corporation licensed to carry out 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 Independent Board Committee for the purpose of advising the Independent Board Committee in respect of the Offer |
| “Independent Shareholders” | Shareholders other than the Offeror and parties acting in concert with it (other than the Vendor Group) |
| “Joint Announcement” | the joint announcement dated 15 September 2022 issued by the Offeror and the Company in relation to, among other things, the Deed of Share Purchase and the Offer |
| “Last Trading Day” | 14 September 2022, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement |
| “Latest Practicable Date” | 6 April 2023, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein |

DEFINITIONS

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| “Lego” | Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Facilities” | the credit loan facilities in an aggregate principal amount of up to HK\$282 million granted by Realord (as lender) to the Offeror (as borrower), as secured by the Share Charge and the Charge Over Account |
| “Loan Facilities Agreement” | the loan facilities agreement dated 15 September 2022 entered into between Realord (as lender) and the Offeror (as borrower) in relation to the Loan Facilities |
| “Mr. HAN” | Mr. HAN Xiaosheng, an executive Director and the chairman of the Company, and he is interested in 49% of the entire issued share capital of the Offeror and a director of the Offeror |
| “Mr. LAM” | Mr. Kenneth LAM Kin Hing, an executive Director and the chief executive officer of the Company, and he is interested in 51% of the entire issued share capital of the Offeror and a director of the Offeror |
| “Ms. LU” | Ms. LU Xiaoyun, the daughter of Mr. LU Zhiqiang |
| “NLL” | Nautical League Limited, a company incorporated in the BVI with limited liability, which is beneficially solely owned by Ms. LU. Each of NLL and Ms. LU is not a Shareholder since the commencement of the Offer Period and up to the Latest Practicable Date |
| “NLL Deed of Assignment” | the deed of assignment dated 3 February 2023 entered into between the Offeror (as assignor) and NLL (as assignee) in connection with, among others, the assignment of all of the rights, title and interest (including voting rights of the Notes) in the Notes in the principal amount of HK\$439,193,347.34 |
| “NLL Loan Agreement” | the loan facility agreement dated 3 May 2022 (as amended and supplemented by supplemental agreements respectively dated 15 September 2022 and 3 February 2023) entered into between NLL (as lender) and the Offeror (as borrower) in relation to a loan facility of up to HK\$900 million, as secured by the NLL Share Charge |

DEFINITIONS

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| “NLL Share Charge” | the share charge dated 3 May 2022 (as supplemented by a supplemental deed dated 3 February 2023) executed by Mr. LAM (as chargor) and the Offeror in favour of NLL in respect of 51% of the issued share capital in the Offeror, and the share charge dated 3 February 2023 executed by Mr. HAN (as chargor) and the Offeror in favour of NLL in respect of 49% of the issued share capital in the Offeror |
| “Notes” | the secured and guaranteed notes in the original principal amount of HK\$1,100,000,000 issued by the Vendor to Spring Progress on 4 December 2018, which was subsequently revised to HK\$1,168,996,507.89 |
| “Oceanwide Holdings” | Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000046) |
| “Offer” | the mandatory unconditional cash offer made by Haitong International Securities and Red Sun, for and on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group) in accordance with the Takeovers Code |
| “Offer Period” | the period commencing on 27 October 2021, being the date of the Rule 3.7 Announcement pursuant to the Takeovers Code up to and including the Closing Date |
| “Offer Price” | HK\$0.2 per Offer Share |
| “Offer Share(s)” | the issued Share(s) other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it (other than the 395,254,732 Shares held by the Vendor Group as at the Latest Practicable Date) |
| “Offeror” | Quam Tonghai Holdings Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 51% by Mr. LAM and 49% by Mr. HAN |
| “OHII” | Oceanwide Holdings International Investment Co., Ltd, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of COGL |
| “Other Assets” | the California Mortgage, Equitable Share Mortgage and Equitable Share Mortgage — Preferred Shares |

DEFINITIONS

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| “Overseas Shareholder(s)” | Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong |
| “Participation Agreement” | the participation agreement dated 15 September 2022 entered into among Realord, Wanhai and Lego in respect of their participation and obligations in lending the Loan Facilities to the Offeror |
| “PRC” | the People’s Republic of China, which for the purpose of this Composite Document shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Quam Capital” | Quam Capital Limited (formerly known as China Tonghai Capital Limited), a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company in relation to the Offer |
| “Realord” | Realord Asia Pacific Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO |
| “Receivers” | Messrs. Tsui Chi Chiu and So Kit Yee Anita of Ernst & Young Transactions Limited who were appointed pursuant to the Deed of Appointment of Receivers acting as joint and several receivers over the Sale Shares |
| ”Red Sun” | Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror in relation to the Offer |
| “Registrar” | Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, with its address at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong |
| “Relevant Period” | the period from 27 April 2021, being the date falling six months preceding the date of the Rule 3.7 Announcement, up to and including the Latest Practicable Date |
| “Rule 3.6 Announcement” | the announcement jointly issued by the Offeror and the Company dated 3 February 2023 in relation to, among others, the Completion |
| “Rule 3.7 Announcement” | the announcement of the Company dated 27 October 2021 in relation to, among others, the appointment of the Receivers over 4,098,510,000 Shares |

DEFINITIONS

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| “Sale Share(s)” | the 4,098,510,000 Shares acquired by the Offeror from the Receivers pursuant to the terms of the Deed of Share Purchase |
| “Second Deed of Assignment” | the deed of assignment dated 6 May 2022 entered into among HIFCL (as assignor), the Offeror (as assignee) and Spring Progress (as security agent) in connection with the assignment of part of the rights, title and interest (other than, <i>inter alia</i> , any voting rights of the Notes) in the Notes in the principal amount of HK\$784,378,183.38, and the accrued but unpaid interest of all of the Notes up to but excluding 6 May 2022 in the aggregate amount of HK\$68,271,527.50 |
| “Security Deed” | the security deed dated 3 December 2018 entered into between the Vendor (as chargor) and Spring Progress (as noteholder) in respect of 4,100,000,000 Shares (which subsequently was reduced to 4,098,510,000 Shares) as security for the payment of the secured obligations of the Vendor under, among others, the Subscription Agreement |
| “Settlement Agreement” | the settlement agreement dated 24 August 2021 (as amended and supplemented by supplemental agreements respectively dated 30 November 2021 and 31 March 2022) entered into among the Company, Oceanwide Holdings and China Oceanwide Holdings Limited in relation to the Settlement Arrangements |
| “Settlement Arrangements” | the settlement arrangements among the Company, Oceanwide Holdings and China Oceanwide Holdings Limited pursuant to which Oceanwide Holdings has conditionally agreed to transfer (i) consideration shares of a subsidiary of Oceanwide Holdings to the Company (or its nominee) to settle a debt of HK\$691,000,000 and US\$103,000,000 and settle any outstanding interest accrued on such debt up to the date of completion in cash; and (ii) consideration shares of a subsidiary of Oceanwide Holdings to the Company (or its nominee) to settle a debt of HK\$480,000,000 and settle any outstanding interest accrued on such debt up to the date of completion in cash |
| “Settlement of Payments Deed” | the settlement of payments deed dated 6 May 2022 entered into, among others, NLL, HIFCL and the Offeror in relation to settlement arrangements whereby, among other things, the Offeror shall be deemed to have drawn the total consideration of the Second Deed of Assignment under the NLL Loan Agreement and shall be deemed to have paid such consideration to HIFCL as fulfilment of its payment obligation under the Second Deed of Assignment |
| “SFC” | Securities and Futures Commission of Hong Kong |

DEFINITIONS

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| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Share Charge” | the share charge dated 15 September 2022 executed by the Offeror in favour of Realord in respect of such Shares that may be acquired by the Offeror or parties acting in concert with it pursuant to the Offer (excluding the Sale Shares) as security for the Loan Facilities |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Spring Progress” | Spring Progress Investment Solutions Limited (formerly known as Haitong International Investment Solutions Limited), a company incorporated in Hong Kong with limited liability |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Agreement” | a subscription agreement dated 3 December 2018 entered into between the Vendor (as issuer) and Spring Progress (as noteholder) relating to, among others, the subscription of the Notes |
| “Sunny Chance” | Sunny Chance Investment Limited, a company incorporated in Hong Kong with limited liability, of which the beneficial owner is Mr. CHENG Kwok Yue |
| “Sunny Chance’s Irrevocable Undertaking” | the irrevocable undertaking dated 8 August 2022 given by Sunny Chance and Mr. CHENG Kwok Yue to the Offeror |
| “Supplemental Deed of Assignment” | the supplemental deed of assignment dated 3 February 2023 entered into among HIFCL (as assignor), the Offeror (as assignee) and Spring Progress (as security agent) (as supplemental to the Second Deed of Assignment) in connection with, among others, the assignment of all of the rights, title and interest (including voting rights of the Notes) in respect of the Assigned Notes |
| “Surrender Deed” | the surrender deed dated 3 February 2023 entered into among the Offeror (as noteholder) and the Vendor (as issuer) in favour of the Receivers in connection with the surrender of the Notes in the principal amount of HK\$345,184,836.04 and the interests accrued from the Notes in the aggregate sum of HK\$89,898,839.45 as satisfaction of the non-cash consideration under the Deed of Share Purchase |

DEFINITIONS

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| “Takeovers Code” | The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “Vendor” | Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the BVI with limited liability, being the Shareholder which holds 395,254,732 Shares (representing approximately 6.38% of the entire issued share capital of the Company as at the Latest Practicable Date). As at the Latest Practicable Date, the Vendor was wholly-owned by COGL, which was wholly-owned by Oceanwide Holdings. 58.35% interests in the issued share capital of Oceanwide Holdings was directly and indirectly owned by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and 98% of the interests in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) was held by Oceanwide Group Co., Ltd.* (泛海集團有限公司). Oceanwide Group Co., Ltd.* (泛海集團有限公司) was wholly-owned by Tohigh Holdings Co., Ltd.* (通海控股有限公司). 77.14% and 22.86% of the interests in Tohigh Holdings Co., Ltd.* (通海控股有限公司) was held by Mr. LU Zhiqiang and 泛海公益基金會 (Oceanwide Foundation), a charitable foundation which was founded by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)) |
| “Vendor Group” | the Vendor, COGL, Oceanwide Holdings, Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司), China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), Oceanwide Group Co., Ltd.* (泛海集團有限公司), Tohigh Holdings Co., Ltd.* (通海控股有限公司), Mr. LU Zhiqiang, Ms. LU and NLL |
| “Wanhai” | AMC Wanhai Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| “2019 Annual Report” | the annual report of the Company published on 28 April 2020 |
| “2020 Annual Report” | the annual report of the Company published on 19 April 2021 |
| “2021 Annual Report” | the annual report of the Company published on 28 April 2022 |
| “2022 Annual Results” | the annual results announcement of the Company published on 28 March 2023 |

DEFINITIONS

“%” per cent.

* *The English name is a transliteration of the relevant Chinese name and are included here for identification purposes only.*



22/F., Li Po Chun Chambers,
189 Des Voeux Road Central,
Hong Kong



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310,
3/F., China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

12 April 2023

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
AND
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF QUAM TONGHAI HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY
QUAM TONGHAI HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT
(OTHER THAN THE VENDOR GROUP))**

1. INTRODUCTION

Reference is made to the Joint Announcement. On 15 September 2022, the Board was informed by the Offeror that the Offeror (as purchaser), the Vendor (as vendor) and the Receivers (as receivers) entered into the Deed of Share Purchase, pursuant to which the Offeror conditionally agreed to purchase and the Vendor (acting by the Receivers as its attorneys without personal liability pursuant to the powers granted under the Security Deed) conditionally agreed to sell 4,098,510,000 Shares (i.e. the Sale Shares), representing approximately 66.13% of the entire issued share capital of the Company as at 15 September 2022 and as at the Latest Practicable Date. The Consideration is HK\$819,702,000 in aggregate, equivalent to HK\$0.2 per Sale Share.

As disclosed in the section headed “Conditions precedent to the Deed of Share Purchase” in the Joint Announcement, completion of the Deed of Share Purchase is conditional upon the fulfilment (or waiver) of certain conditions.

LETTER FROM HAITONG INTERNATIONAL SECURITIES AND RED SUN

On 3 February 2023, the Offeror and the Company jointly announced that the Completion took place on 3 February 2023. As mentioned in the section headed “COMPLETION OF THE DEED OF SHARE PURCHASE” in the Rule 3.6 Announcement, the Notes in the remaining principal amount of HK\$439,193,347.34 have been assigned to NLL towards the part payment of a loan facility of up to HK\$900 million under the NLL Loan Agreement (the “**NLL Assignment**”). The NLL Assignment was completed pursuant to the terms of the NLL Deed of Assignment on 3 February 2023. After the NLL Assignment, the outstanding principal amount under the NLL Loan Agreement has been reduced to HK\$413,456,363.54.

On 3 February 2023, NLL (as lender) and the Offeror (as borrower) entered into a second supplemental agreement (the “**Second Supplemental NLL Loan Agreement**”) to the loan facility agreement dated 3 May 2022 (the “**Original NLL Loan Agreement**”) (as amended and supplemented by a supplemental agreement dated 15 September 2022), pursuant to which the maturity date of the Original NLL Loan Agreement has been extended to 24 months from the date of the Second Supplemental NLL Loan Agreement (i.e. 2 February 2025).

Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (other than the Vendor Group) held an aggregate of 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company.

The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)).

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror’s intention regarding the Group. Further details on the terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the sections headed “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from Emperor Corporate Finance” as well as the appendices to this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

2. THE OFFER

Haitong International Securities and Red Sun are making the Offer to acquire all the Offer Shares, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.2 in cash

LETTER FROM HAITONG INTERNATIONAL SECURITIES AND RED SUN

The Offer Price of HK\$0.2 per Offer Share under the Offer is the same as the purchase price per Sale Share payable by the Offeror under the Deed of Share Purchase.

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code.

Comparison of value

The Offer Price of HK\$0.2 per Offer Share represents:

- (i) a premium of approximately 1.0% to the closing price of HK\$0.198 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 16.3% to the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 16.3% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 17.0% over the average closing price of approximately HK\$0.171 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 16.3% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 21.2% over the average closing price of approximately HK\$0.165 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 14.3% over the average closing price of approximately HK\$0.175 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 5.3% to the closing price of HK\$0.19 per Share as quoted on the Stock Exchange on the last Business Day prior to the commencement of the Offer Period;

- (ix) a discount of approximately 65.52% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.58 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2021 as set out in the 2021 Annual Report; and
- (x) a discount of approximately 37.5% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.32 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2022 as set out in the 2022 Annual Results.

Irrevocable undertakings for not accepting the Offer

Grand Profit holds 271,910,000 Shares, representing approximately 4.39% of the entire issued share capital of the Company as at the Latest Practicable Date. On 8 August 2022, Grand Profit gave the Grand Profit's Irrevocable Undertaking to the Offeror pursuant to which Grand Profit (i) will not accept any offer of the Shares; (ii) will not whether directly or indirectly, sell, grant any option over or otherwise dispose of the Shares; and (iii) will not take any action that will result in the Shares being able to be tendered for acceptance.

Sunny Chance holds 306,852,000 Shares, representing approximately 4.95% of the entire issued share capital of the Company as at the Latest Practicable Date. On 8 August 2022, Sunny Chance gave the Sunny Chance's Irrevocable Undertaking to the Offeror pursuant to which Sunny Chance (i) will not accept any offer of the Shares; (ii) will not whether directly or indirectly, sell, grant any option over or otherwise dispose of the Shares; and (iii) will not take any action that will result in the Shares being able to be tendered for acceptance.

Pursuant to the Grand Profit's Irrevocable Undertaking and the Sunny Chance's Irrevocable Undertaking, there are no circumstances in which each of the Grand Profit's Irrevocable Undertaking and the Sunny Chance's Irrevocable Undertaking will cease to be binding.

Value of the Offer

Immediately after the Completion and as at the Latest Practicable Date, (i) the Offeror is interested in 4,098,510,000 Sale Shares; and (ii) Mr. LAM is interested in 113,072,833 Shares and therefore the total number of Offer Shares is 1,985,466,387 Shares. On the basis of the Offer Price of HK\$0.2 per Offer Share and 1,985,466,387 Offer Shares and assuming there is no change in the number of issued Shares before the close of the Offer, the total value of the Offer shall be HK\$397,093,277.40.

On 8 August 2022, (i) Grand Profit gave the Grand Profit's Irrevocable Undertaking with respect to the Shares, which shall include the 271,910,000 Shares held by Grand Profit as at the Latest Practicable Date, to the Offeror and (ii) Sunny Chance gave the Sunny Chance's Irrevocable Undertaking with respect to the Shares, which shall include the 306,852,000 Shares held by Sunny Chance as at the Latest Practicable Date, to the Offeror. Although the number of Shares subject to the Offer will be 1,985,466,387 Shares and the value of the Offer is therefore HK\$397,093,277.40, only a maximum of 1,406,704,387 Shares will be tendered to the Offer after taking into account the above irrevocable undertakings. Accordingly, on the basis of the Offer Price of HK\$0.2 per Offer Share, the maximum amount payable by the Offeror under the Offer will be HK\$281,340,877.40 (assuming that there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Closing Date).

Confirmation of financial resources available for the Offer

Based on the Offer Price of HK\$0.2 per Offer Shares and 1,406,704,387 Offer Shares (being 1,985,466,387 Offer Shares under the Offer less (i) 271,910,000 Shares which are subject to the Grand Profit's Irrevocable Undertaking, and (ii) 306,852,000 Shares which are subject to the Sunny Chance's Irrevocable Undertaking), the total maximum consideration of the Offer will be HK\$281,340,877.40 (assuming the Offer is accepted in full and there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Closing Date).

The Offeror shall finance the entire consideration payable under the Offer solely through the Loan Facilities, as secured by the Share Charge and the Charge Over Account. As at the Latest Practicable Date, Realord does not hold any securities of the Company. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Loan Facilities Agreement will not depend to any significant extent on the business of the Company.

The Loan Facilities are in turn financed by virtue of the Participation Agreement entered into among Realord, Wanhai and Lego, pursuant to which Realord shall be obligated to lend out to the Offeror the first HK\$162,000,000 of the Loan Facilities, and Wanhai and Lego shall participate, without recourse to Realord, in the remaining portion of the Loan Facilities for an amount of up to HK\$120,000,000 of which Wanhai shall be obligated to lend out to the Offeror the next HK\$60,000,000 of the Loan Facilities while the remaining portion of the Loan Facilities in the amount of HK\$60,000,000 shall be lent out by Lego. For each drawdown, Wanhai and/or Lego (as the case may be) shall make payment to Realord, on demand and upon production of relevant documents and evidence by Realord to Wanhai and/or Lego (as the case may be) and Red Sun as well as obtaining of approval from Red Sun by Realord.

LETTER FROM HAITONG INTERNATIONAL SECURITIES AND RED SUN

Prior to the Offer, the Offeror financed the entire consideration payable under the Second Deed of Assignment through the NLL Loan Agreement, as secured by the NLL Share Charge (together with the NLL Loan Agreement, the “**NLL Loan Documents**”), and partially financed the Consideration through the HT Loan Facility Agreement, as secured by the HT Security Deed (together with the HT Loan Facility Agreement, the “**HT Loan Documents**”), respectively. The terms of the NLL Loan Documents and the HT Loan Documents are as follows:

- (a) the NLL Loan Agreement consisting of the loan facility agreement dated 3 May 2022 (as amended and supplemented by supplemental agreements respectively dated 15 September 2022 and 3 February 2023) entered into between the Offeror as borrower and NLL as lender in relation to the provision of a loan facility of up to HK\$900 million, as secured by the NLL Share Charge;
- (b) the NLL Share Charge consisting of (i) the share charge dated 3 May 2022 (as supplemented by a supplemental deed dated 3 February 2023) executed by Mr. Lam as chargor and the Offeror in favour of NLL as chargee, and (ii) the share charge dated 3 February 2023 executed by Mr. HAN as chargor and the Offeror in favour of NLL as chargee, together in respect of the entire issued share capital in the Offeror, by way of first fixed charge as continuing security for the payment and discharge of the secured indebtedness of the Offeror under the NLL Loan Documents;
- (c) the HT Loan Facility Agreement dated 15 September 2022 entered into between the Offeror as borrower and Haitong International Securities as lender in relation to the provision of a margin loan facility of up to HK\$400 million, as secured by the HT Security Deed; and
- (d) the HT Security Deed dated 15 September 2022 entered into between the Offeror as chargor and Haitong International Securities as chargee in respect of (i) the Sale Shares and all other securities which have been or may be deposited with the security account maintained with Haitong International Securities, charged by way of first fixed charge (to the extent such assets are not effectively charged by way of first fixed charge, by way of first floating charge); and (ii) all of the Offeror’s rights, title and interest to the aforesaid security account, assigned by way of assignment with first ranking priority (to the extent such rights, title and interest are not effectively charged by way of assignment, by way of first floating charge), as continuing security for payment of the secured obligations of the Offeror under the HT Loan Documents.

The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in general for the NLL Loan Agreement and the HT Loan Facility Agreement, will not depend to any significant extent on the business of the Company. However, the Offeror has various fund-raising alternatives in relation to the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the NLL Loan Agreement and the HT Loan Facility Agreement, and one of them includes future dividends from the Sale Shares and/or proceeds from part disposal of the Sale Shares after the Offer Period which are related to the business performance of the Company to a significant extent.

Given that each of Haitong International Securities, Realord, Wanhai and Lego is a person, other than an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) providing finance or financial assistance to the Offeror under the HT Loan Facility, the Loan Facilities and the Participation Agreement in connection with sale and purchase of the Sale Shares and the Offer Shares to be acquired by the Offeror under the Offer, each of Haitong International Securities, Realord, Wanhai and Lego is presumed to be a party acting in concert with the Offeror under the presumption in class (9) of the definition of “acting in concert” under the Takeovers Code.

Red Sun, being one of the financial advisers to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the Consideration and the total maximum consideration payable by the Offeror upon full acceptance of the Offer.

Conditions of the Offer

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

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made.

The Company did not declare any dividend or distributions for the financial years ended 31 December 2021 and 2022. As at the Latest Practicable Date, the Company does not have any dividends or distributions announced, declared, recommended or made but unpaid. **In the event that the Company decides to make or declare any dividends or other distributions before the close of the Offer, the Offeror has no intention to deduct such net dividends or other distributions from the Offer Price.**

The Offer will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and not capable of being withdrawn, except as otherwise permitted under the Takeovers Code, details of which are set out in section headed “5. RIGHT OF WITHDRAWAL” in Appendix I to this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

No fractions of a cent (HK\$) will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent (HK\$).

Hong Kong stamp duty

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer at a rate of 0.13% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptances, will be deducted from the amounts payable to Independent Shareholders who accept the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller’s Hong Kong ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Overseas Shareholders

The Offeror intends to make the Offer available to all Independent Shareholders, including the Overseas Shareholders. However, the availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should obtain information about and observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers and/or seek legal advice. It is the

responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdiction).

If the receipt of this Composite Document by Overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, this Composite Document, subject to the Executive's consent, will not be despatched to such Overseas Shareholders. In those circumstances, the Offeror will apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

As at the Latest Practicable Date, based on the record in the register of members of the Company, the Company had one (1) Overseas Shareholder with registered address located in the PRC. The Offeror was advised by legal advisers in the PRC that there is no restriction as to the despatch of this Composite Document and the accompanying Form of Acceptance, and the making of the Offer, to such Overseas Shareholder. The Offeror will therefore despatch this Composite Document and the Form of Acceptance to such Overseas Shareholder. This Composite Document will not be filed, nor approved for its issuance sought, under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong and this Composite Document will be published on the websites of the Company and HKEXnews and all material information in this Composite Document will be made available to such Overseas Shareholder.

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance, Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

3. INFORMATION ON THE GROUP

Information on the Group is set out in the subsection headed “INFORMATION ON THE GROUP” in the section headed “Letter from the Board” in this Composite Document.

4. INFORMATION ON THE OFFEROR

Information on the Offeror

The Offeror was incorporated in Hong Kong with limited liability as an investment holding company on 25 April 2022. The Offeror has not carried on any business activities since its incorporation apart from the acquisition of the Notes, the entering into of the Deed of Share Purchase, the making of the Offer, and the entering into of the financing transactions in connection with all of the above transactions. As at the Latest Practicable Date, the Offeror is owned as to 51% by Mr. LAM and 49% by Mr. HAN. Mr. LAM and Mr. HAN are the directors of the Offeror. Each of Mr. LAM and Mr. HAN confirms that he does not act on instructions of any parties and both Mr. LAM and Mr. HAN are the ultimate beneficial owners of the Offeror.

On 6 May 2022, the Offeror (as assignee) and HIFCL (as assignor) entered into the Second Deed of Assignment, pursuant to which the Offeror was assigned part of the rights, title and interest (other than any voting rights of the Notes) in the Notes in the principal amount of HK\$784,378,183.38 and the accrued but unpaid interest of all of the Notes up to but excluding 6 May 2022 in the aggregate amount of HK\$68,271,527.50 from HIFCL, for a consideration of approximately HK\$853 million. The Assigned Notes owned by the Offeror and the HIFCL Notes owned by HIFCL are both secured by 4,098,510,000 Shares under the Security Deed (as supplemented by the Deed of Confirmation and Guarantee) and guaranteed by COGL under the Guarantee (as supplemented by the Deed of Confirmation and Guarantee). For further details, please refer to the section headed “5. BACKGROUND OF THE NOTES” below.

Information on Mr. LAM

Mr. LAM is an executive Director and the chief executive officer of the Company. He is a member of nomination committee of the Company. Since 1994, he has been the managing director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. LAM is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for China Tonghai Securities Limited and a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for Quam Asset Management Limited. Mr. LAM had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. LAM has more than 30 years of experience in corporate finance and banking. He is the Vice Chairman of the General Committee of The Chamber of Hong Kong Listed Companies since June 2021 and the Vice Chairman and past Chairman (2009 to 2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario (now known as Western University) with a double major in Computer Science and Economic (1976), and a Master of Business

Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University.

As at the Latest Practicable Date, Mr. LAM is interested in and is the beneficial owner of 113,072,833 Shares, representing approximately 1.82% of the entire issued share capital of the Company. He also has interests in US\$15,200,000 of the US\$146,045,000 14.5% private notes due 2024 issued by Oceanwide Holdings International Development III Co., Ltd (“**OHID III**”), an indirect wholly-owned subsidiary of Oceanwide Holdings.

Mr. LAM also has interests in (i) US\$5,000,000 of US\$210,200,000 12% guaranteed senior notes due 2021 issued by OHID III, which matured and delisted from the Stock Exchange on 31 October 2021; and (ii) US\$500,000 of the US\$280,000,000 14.5% guaranteed senior notes due 2021 issued by OHID III, which matured and delisted from the Stock Exchange on 23 May 2021. However, the principal amount of these guaranteed senior notes subscribed by Mr. LAM together with interests accrued thereon remained unpaid.

Information on Mr. HAN

Mr. HAN is an executive Director and the chairman of the Company. He is also the chairman of nomination committee of the Company. He obtained a master’s degree in economics from Renmin University of China in July 1996 and a Ph.D. in Management from Huazhong University of Science & Technology in June 2018. Mr. HAN is a senior accountant in the PRC.

As at the Latest Practicable Date, Mr. HAN is interested in and is the beneficial owner of 3,500,000 shares in Oceanwide Holdings.

5. BACKGROUND OF THE NOTES

The Subscription Agreement and the Notes

On 3 December 2018, the Vendor (as issuer) and Spring Progress (as noteholder) entered into the Subscription Agreement in relation to the subscription of the Notes in the principal amount of HK\$1,100,000,000, pursuant to which the Notes in the principal amount of HK\$1,100,000,000 were issued on 4 December 2018. The Notes were guaranteed by COGL under the Guarantee and initially secured by 4,100,000,000 Shares (which subsequently was reduced to 4,098,510,000 Shares) under the Security Deed. The Subscription Agreement and the Notes have been amended and extended thereafter from time to time, and of which the original principal amount of the Notes was subsequently revised from HK\$1,100,000,000 to HK\$1,168,996,507.89, and subsequently, Other Assets of OHII, a wholly-owned subsidiary of COGL, namely, the California Mortgage, the Equitable Share Mortgage and the Equitable Share Mortgage — Preferred Shares had also been included as securities to, among others, the Notes.

The First Deed of Assignment

Pursuant to the First Deed of Assignment, Spring Progress subsequently assigned all its rights, title and interest in the Notes, and including the security interests under the Guarantee by COGL and the share charge of the 4,098,510,000 Shares under the Security Deed to HIFCL. In addition, HIFCL irrevocably appointed Spring Progress as its attorney to take all actions as Spring Progress may be instructed to do by HIFCL in connection with the exercise of, among others, the assigned rights by HIFCL under, *inter alia*, the Security Deed.

Each of Spring Progress and HIFCL has confirmed that they are not Shareholders since the commencement of the Offer Period and up to the Latest Practicable Date.

Occurrence of Events of Default

In light of the occurrence of one or more event(s) of default under the Subscription Agreement (as amended and extended from time to time) and the Security Deed, Spring Progress exercised its rights under the Security Deed and appointed the Receivers as the joint and several receivers of the Sale Shares on 20 October 2021.

Receivers

The Receivers are conferred with powers under the Security Deed, among others, to manage the 4,098,510,000 Shares (i.e. the Sale Shares) as they think fit, and to sell or otherwise dispose of all or any part of the Sale Shares. Monies received by any receiver under the Security Deed after the Sale Shares have become enforceable shall be applied in the following order: first, in satisfaction of all costs and expenses incurred by the noteholder or the Receivers in connection with the Security Deed or the Sale Shares; second, in satisfaction of the remaining secured obligations under the Security Deed; and third, in payment of any surplus to the Vendor or other person entitled to it.

As receivership was only appointed over the Sale Shares and as a general practice of receivership for similar transactions, and pursuant to the Security Deed, the Receivers are conferred with powers to manage the Sale Shares, and not to manage the Notes or the secured obligations thereunder. There is no guarantee that the proceeds from the disposal of the Sale Shares are able to fully settle the remaining secured obligations of the Security Deed. The treatment of the remaining outstanding debts should be agreed between the Vendor and its creditor(s).

Second Deed of Assignment

On 6 May 2022, the Offeror (as assignee) and HIFCL (as assignor) entered into the Second Deed of Assignment, pursuant to which the following have been assigned to the Offeror:

- (i) the rights, title and interest (other than any voting rights of the Notes) in the Notes in the principal amount of HK\$784,378,183.38 (the “**Assigned Notes**”);
- (ii) the rights, title and interest (other than any voting rights of the Notes) in the accrued but unpaid interest of the Notes up to but excluding 6 May 2022 in the aggregate amount of HK\$68,271,527.50 (the “**Assigned Interests**”); and
- (iii) the rights, title and interest (other than any voting rights of the Notes) in the transaction documents relating to the Second Deed of Assignment and the Notes (other than those relating to the Other Assets) corresponding to the rights, title and interest (other than voting rights of the Notes) assigned pursuant to paragraphs (i) and (ii) above.

However, HIFCL retained:

- (i) all rights, title and interest in the Notes in the principal amount of HK\$384,618,324.51 (the “**HIFCL Notes**”);
- (ii) all rights, title and interest in the interest of the Notes (other than the Assigned Notes) on and after 6 May 2022;
- (iii) all the security interest created under the Other Assets; and
- (iv) any voting rights under or in connection with all of the Notes (including the Assigned Notes).

As a result, the rights assigned to the Offeror under the Second Deed of Assignment as mentioned above are only secured by the 4,098,510,000 Shares in addition to the Guarantee from COGL.

The rights of the Offeror to receive any payment or distribution, whether principal or interest or otherwise under the rights, title and interest (other than any voting rights of the Notes) assigned thereunder (the “**Junior Debt Liabilities**”), is subordinated to the liabilities owed to HIFCL under or in connection with the Notes to which it owns (the “**Senior Debt Liabilities**”). The Senior Debt Liabilities must be discharged in full before the Junior Debt Liabilities are discharged.

Further, HIFCL and the Offeror have appointed Spring Progress to act as a security agent for HIFCL and the Offeror (as noteholders) in performing their respective functions and duties under, *inter alia*, the Security Deed and with respect to the security assets under the Security Deed. The parties to the Second Deed of Assignment further agreed that each of HIFCL and the Offeror shall not, unless

otherwise agreed by Spring Progress, have any independent power to enforce, or have recourse to, any of the security or to exercise any right, power, authority or discretion arising under, *inter alia*, the Security Deed except through Spring Progress.

Deed of Confirmation and Guarantee

The Deed of Confirmation and Guarantee was executed on 6 May 2022 pursuant to which the Assigned Notes owned by the Offeror and the HIFCL Notes owned by HIFCL are both secured by 4,098,510,000 Shares under the Security Deed (as supplemented by the Deed of Confirmation and Guarantee) and guaranteed by COGL under the Guarantee (as supplemented by the Deed of Confirmation and Guarantee). Further, Spring Progress is the security agent under the Deed of Confirmation and Guarantee, pursuant to which it holds the benefit of the Security Deed on trust for, among others, HIFCL, and also holds the 4,098,510,000 Shares, or otherwise acts, for the benefit of, among others, HIFCL.

With the appointment of Spring Progress as the attorney and/or security agent under the First Deed of Assignment, the Second Deed of Assignment and the Deed of Confirmation and Guarantee, respectively, Spring Progress has the rights and power to release the share charge in respect of the Sale Shares under the Security Deed in order to dispose of the Sale Shares under the Deed of Share Purchase.

6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Immediately after the Completion, the Offeror became the controlling Shareholder of the Company.

Business

It is the intention of the Offeror to continue the existing principal business of the Group. The Offeror believes that the Sale Shares being under receivership by the Receivers and financial issues encountered by the Vendor and its controlling shareholders have created uncertainty over the future ownership of the Company, which in turn have hampered the development of the Group. The Offeror is confident on the prospects of the Group after the removal of this uncertainty (which has been removed as the Deed of Share Purchase has been completed) and is dedicated to enhancing the value of the Group by advancing the existing principal business of the Group and strengthening its revenue. Mr. LAM and Mr. HAN, the shareholders of the Offeror and the Directors, are already discussing means to strengthen the product offerings of the Group's brokerage and asset management segments. The Offeror has no plan to change the core business of the Group and there will not be a major overhaul of the Group and its staff as a result of a change in controlling shareholder of the Company. The Offeror has no intention to discontinue the employment of any employees by virtue only of the change of control of the Company (except for a proposed change to the members of the Board which may or may not take place but in any event no earlier than that permitted under the Listing Rules or the Takeovers Code) and has no intention to dispose of or re-deploy the assets of the Group otherwise than in the ordinary course of business. The Offeror also has no intention, understanding, obligation, negotiation or arrangement (concluded or otherwise) for

downsizing, ceasing or disposing the existing business of the Group, and acquiring business or assets for the Group (save for (i) the Settlement Arrangements which are prior contractual obligations being entered into by the Company before the commencement of the Offer Period; and (ii) a deed of settlement which is currently in the process of finalising and is expected to be entered into during the Offer Period among the Company, a subsidiary of the Company, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development Limited* (通海國際發展有限公司) (“**Tonghai International Development**”), and both China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development are indirect wholly-owned subsidiaries of Tohigh Holdings Co., Ltd.* (通海控股有限公司) (“**Tohigh**”), for the purpose of settlement of all or part of the outstanding principal and interests owed by China Oceanwide International Investment Company Limited, an indirect wholly-owned subsidiary of Tohigh, to the Group on a dollar-for-dollar basis by way of transfer of four direct wholly-owned subsidiaries of Tonghai International Development incorporated in the BVI, which are, in turn, the legal and beneficial owners of several landed properties located in the United States of America, the execution of which would constitute a special deal under Rule 25 of the Takeovers Code and it is expected that the Company will make further announcement(s) in compliance with the Takeovers Code in such event (for further details, please refer to the subsection headed “PROPOSED SPECIAL DEAL” under the section headed “Letter from the Board” in this Composite Document)).

Proposed Change of the Board Composition

As at the Latest Practicable Date, the Board comprises four executive Directors, namely Mr. HAN, Mr. FANG Zhou, Mr. LIU Hongwei and Mr. LAM; three non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia; and five independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

As at the Latest Practicable Date, the Offeror has not reached any final decision as to the identities of the new Director(s) who will be nominated and the existing Director(s) who will resign. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

7. COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date.

8. MAINTAINING THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror have undertaken and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company to other independent third parties not connected with the Company or any of its connected persons and not parties acting in concert with the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard in compliance with the Listing Rules.

9. ACCEPTANCE AND SETTLEMENT

To accept the Offer, the Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.

In respect of the Offer, the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent, by post or by hand, to the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked “China Tonghai International Financial Limited — Offer”, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce as a result of a revision or an extension of the Offer in accordance with the Takeovers Code, if any.

No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is drawn to the section headed “1. PROCEDURES FOR ACCEPTANCE” in Appendix I to this Composite Document and the accompanying Form of Acceptance.

10. GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules.

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In

LETTER FROM HAITONG INTERNATIONAL SECURITIES AND RED SUN

order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

To accept the Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance forms part of the terms of the Offer. The duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent, by post or by hand, to the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in an envelope marked “China Tonghai International Financial Limited — Offer” as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company, or in case of joint holders of Share(s), to the Independent Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and parties acting in concert with it, the Company, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance, Registrar and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the section headed “Letter from the Board” in this Composite Document, the advice of the Independent Board Committee, the recommendations from the Independent Financial Adviser and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,

For and on behalf of
Haitong International Securities
Company Limited

Kenneth HO Shiu Pong
Managing Director

For and on behalf of
Red Sun Capital Limited

Robert SIU
Managing Director



中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. FANG Zhou (*Deputy Chairman*)
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia

*Head Office and Principal Place
of Business in Hong Kong:*

5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

Independent Non-executive Directors:

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

12 April 2023

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
AND
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF QUAM TONGHAI HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY
QUAM TONGHAI HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT
(OTHER THAN THE VENDOR GROUP))**

INTRODUCTION

Reference is made to the Joint Announcement.

LETTER FROM THE BOARD

The Board was informed by the Offeror that on 15 September 2022, the Offeror (as purchaser), the Vendor (as vendor) and the Receivers (as receivers) entered into the Deed of Share Purchase, pursuant to which the Offeror conditionally agreed to purchase and the Vendor (acting by the Receivers as its attorneys without personal liability pursuant to the powers granted under the Security Deed) conditionally agreed to sell 4,098,510,000 Shares (i.e. the Sale Shares), representing approximately 66.13% of the entire issued share capital of the Company as at 15 September 2022 and as at the Latest Practicable Date. The Consideration is HK\$819,702,000 in aggregate, equivalent to HK\$0.2 per Sale Share.

The Completion took place on 3 February 2023 and immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (other than the Vendor Group) held an aggregate of 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company.

The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)).

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) information relating to the Group and the Offeror; (ii) further information regarding the terms and procedures of the Offer; (iii) the letter from Haitong International Securities and Red Sun containing details of the Offer; (iv) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (v) the letter from Emperor Corporate Finance containing its advice to the Independent Board Committee and the Independent Shareholders on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 and Rule 2.8 of the Takeovers Code, a Board which receives an offer or is approached with a view to an offer being made, must, in the interests of shareholders establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance of the offer.

The Independent Board Committee, comprising five (5) independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code for the purpose of advising and giving recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

LETTER FROM THE BOARD

Given that as at the date of the Joint Announcement, (i) Mr. LIU Bing has an interest in 90,000 shares in Oceanwide Holdings, the former controlling Shareholder of the Company and a deemed party acting in concert with the Offeror; (ii) Mr. ZHAO Yingwei has an interest in 200,000 shares in Oceanwide Holdings, the former controlling Shareholder of the Company and a deemed party acting in concert with the Offeror; and (iii) Mr. ZHAO Xiaoxia has an interest in 183,500 shares in Oceanwide Holdings, the former controlling Shareholder of the Company and a deemed party acting in concert with the Offeror, the aforementioned non-executive Directors are considered as having an interest in the Offer and therefore they are excluded from being the members of the Independent Board Committee.

On 7 November 2022, Emperor Corporate Finance, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the fairness and reasonableness of the Offer and as to the acceptance of the Offer.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from Emperor Corporate Finance addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

THE OFFER

As disclosed in the section headed “Letter from Haitong International Securities and Red Sun” in this Composite Document, Haitong International Securities and Red Sun are making the Offer, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.2 in cash

The Offer Price of HK\$0.2 per Offer Share under the Offer is the same as the purchase price per Sale Share payable by the Offeror under the Deed of Share Purchase.

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code.

Save for Grand Profit’s Irrevocable Undertaking and Sunny Chance’s Irrevocable Undertaking, as at the Latest Practicable Date, none of the Offeror, Mr. LAM, Mr. HAN and/or parties acting in concert with any one of them had received any irrevocable commitment to accept or not to accept the Offer. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights, benefits and entitlements accruing or attaching to them, including but not limited to the right to receive in full all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of this Composite Document.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not have any dividends or distributions announced, declared, recommended or made but unpaid. In the event that the Company decides to make or declare any dividends or other distributions before the close of the Offer, the Offeror has no intention to deduct such net dividends or other distributions from the Offer Price.

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

Further details of the Offer are set out in the section headed “Letter from Haitong International Securities and Red Sun” in and the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance.

Irrevocable undertakings for not accepting the Offer

Grand Profit holds 271,910,000 Shares, representing approximately 4.39% of the entire issued share capital of the Company as at the Latest Practicable Date. On 8 August 2022, Grand Profit gave the Grand Profit’s Irrevocable Undertaking to the Offeror pursuant to which Grand Profit (i) will not accept any offer of the Shares; (ii) will not whether directly or indirectly, sell, grant any option over or otherwise dispose of the Shares; and (iii) will not take any action that will result in the Shares being able to be tendered for acceptance.

Sunny Chance holds 306,852,000 Shares, representing approximately 4.95% of the entire issued share capital of the Company as at the Latest Practicable Date. On 8 August 2022, Sunny Chance gave the Sunny Chance’s Irrevocable Undertaking to the Offeror pursuant to which Sunny Chance (i) will not accept any offer of the Shares; (ii) will not whether directly or indirectly, sell, grant any option over or otherwise dispose of the Shares; and (iii) will not take any action that will result in the Shares being able to be tendered for acceptance.

Comparison of value

The Offer Price of HK\$0.2 per Offer Share represents:

- (i) a premium of approximately 1.0% to the closing price of HK\$0.198 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 16.3% to the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 16.3% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a premium of approximately 17.0% over the average closing price of approximately HK\$0.171 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 16.3% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 21.2% over the average closing price of approximately HK\$0.165 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 14.3% over the average closing price of approximately HK\$0.175 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 5.3% to the closing price of HK\$0.19 per Share as quoted on the Stock Exchange on the last Business Day prior to the commencement of the Offer Period;
- (ix) a discount of approximately 65.52% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.58 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2021 as set out in the 2021 Annual Report; and
- (x) a discount of approximately 37.5% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.32 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2022 as set out in the 2022 Annual Results.

Value of the Offer

Immediately after the Completion and as at the Latest Practicable Date, the Offeror is interested in (i) 4,098,510,000 Sale Shares; and (ii) Mr. LAM is interested in 113,072,833 Shares and therefore the total number of Offer Shares is 1,985,466,387 Shares. On the basis of the Offer Price of HK\$0.2 per Offer Share and 1,985,466,387 Offer Shares and assuming there is no change in the number of issued Shares before the close of the Offer, the total value of the Offer shall be HK\$397,093,277.40.

On 8 August 2022, (i) Grand Profit gave the Grand Profit's Irrevocable Undertaking with respect to the Shares, which shall include the 271,910,000 Shares held by Grand Profit as at the Latest Practicable Date, to the Offeror and (ii) Sunny Chance gave the Sunny Chance's Irrevocable Undertaking with respect to the Shares, which shall include the 306,852,000 Shares held by Sunny Chance as at the Latest Practicable Date, to the Offeror.

LETTER FROM THE BOARD

Although the number of Shares subject to the Offer will be 1,985,466,387 Shares and the value of the Offer is therefore HK\$397,093,277.40, only a maximum of 1,406,704,387 Shares will be tendered to the Offer after taking into account the above irrevocable undertakings. Accordingly, on the basis of the Offer Price of HK\$0.2 per Offer Share, the maximum amount payable by the Offeror under the Offer will be HK\$281,340,877.40 (assuming that there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Closing Date).

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information or taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the section headed “Letter from Haitong International Securities and Red Sun” in and Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company was incorporated in Bermuda with limited liability and its issued Shares have been listed on main board of the Stock Exchange. The Group has identified the following reportable segments:

- (i) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;
- (ii) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;
- (iii) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services;
- (iv) the interest income segment engages in money lending services and interest income arising from debt instruments measured at amortised cost;
- (v) the investments segment engages in investing and trading of various investment products; and
- (vi) the others segment represents financial media services and other insignificant operating segments.

Financial and general information in relation to the Group are set out in Appendix II and Appendix III to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion and as at the Latest Practicable Date are as follow:

| Shareholders | Immediately prior to Completion | | Immediately after Completion and as at the Latest Practicable Date | |
|---|---------------------------------|----------------|--|----------------|
| | Number of Shares | % | Number of Shares | % |
| The Offeror and parties acting in concert with it | | | | |
| — The Offeror (<i>Note 1</i>) | — | — | 4,098,510,000 | 66.1365 |
| — Mr. LAM (<i>Notes 1 and 2</i>) | 113,072,833 | 1.8246 | 113,072,833 | 1.8246 |
| — The Vendor Group | 4,493,764,732 | 72.5146 | 395,254,732 | 6.3781 |
| | <i>(Notes 3, 4 and 5)</i> | | <i>(Note 3)</i> | |
| Sub-total | <u>4,606,837,565</u> | <u>74.3392</u> | <u>4,606,837,565</u> | <u>74.3392</u> |
| Calvin CHIU Chun Kit, director of subsidiaries of the Company, and his associates | 10,000 | 0.0002 | 10,000 | 0.0002 |
| Public Shareholders (<i>Note 6</i>) | <u>1,590,201,655</u> | <u>25.6606</u> | <u>1,590,201,655</u> | <u>25.6606</u> |
| Total | <u>6,197,049,220</u> | <u>100.00</u> | <u>6,197,049,220</u> | <u>100.00</u> |

Notes:

- The Offeror is a company incorporated in Hong Kong with limited liability, which is owned as to 51% by Mr. LAM and 49% by Mr. HAN.
- Mr. LAM is an executive Director and the chief executive officer of the Company, and he is interested in 51% of the entire issued share capital of the Offeror and a director of the Offeror. Immediately prior to Completion and as at the Latest Practicable Date, Mr. LAM is the beneficial owner of 113,072,833 Shares. Other than as disclosed above, no other Directors or directors of subsidiaries of the Company hold any Shares or securities of the Company.
- Immediately prior to the Completion, the Vendor is the beneficial owner of 4,493,764,732 Shares and as at the Latest Practicable Date, the Vendor is the beneficial owner of 395,254,732 Shares. The Vendor is wholly-owned by COGL, which is wholly-owned by Oceanwide Holdings, which is directly and indirectly (through Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)) held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) as to approximately 58.35%. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is held by Oceanwide Group Co., Ltd.* (泛海集團有限公司) as to approximately 98% and Oceanwide Group Co., Ltd (泛海集團有限公司) is wholly-owned by Tohigh Holdings Co., Ltd* (通海控股有限公司). Mr. LU Zhiqiang held 77.14% of the interests in Tohigh Holdings Co., Ltd* (通海控股有限公司) and the other 22.86% of the interests in Tohigh Holdings Co., Ltd.* (通海控股有限公司) is held by 泛海公益基金會 (Oceanwide Foundation), a charitable foundation which was founded by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).
- Prior to Completion, the Vendor had pledged the Sale Shares (being 4,098,510,000 Shares) to Spring Progress. Based on the 2022 Interim Report, Spring Progress is an indirect subsidiary of Haitong International Securities Group Limited, which is held by Haitong International Holdings Limited

LETTER FROM THE BOARD

indirectly as to 63.08% and Haitong International Holdings Limited is wholly-owned by Haitong Securities Co., Ltd. HIFCL is a direct subsidiary of Haitong International Securities Group Limited.

5. On 20 October 2021, Messrs. TSUI Chi Chiu and SO Kit Yee Anita of Ernst & Young Transactions Limited were appointed by Spring Progress as joint and several receivers over 4,098,510,000 Shares held by the Vendor pursuant to the Deed of Appointment of Receivers.
6. Include the (i) 271,910,000 Shares, representing approximately 4.39% of the entire issued share capital of the Company prior to the Completion and as at the Latest Practicable Date, held by Grand Profit under the Grand Profit's Irrevocable Undertaking, and (ii) 306,852,000 Shares, representing approximately 4.95% of the entire issued share capital of the Company prior to the Completion and as at the Latest Practicable Date, held by Sunny Chance under the Sunny Chance's Irrevocable Undertaking. Other than the Grand Profit's Irrevocable Undertaking and the Sunny Chance's Irrevocable Undertaking, there is no other undertakings nor relationships between each of Grand Profit and Sunny Chance and the Offeror.
7. Percentage figures may not add up to the total due to rounding.

PROPOSED SPECIAL DEAL

On 21 September 2017 and 30 August 2019, the Company and Tohigh Holdings Co., Ltd.* (通海控股有限公司) (“**Tohigh**”) entered into framework services agreements (the “**Tohigh Framework Services Agreement**”), pursuant to which, among others, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to Tohigh and its subsidiaries (excluding China Oceanwide Holdings Limited and its subsidiaries, Oceanwide Holdings and its subsidiaries and the Group) (the “**Tohigh Group**”) or vice versa. Pursuant to the Tohigh Framework Services Agreement, China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, has provided loans to China Oceanwide International Investment Company Limited (“**China Oceanwide International Investment**”), an indirect wholly-owned subsidiary of Tohigh, with an aggregate outstanding principal and interests owed of approximately HK\$1,343.5 million as at the Latest Practicable Date.

The Group is currently in the process of finalising a deed of settlement (the “**Deed of Settlement**”) with China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development Limited* (通海國際發展有限公司) (“**Tonghai International Development**”), and both China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development are indirect wholly-owned subsidiaries of Tohigh, for the purpose of settlement of all or part of the outstanding principal and interests owed by China Oceanwide International Investment to the Group on a dollar-for-dollar basis by way of transfer of four direct wholly-owned subsidiaries of Tonghai International Development incorporated in the BVI, which are, in turn, the legal and beneficial owners of several landed properties located in the United States of America) (the “**Settlement by Transfer of Properties**”).

If consummated, the Settlement by Transfer of Properties would constitute an arrangement between the Company and China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), being an indirect Shareholder, during the Offer Period and it will confer benefits to China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) which will not be extended to all other Shareholders. Accordingly, the Settlement by Transfer of Properties would constitute a special deal under Rule 25 of the Takeovers Code.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company is finalising the terms of the Deed of Settlement with China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and it is expected that the Deed of Settlement will be entered among the Company, a subsidiary of the Company, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development during the Offer Period. As the entering into of the Deed of Settlement and the Settlement by Transfer of Properties would constitute a major transaction of the Company under the Listing Rules and a special deal under Rule 25 of the Takeovers Code, the Company will make further announcement(s) in compliance with the Listing Rules and Takeovers Code in relation to the Settlement by Transfer of Properties upon the execution of the Deed of Settlement and will convene a general meeting for the approval of the Settlement by Transfer of Properties.

BACKGROUND OF THE NOTES

Information on the background of the Notes is set out in the subsection headed “5. BACKGROUND OF THE NOTES” in the section headed “Letter from Haitong International Securities and Red Sun” in this Composite Document.

INFORMATION ON THE OFFEROR

Information on the Offeror is set out in the subsection headed “4. INFORMATION ON THE OFFEROR” in the section headed “Letter from Haitong International Securities and Red Sun” in and Appendix IV to this Composite Document.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Information on the intention of the Offeror in relation to the business and management of the Group is set out in the subsection headed “6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP” in the section headed “Letter from Haitong International Securities and Red Sun” in this Composite Document. As at the Latest Practicable Date, the Board understands that the Offeror has not reached any final decision as to the identities of the new Director(s) who will be nominated and the existing Director(s) who will resign. The Company is pleased to note that the Offeror has no intention to (i) change the core business of the Group, following the close of the Offer; (ii) discontinue the employment of any employees by virtue only of the change of control of the Company, or (iii) to dispose of or re-deploy the assets of the Group. Based on the above, the Board is of the view that the intention of the Offeror in relation to the Group, its employee and its assets is reasonable as it would ensure continuity and stability of the Group’s business operations going forward and is not expected to have a material adverse impact on the existing business of the Group.

MAINTAINING THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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

LETTER FROM THE BOARD

(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.

As stated in the section headed “Letter from Haitong International Securities and Red Sun” in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The directors of the Offeror have undertaken and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

CONFLICT OF INTEREST

As at the Latest Practicable Date, the Offeror is owned as to 51% by Mr. LAM, an executive Director and the chief executive officer of the Company and 49% by Mr. HAN, an executive Director and the chairman of the Company. To avoid any conflict of interest, Mr. LAM and Mr. HAN will not join with the remainder of the Board in the expression of its views on the Offer.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 39 to 40 to this Composite Document, which contains its advice and recommendation to the Independent Shareholders in respect of the Offer; and (ii) the letter from Emperor Corporate Finance on pages 41 to 67 of this Composite Document which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is also drawn to the section headed “Letter from Haitong International Securities and Red Sun” in and the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I headed “Further Terms and Procedures of Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board of
China Tonghai International Financial Limited
FANG Zhou
Deputy Chairman



中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 952)

12 April 2023

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
AND
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF QUAM TONGHAI HOLDINGS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY
QUAM TONGHAI HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT
(OTHER THAN THE VENDOR GROUP))**

INTRODUCTION

We refer to the Composite Document dated 12 April 2023 jointly issued by the Company and the Offeror of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation as to whether, in our opinion, the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and to make a recommendation in relation to the acceptances of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Emperor Corporate Finance has been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors and reasons taken into account by it in arriving at its advice and recommendations are set out in the section headed “Letter from Emperor Corporate Finance” in this Composite Document.

We also wish to draw your attention to the sections headed “Letter from the Board”, “Letter from Haitong International Securities and Red Sun” and the additional information set out in the appendices to this Composite Document.

We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

RECOMMENDATIONS

Having considered the terms of the Offer and the letter of advice and recommendations from Emperor Corporate Finance, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and therefore we recommend the Independent Shareholders to accept the Offer. The Independent Shareholders are recommended to read the full text of the section headed “Letter from Emperor Corporate Finance” in this Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should monitor the Share price movement until near the end of the Offer Period. If the net proceeds from the sale of the Shares in the open market after deducting all transaction cost would exceed the net amount receivable under the Offer, the Independent Shareholders should consider selling their Shares in the market, rather than accepting the Offer.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer. In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

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

Mr. Roy LO Wa Kei
*Independent non-executive
Director*

Mr. KONG Aiguo
*Independent non-executive
Director*

Mr. LIU Jipeng
*Independent non-executive
Director*

Mr. HE Xuehui
Independent non-executive Director

Mr. HUANG Yajun
Independent non-executive Director

The following is the full text of a letter of advice from Emperor Corporate Finance, the Independent Financial Adviser, setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.



英皇企業融資有限公司
Emperor Corporate Finance Limited

12 April 2023

To the Independent Board Committee and the Independent Shareholders of China Tonghai International Financial Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES
COMPANY LIMITED AND
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF QUAM TONGHAI HOLDINGS
LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY QUAM TONGHAI HOLDINGS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT
(OTHER THAN THE VENDOR GROUP))**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect to the terms of the Offer and as to acceptance, details of which are set out in the Composite Document dated 12 April 2023 jointly issued by the Offeror and the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

LETTER FROM EMPEROR CORPORATE FINANCE

On 15 September 2022, the Board was informed by the Offeror that the Offeror (as purchaser), the Vendor (as vendor) and the Receivers (as receivers) entered into the Deed of Share Purchase, pursuant to which the Offeror conditionally agreed to purchase and the Vendor (acting by the Receivers as its attorneys without personal liability pursuant to the powers granted under the Security Deed) conditionally agreed to sell 4,098,510,000 Shares (i.e. the Sale Shares), representing approximately 66.13% of the entire issued share capital of the Company as at 15 September 2022. The Consideration is HK\$819,702,000 in aggregate, equivalent to HK\$0.2 per Sale Share.

On 3 February 2023, the Offeror and the Company jointly announced that the Completion took place on 3 February 2023. Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (other than the Vendor Group) held an aggregate of 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company.

The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)).

As at the Latest Practicable Date, the Company has 6,197,049,220 Shares in issue. The Company does not have any outstanding options, warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and the Company had not entered into any agreement for the issue of any Shares or warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising five (5) independent non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code for the purpose of advising and giving recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

Given that (i) Mr. LIU Bing has an interest in 90,000 shares in Oceanwide Holdings, the former controlling Shareholder of the Company and a deemed party acting in concert with the Offeror; (ii) Mr. ZHAO Yingwei has an interest in 200,000 shares in Oceanwide Holdings, the former controlling Shareholder of the Company and a deemed party acting in concert with the Offeror; and (iii) Mr. ZHAO Xiaoxia has an interest in 183,500 shares in Oceanwide Holdings, the former controlling Shareholder of the Company and a deemed party acting in concert with the Offeror, the aforementioned non-executive Directors are considered as having an interest in the Offer and therefore they are excluded from being the members of the Independent Board Committee.

LETTER FROM EMPEROR CORPORATE FINANCE

We, Emperor Corporate Finance Limited (“**Emperor Corporate Finance**”), have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in this respect and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Emperor Corporate Finance as the Independent Financial Adviser has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee as to (i) whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted.

We are independent from and not connected with the Company, the Offeror, any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Emperor Corporate Finance and (i) the Group; (ii) the controlling shareholders of the Company; (iii) parties to the Extension, which constitutes a special deal; (iv) the Vendor Group; (v) the Offeror; or (vi) the controlling shareholders of the Offeror, and their respective concert parties. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, Emperor Corporate Finance have no significant connection, financial, business or otherwise with (i) the Group; (ii) the controlling shareholders of the Company; (iii) parties to the Extension, which constitutes a special deal; (iv) the Vendor Group; (v) the Offeror; or (vi) the controlling shareholders of the Offeror, and their respective concert parties.

As at the Latest Practicable Date, Emperor Corporate Finance does not have any interests in the shares, options, warrants or other equity related interests in (i) the Group; (ii) the controlling shareholders of the Company; (iii) parties to the Extension, which constitutes a special deal; (iv) the Vendor Group; (v) the Offeror; or (vi) the controlling shareholders of the Offeror, and their respective concert parties.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Offeror and the Company or any of their respective substantial shareholders or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Offer.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in or referred to in the Composite Document and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). Our review procedures include, among others, review of the annual reports of the Group for the years ended 31 December 2020 (the “**2020 Annual Report**”) and 31 December 2021 (the

LETTER FROM EMPEROR CORPORATE FINANCE

“**2021 Annual Report**”), the annual results announcement of the Company for the year ended 31 December 2022 (the “**2022 Annual Results Announcement**”), the Composite Document, relevant announcements published by the Company, the share price performance, the trading liquidity of the Company and comparable companies to the Company. We have assumed that all information and representations that have been provided by the Directors and the Management are true, complete and accurate in all material respects at the time when they were made and up to the date throughout the Offer Period and should there be any material changes thereto, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful considerations.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Independent Shareholders will be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible. We have also assumed that all statements of opinion made by the Directors and the Management in the Composite Document were reasonably made after due enquiries and careful consideration. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Composite Document, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Takeovers Code and the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company or the Offeror as set out in the Composite Document, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Offer.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

LETTER FROM EMPEROR CORPORATE FINANCE

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Offer, and except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the terms of the Offer and as to acceptance, we have considered the principal factors and reasons as set out below:

1. Background of the Offer

On 15 September 2022, the Board was informed by the Offeror that the Offeror (as purchaser), the Vendor (as vendor) and the Receivers (as receivers) entered into the Deed of Share Purchase, pursuant to which the Offeror conditionally agreed to purchase and the Vendor (acting by the Receivers as its attorneys without personal liability pursuant to the powers granted under the Security Deed) conditionally agreed to sell 4,098,510,000 Shares (i.e. the Sale Shares), representing approximately 66.13% of the entire issued share capital of the Company as at 15 September 2022. The Consideration is HK\$819,702,000 in aggregate, equivalent to HK\$0.2 per Sale Share.

On 3 February 2023, the Offeror and the Company jointly announced that the Completion took place on 3 February 2023. Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (other than the Vendor Group) held an aggregate of 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company.

The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)).

2. Background information of the Group

(a) Principal business

The Company is a company incorporated in Bermuda with limited liabilities and its shares are listed on the main board of the Stock Exchange (stock code: 952). The Group is principally engaged in (i) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services; (ii) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services; (iii) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services; (iv) the interest income segment engages in money lending services and interest income arising

LETTER FROM EMPEROR CORPORATE FINANCE

from debt instruments measured at amortised cost; (v) the investments segment engages in investing and trading of various investment products; and (vi) the others segment represents financial media services and other insignificant operating segments. The Group's operations are substantially located in Hong Kong and substantially all assets of the Group are located in Hong Kong.

(b) Historical Financial Information

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 (“FY2020”, “FY2021” and “FY2022”, respectively) as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Results Announcement.

| | FY2022 <i>HK\$'000</i> (audited) | FY2021 <i>HK\$'000</i> (audited) | FY2020 <i>HK\$'000</i> (audited) |
|--|---|---|---|
| Corporate finance business | 18,676 | 26,287 | 14,406 |
| Asset management business | 11,748 | 35,378 | 41,680 |
| Brokerage business | 92,829 | 139,420 | 170,046 |
| Interest income | | | |
| — Calculated using the effective interest method | 145,870 | 440,076 | 424,552 |
| — Calculated using other method | 123,530 | 173,079 | 242,406 |
| Financial media service fee income | 8,279 | 9,599 | 8,110 |
| Net investment (loss)/gain | (578,750) | 33,983 | 203,415 |
| Total Revenue | (177,818) | 857,822 | 1,104,615 |
| Net profit/(loss) for the year attributable to the equity holders of the Company | (1,583,664) | (2,260,577) | 103,250 |

LETTER FROM EMPEROR CORPORATE FINANCE

| | As at 31 December 2022 | As at 31 December 2021 | As at 31 December 2020 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (audited) | (audited) | (audited) |
| Non-current assets | 230,786 | 300,700 | 533,776 |
| Current assets | 4,447,301 | 6,540,585 | 9,410,621 |
| Total assets | 4,678,087 | 6,841,285 | 9,944,397 |
| Non-current liabilities | 30,062 | 14,739 | 52,289 |
| Current liabilities | 2,636,419 | 3,229,751 | 4,000,891 |
| Total liabilities | 2,666,481 | 3,244,490 | 4,053,180 |
| Net current assets | 1,810,882 | 3,310,834 | 5,409,730 |
| Equity attributable to owners of the Company | 2,011,606 | 3,596,795 | 5,891,217 |

FY2022 vs FY2021

For FY2022, the Group record negative revenue of approximately HK\$177.8 million. Excluding the fair value change of investment through profit and loss of approximately HK\$578.8 million, the Group would have recorded revenue of approximately HK\$400.9 million from continuing business operations which represent an decrease of approximately 51.3%, or by approximately HK\$422.9 million compared to that of approximately HK\$823.8 million (excluding the investment gain of approximately HK\$34.0 million) for FY2021. There is a decreasing trend across all the business segments of the Company. Fee and commission income generated from corporate finance business, asset management business, brokerage business and financial media fee income recorded drop of approximately 37.6%, or by HK\$79.2 million, to HK\$131.5 million from HK\$210.7 million for FY2021. Interest income segment also recorded significant drop from approximately HK\$613.2 million for FY2021 to approximately HK\$269.4 million, representing decrease of approximately 56.1% or by HK\$343.8 million. The decrease in revenue generated from operating business segment was mainly due to (i) economic slowdown which adversely impacted the demand for brokerage business and other stocks related business, as the market sentiment is low for fund raising exercises and merger and acquisition activity in bear market; and (ii) reduction in average margin loan balance and the Group will stop recording the interest income when loans passed maturity without due repayment and renewal according to the Company's accounting policy.

LETTER FROM EMPEROR CORPORATE FINANCE

For FY2022, while the Company recorded negative revenue due to net investment loss, and the revenue generated from other operating activities decreased by approximately 51.3% if net investment loss is excluded, the Group recorded a net loss attributable to the equity holders of the Company of approximately HK\$1,583.7 million, which represent a decrease of approximately 29.9% compared to that of approximately HK\$2,260.6 million for FY2021. The decrease in net loss was mainly attributable to the significant decrease in net expected credit loss (“ECL”) charges recorded in FY2022 in the amount of HK\$916.5 million from HK\$2,582.6 million, which represents a decrease of approximately 64.5%. The decrease in ECL charges was mainly because that the increase in ECL provision rate on the connected parties of the Vendor Group’s loans and bonds in FY2022 was less significant than that in FY2021. Expected credit loss model was adopted by the Group to estimate the potential credit losses the Company may incur on its loans and financial assets which involves forecasting the probability of default and loss given default. As most of the loan and receivables from connected parties of the Vendor Group were given significant provision of impairment under the expected credit loss model in FY2021, the impaired portion would be recognised less ECL charges in FY2022.

Equity attributable to owners of the Company decreased drastically from approximately HK\$3,596.8 million to HK\$2,011.6 million as of 31 December 2021 and 2022, respectively. The total assets of the Group as of 31 December 2022 also decreased to HK\$4,678.1 million from HK\$6,841.3 million as of 31 December 2021. Such decrease was mainly attributable to the decrease in (i) fair value of financial assets held for trading from approximately HK\$1,109.1 million as of 31 December 2021 to approximately HK\$625.0 million as of 31 December 2022; (ii) loans to margin clients from approximately HK\$1,383.0 million as of 31 December 2021 to approximately HK\$670.5 million as of 31 December 2022; and (iii) other loans from approximately HK\$1,598.1 million as of 31 December 2021 to approximately HK\$1,109.2 million as of 31 December 2022. The decrease in loans to margin clients and other loans were mainly due to the (i) increase in margin loan shortfall caused by the price drop of collateral of margin client and (ii) increase in ECL provision of other loans, from HK\$119 million and HK\$2,440 million as at 31 December 2021 to HK\$373 million and HK\$3,178 million as at 31 December 2022, respectively. The equity attributable to owners of the Company can be affected by its assets, liabilities, profit or loss. The decrease in equity attributable of the Company as at 31 December 2022 was primarily due to losses incurred in FY2022 from ECL charges and net investment loss. However, any increase in market price of investment of the Company shall increase the equity attributable to owners of the Company accordingly, *ceteris paribus*. The investment gain/loss could be in cyclical order following the trend of the market.

LETTER FROM EMPEROR CORPORATE FINANCE

FY2021 vs FY2020

For FY2021, the Group recorded total revenue of approximately HK\$857.8 million, representing a decrease of approximately HK\$246.8 million or 22.3% compared to that of approximately HK\$1,104.6 million for FY2020, which was mainly attributable to the decrease in the investment gain from approximately HK\$203.4 million for FY2020 to approximately HK\$34.0 million for FY2021 due to lower gain on investments. Save for the decrease in the Group's investments and other business, which are subject to high volatility, the decrease in revenue of the Group for FY2021 as compared to FY2020 was also attributable to (i) the decrease in revenue from brokerage business, primarily resulted from the decrease in the commission income from global futures products and the decrease of the Group's market share in the Hong Kong stock secondary market for FY2021; and (ii) the decrease in interest income business, mainly due to the decrease in the Group's interest income from margin loans from approximately HK\$159.2 million for FY2020 to approximately HK\$145.7 million for FY2021 as (a) drop in average margin loan amounts to clients that was partly attributable to the bearish market sentiment and the macro environment; and (b) a reduction of interest rate charged to qualify clients to stay competitive.

For FY2021, the Group recorded a net loss attributable to the equity holders of the Company of approximately HK\$2,260.6 million while the Group record net profit attributable to owners of the Company of approximately HK\$103.3 million for FY2020. The change from net profit to net loss was mainly attributable to the ECL charges using the expected credit loss model amounted to approximately HK\$2,582.6 million which mainly consists of expected credit loss charges of (i) approximately HK\$1,729.0 million arisen from unsecured and unguaranteed loans to connected parties of the Vendor Group; (ii) approximately HK\$175.0 million arisen from unsecured loans to independent third parties; and (iii) approximately HK\$587.4 million arisen from debts securities issued by connected parties of the Vendor Group.

The Group's equity attributable to owners of the Company decreased significantly to approximately HK\$3,596.8 million as of 31 December 2021 from approximately HK\$5,891.2 million as of 31 December 2020. The total assets of the Group amounted to approximately HK\$6,841.3 million as of 31 December 2021, of which, among others, (i) cash and cash equivalents amounted to approximately HK\$405.3 million; and (ii) financial assets held for trading amounted to HK\$1,109.1 million. The decrease in the Group's financial position as at 31 December 2021 was mainly attributable to the decrease in other loans from approximately HK\$3,338.9 million as at 31 December 2020 to approximately HK\$1,598.1 million as at 31 December 2021, which was principally due to the increase in ECL charges to other loans from connected parties of the Vendor Group in FY2021 as the result of the expected credit loss assessment set forth in HKFRS 9 issued by the HKICPA

in determining the impairment loss allowance for its loan receivables. The Group reported positive operating cash flows of approximately HK\$657.5 million and HK\$362.2 million for FY2021 and FY2020, respectively.

3. Information of the Offeror

As stated in the subsection headed “4. INFORMATION ON THE OFFEROR” in the section headed “Letter from Haitong International Securities and Red Sun”, the Offeror is a company incorporated in Hong Kong with limited liability as an investment holding company on 25 April 2022. The Offeror has not carried on any business activities since its incorporation apart from the acquisition of the Notes, the entering into of the Deed of Share Purchase, the making of the Offer, and the entering into of the financing transactions in connection with all the above transactions. As at the Latest Practicable Date, the Offeror is owned as to 51% by Mr. LAM and 49% by Mr. HAN. Mr. LAM and Mr. HAN are the directors of the Offeror. Each of Mr. Lam and Mr. Han confirms that he does not act on instructions of any parties and both Mr. Lam and Mr. Han are the ultimate beneficial owners of the Offeror.

On 6 May 2022, the Offeror (as assignee) and HIFCL (as assignor) entered into the Second Deed of Assignment, pursuant to which the Offeror was assigned part of the rights, title and interest (other than any voting rights of the Notes) in the Notes in the principal amount of HK\$784,378,183.38 and the accrued but unpaid interest of all of the Notes up to but excluding 6 May 2022 in the aggregate amount of HK\$68,271,527.50 from HIFCL, for a consideration of approximately HK\$853 million. The Assigned Notes owned by the Offeror and the HIFCL Notes owned by HIFCL are both secured by 4,098,510,000 Shares under the Security Deed (as supplemented by the Deed of Confirmation and Guarantee) and guaranteed by COGL under the Guarantee (as supplemented by the Deed of Confirmation and Guarantee). For further details, please refer to the subsection headed “5. BACKGROUND OF THE NOTES” in the section headed “Letter from Haitong international Securities and Red Sun”.

Information on Mr. LAM

Mr. LAM is an executive Director and the chief executive officer of the Company. He is a member of nomination committee of the Company. Since 1994, he has been the managing director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. LAM is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for China Tonghai Securities Limited and a responsible officer for Types 1, 4 and 9 regulated activities under the SFO for China Tonghai Asset Management Limited. Mr. LAM had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. LAM has more than 30 years of experience in corporate finance and banking. He is the Vice Chairman of the General Committee of The Chamber of Hong Kong Listed Companies since June 2021 and the Vice Chairman and past Chairman (2009 to 2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University

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of Western Ontario (now known as Western University) with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University.

As at the Latest Practicable Date, Mr. LAM is interested in and is the beneficial owner of 113,072,833 Shares, representing approximately 1.82% of the entire issued share capital of the Company. He also has interests in US\$15,200,000 of the US\$146,045,000 14.5% private notes due 2024 issued by Oceanwide Holdings International Development III Co., Ltd (“OHID III”), an indirect wholly-owned subsidiary of Oceanwide Holdings.

Mr. LAM also has interests in (i) US\$5,000,000 of US\$210,200,000 12% guaranteed senior notes due 2021 issued by OHID III, which matured and delisted from the Stock Exchange on 31 October 2021; and (ii) US\$500,000 of the US\$280,000,000 14.5% guaranteed senior notes due 2021 issued by OHID III, which matured and delisted from the Stock Exchange on 23 May 2021. However, the principal amount of these guaranteed senior notes subscribed by Mr. LAM together with interest accrued thereon remain unpaid.

Information on Mr. HAN

Mr. HAN is an executive Director and the chairman of the Company. He is also the chairman of nomination committee of the Company. He obtained a master’s degree in economics from Renmin University of China in July 1996 and a Ph.D. in Management from Huazhong University of Science & Technology in June 2018. Mr. HAN is a senior accountant in the PRC.

As at the Latest Practicable Date, Mr. Han is interested in and is the beneficial owner of 3,500,000 shares in Oceanwide Holdings.

Immediately prior to Completion, the Offeror and parties acting in concert with it (other than the Vendor Group) hold 113,072,833 Shares, representing approximately 1.82% of the entire issued share capital of the Company. Immediately upon the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it (other than the Vendor Group) were interested in 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company.

Save for the aforementioned, the Offeror and parties acting in concert with it (other than the Vendor Group) did not have any other interest in any shares, warrants, options, derivatives of the Company or securities carrying conversion or subscription rights into Shares.

4. Intention of the Offeror in relation to the Group

As stated in the subsection headed “6. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP” in the section headed “Letter from Haitong International Securities and Red Sun”, the Offeror intends to continue the existing principal business of the Group. The Offeror believes that the Sale Shares being under receivership by the Receivers and financial issues encountered by the Vendor and its controlling shareholders have created uncertainty over the future ownership of the Company, which in turn have hampered the development of the Group. The Offeror is confident on the prospects of the Group after the removal of this uncertainty (which has been removed as the Deed of Share Purchase has been completed) and is dedicated to enhancing the value of the Group by advancing the existing principal business of the Group and strengthening its revenue. Mr. LAM and Mr. HAN, the shareholders of the Offeror and the Directors, are already discussing means to strengthen the product offerings of the Group’s brokerage and asset management segments. Despite the Offeror is confident on the prospect of the Group after the uncertainty over the future ownership of the Company has been removed and the Offeror’s intention in enhancing the value of the Group, we would like to remind the Independent Shareholders that they are advised to read all the principal factors and reasons that we have considered as set out in this letter before deciding whether or not to accept the Offer.

The Offeror has no plan to change the core business of the Group. The Offeror has no intention to discontinue the employment of any employees by virtue only of the change of control of the Company (except for a proposed change to the members of the Board which may or may not take place but in any event no earlier than that permitted under the Listing Rules and the Takeovers Code) and there will not be a major overhaul of the Group and its staff as a result of a change in controlling shareholder of the Company, and has no intention to dispose of or re-deploy the assets of the Group otherwise than in the ordinary course of business. The Offeror also has no intention, understanding, obligation, negotiation or arrangement (concluded or otherwise) for downsizing, ceasing or disposing the existing business of the Group, and acquiring business or assets for the Group (save for (i) the Settlement Arrangements which are prior contractual obligations being entered into by the Company before the commencement of the Offer Period; and (ii) a deed of settlement which may be entered into among the Company, a subsidiary of the Company, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development Limited* (通海國際發展有限公司) (“**Tonghai International Development**”), and both China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development are indirect wholly-owned subsidiaries of Tohigh Holdings Co., Ltd.* (通海控股有限公司) (“**Tohigh**”), for the purpose of settlement of all or part of the outstanding principal and interests owed by China Oceanwide International Investment Company Limited, an indirect wholly-owned subsidiary of Tohigh, to the Group on a dollar-for-dollar basis by way of transfer of four companies incorporated in the BVI which are, in turn, the legal and beneficial owners of several landed properties located in the United States of America, the execution of which would constitute a special deal under Rule 25 of the Takeovers Code and it is expected that the Company will make further announcement(s) in

compliance with the Takeovers Code in such event (for further details, please refer to the subsection headed “PROPOSED SPECIAL DEAL” under the section headed “Letter from the Board” in this Composite Document).

Proposed Change of the Board Composition

As at the Latest Practicable Date, the Board comprises four executive Directors, namely Mr. HAN, Mr. FANG Zhou, Mr. LIU Hongwei and Mr. LAM; three non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia; and five independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun.

As disclosed in the subsection headed “Proposed Change of the Board Composition” in the section headed “Letter from Haitong International Securities and Red Sun”, as at the Latest Practicable Date, the Offeror has not reached any final decision as to the identities of the new Director(s) who will be nominated and the existing Director(s) who will resign. Any changes to the members of the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

5. Future Prospects and Outlook of the Group

As disclosed in the 2021 Annual Report, the Group is principally engaged in (i) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services; (ii) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services; (iii) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services; (iv) the interest income segment engages in money lending services and interest income arising from debt instruments measured at amortised cost; (v) the investments segment engages in investing and trading of various investment products; and (vi) the others segment represents financial media services and other insignificant operating segments.

The Group’s business has been negatively affected by the COVID-19 pandemic and the consequential adverse impact on the local and global economy.

As the Group is engaged in financial services industry which is dependent on several factors including but not limited to stock market performance, local and global economic outlook, investor sentiments and number of IPOs and fundraisings in the Hong Kong stock market. The macro outlook of the financial services market remains uncertain with poor sentiments as (i) Hong Kong stock market showed a bearish trend over the past three years with a decline in the Hang Seng Index in which the Hang Seng Index recorded a decrease of approximately 15.0% during 2022 as it fell from 23,274 as of 3 January 2022 (being the first trading day of year 2022) to 19,781 as of 30 December 2022 (being the last trading day of year 2022), and recorded the lowest of 14,687 on 31 October 2022; and (ii) lackluster fundraising activities in the Hong Kong

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stock market which may, in turn, hinder the revenue stream of the Group as the Group is principally engaged in the finance sector in Hong Kong and the Group's operations are substantially located in Hong Kong and substantiating all assets of the Group are located in Hong Kong. Moreover, according to public speeches by policymakers of the Federal Reserve System of the United States of America (the "U.S."), the interest rate might maintain relatively high in 2024. Since the Hong Kong Dollar is pegged to the U.S. Dollar, the increase in the U.S. interest rates can lead to an increase in borrowing costs in Hong Kong. Additionally, a stronger U.S. Dollar resulting from the U.S. interest rate hike can cause a decrease in capital inflows to Hong Kong, which can lead to a corresponding decrease in its stock market. As such, the effects of the U.S. interest rate hike on Hong Kong can be multifaceted, influenced by various economic and financial factors. Despite opportunities from deepening connection of Hong Kong and China stock markets and recent government policies such as The Hong Kong Special Administrative Region Budget 2023–24 to revitalise the local economy, the business environment and the operations of the Group's financial services segment are expected to remain challenging in the near term amid concerns over tightening monetary policy by the government of United States, the uncertain macro outlook of financial services markets with poor sentiments as discussed above, global geopolitical tensions associated with Russian-Ukrainian War and slowdown of China economy.

Given the low market sentiment and downtrend of the stock market, during the unstable pandemic scenario that persisted throughout 2021, the Company took reasonable steps to mitigate the risk and retain its capital strength by implementing cost-saving measures, reorganizing its back-office, and exercising caution in its lending and credit advance services. Comparing the financial figures from the financial year ended 31 December 2020 and 2021, the Company significantly lowered its direct costs from approximately HK\$165.7 million to approximately HK\$141.8 million and staff costs from approximately HK\$255.2 million to approximately HK\$186.2 million, respectively. As a result, its operational expenditures had been lowered by 20.0% as compared to the previous year.

In February 2023, the mainland China and Hong Kong decided to reopen the borders and scrapped the restrictions from the COVID-19 pandemic, which is positive to the retail sector in Hong Kong. The regulators recently introduced the Hong Kong Dollar — Renminbi dual counter regime to promote the liquidity of RMB-denominated stocks and price efficiency as well as to tie in with the setting up of RMB trading counters by issuers; and the Stock Exchange recently new regulations that will allow pre-revenue and pre-profit innovative science and technology companies to raise capital through initial public offering in Hong Kong, which would possibly boost the market sentiment and enhance the status of Hong Kong as listing hub of Asia.

Under the current macro environment and huge certainties, including but not limited to, (i) the interest rate hike by the Federal Reserve of the United States of America which decreased the money supply that might adversely affect the capital market; and (ii) the impact from Russia-Ukraine war which affected global financial market and supply chain, the Group chose to be conservative and continuously focus

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on resources in maintaining the soundness and sustainability of the existing principal business of the Group, in particular the brokerage, corporate finance and asset management businesses, and improving the system efficiency and service quality. Mr. LAM and Mr. HAN, the shareholders of the Offeror and the Directors, are already discussing means to strengthen the product offerings of the Group's brokerage and asset management segments.

Considering the significant impairment provision and fair value changes in connected parties' loans and bonds, and loan facilities granted by the Group made for the financial year ended 31 December 2021, the Group is proactively reducing its debts and liabilities by settling its outstanding loans and borrowings with tangible assets to mitigate credit risk exposure in the uncertain prospect of the global economy. As of 31 December 2022, the total borrowings of the Group amounted to approximately HK\$905.5 million, representing approximately 39.7% decrease from approximately HK\$1,502.9 million as of 31 December 2021. The gearing ratio of the company actually slightly increase to approximately 46.2% from 43.2% as of 31 December 2022 and 2021 respectively, as a result of significant decrease of total equity of the Company from approximately HK\$3,596.8 million as of 31 December 2021 to approximately HK\$2,011.6 million as of 31 December 2022, such decrease was mainly attributable to overall decrease in loans and receivables and value of financial assets held for trading and market making activities. The Group shall closely monitor its loan portfolio and will take necessary recovery actions when appropriate.

In light of the above, there are challenges and uncertainties in the macro economic environment lying ahead of the Group. There are also uncertainties in the future performance of the Group as the Group might continue to operate in a challenging environment in coming years if the Company does not benefit from government policies and macro economic environments in the future with the uncertainties from tightening monetary policy by the government of United States as discussed above since the Hong Kong Dollar is pegged to the U.S. Dollar and the increase in the U.S. interest rates can lead to an increase in borrowing costs in Hong Kong, the uncertain macro outlook of financial services with poor sentiments, global geopolitical tension associated with the Russian-Ukraine War. We are of the opinion that the Offer provides an opportunity for Independent Shareholders to realise their investment in the Company for cash at the fixed Offer price should the Offeror encounters challenges and the performance of the Group is negatively impacted by the upcoming uncertainties.

6. Principal terms of the Offer

As stated in the section headed “Letter from Haitong International Securities and Red Sun”, Haitong International Securities and Red Sun are, on behalf of the Offeror, making an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)) in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.20 in cash

As disclosed in the section headed “Letter from Haitong International Securities and Red Sun”, the Offer Price of HK\$0.20 per Offer Share is equivalent to the price per Sale Share paid by the Offeror as consideration under the Deed of Share Purchase.

6.1 The Offer Price

The Offer Price of HK\$0.2 per Offer Share represents:

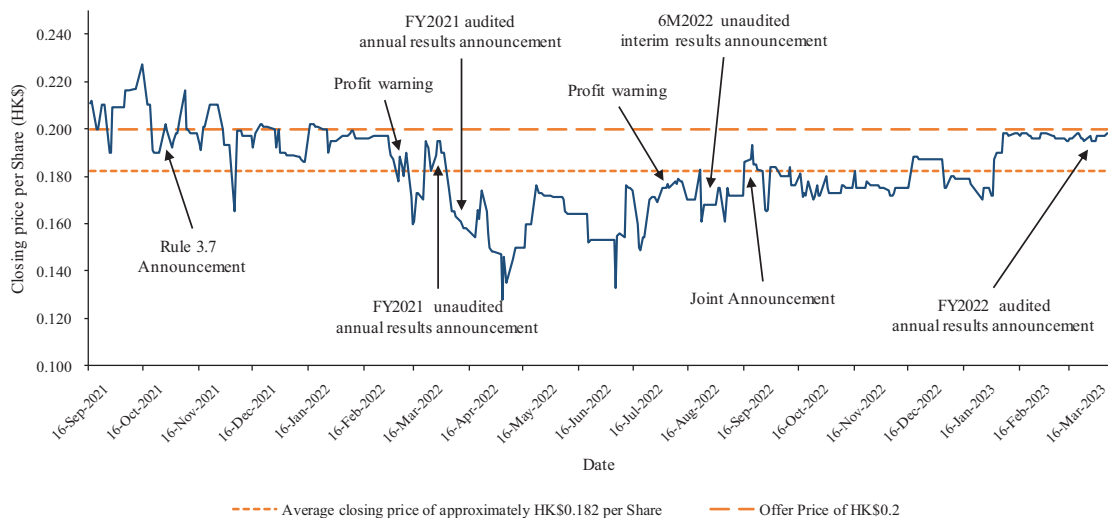
- (i) a premium of approximately 1.0% to the closing price of HK\$0.198 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 16.3% to the closing price of HK\$0.172 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 16.3% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 17.0% over the average closing price of approximately HK\$0.171 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 16.3% over the average closing price of approximately HK\$0.172 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 21.2% over the average closing price of approximately HK\$0.165 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 90 consecutive trading days immediately prior to and including the Last Trading Day;

- (vii) a premium of approximately 14.3% over the average closing price of approximately HK\$0.175 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a premium of approximately 5.3% to the closing price of HK\$0.19 per Share as quoted on the Stock Exchange on the last Business Day prior to the commencement of the Offer Period;
- (ix) a discount of approximately 65.52% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.58 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2021 as set out in the 2021 Annual Report; and
- (x) a discount of approximately 37.5% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.32 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 December 2022 as set out in the 2022 Annual Results Announcement.

6.2 Historical performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 16 September 2021, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period, covering a full twelve-months prior to the Last Trading Day, (i) is appropriate for reviewing the recent financial position of the Group; (ii) represents a reasonable period to provide a general overview of the recent price performance and the recent trading volume of the Shares for conducting an analysis against the Offer Price; (iii) is long enough to avoid any short-term fluctuation which may distort our analysis; and (iv) is sufficient and a common market practice.

Daily closing price of the Shares



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

Note: The trading in the Shares on the Stock Exchange was suspended from 26 October 2021 to 27 October 2021, pending the issue of the Rule 3.7 Announcement.

We noted from the above charts that, during the Review Period, the Shares closed on the Stock Exchange within the range of the lowest of HK\$0.128 per Share (representing a market capitalisation of approximately HK\$793.2 million) on 4 May 2022 to the highest of HK\$0.227 per Share (representing a market capitalisation of approximately HK\$1,406.7 million) on 15 October 2021. The Offer Price is higher than the average closing price of HK\$0.182 per Share during the Review Period, representing a premium of approximately 9.9%. We also noted that the Offer Price is above the closing price for 333 trading days during the Review Period, mostly during the period from 27 January 2022 to 11 September 2022.

During the period from 30 March 2022 to 11 July 2022, the closing price of the Shares exhibited a mild descending trend and decreased from HK\$0.195 per Share on 30 March 2022 to HK\$0.154 on 11 July 2022. We have discussed with the Management regarding the trend of the Share price and were advised that the announcement of the annual results for the financial year ended 31 December 2021 was published on 30 March 2022, which is the first time the Group recorded net loss for the year since the financial period for the nine months from 1 April 2017 to 31 December 2017. Furthermore, such downward trend was also in line with the Hang Seng Index movement during the same period. After reaching the low of HK\$0.154 per Share on 11 July 2022, the closing price of the Shares exhibited, in general, a slightly upward trend since then.

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During the period from 12 July 2022 to the Latest Practicable Date, there was an overall upward direction of the closing price of the Shares, however there was fluctuation of the closing price that the lowest of HK\$0.149 was recorded on 20 July 2022 and the highest of HK\$0.198 was recorded on 1–3 March and 20–21 March 2023. Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Last Practicable Date.

6.3 Historical trading volume and historical performance of the Shares

The table below sets out the average daily trading volume of the Shares and the percentage of the average daily trading volume to the total number of issued Shares for each month during the Review Period:

| Period/month | Total volume of the Shares traded (Shares) | Number of trading days (days) | Average daily volume (Shares) (Note 1) | Percentage of average daily volume over total number of issued Shares % (Note 2) | Percentage of average daily trading volume over the total number of Shares held by public Shareholders % (Note 3) |
|--|---|-------------------------------------|---|--|---|
| 2021 | | | | | |
| September (starting from 16 September 2021) | 1,120,000 | 10 | 112,000 | 0.002% | 0.007% |
| October (Note 4) | 3,340,000 | 16 | 208,750 | 0.003% | 0.013% |
| November | 1,682,990 | 22 | 76,500 | 0.001% | 0.005% |
| December | 1,120,124 | 22 | 50,915 | 0.001% | 0.003% |
| 2022 | | | | | |
| January | 671,647 | 21 | 31,983 | 0.001% | 0.002% |
| February | 6,542,870 | 17 | 384,875 | 0.006% | 0.024% |
| March | 2,680,090 | 23 | 116,526 | 0.002% | 0.007% |
| April | 1,500,000 | 18 | 83,333 | 0.001% | 0.005% |
| May | 1,300,000 | 20 | 65,000 | 0.001% | 0.004% |
| June | 261,636 | 21 | 12,459 | 0.000% | 0.001% |
| July | 4,583,012 | 20 | 229,151 | 0.004% | 0.014% |
| August | 3,039,372 | 23 | 132,147 | 0.002% | 0.008% |
| September | 30,083,476 | 21 | 1,432,546 | 0.023% | 0.090% |
| October | 11,766,000 | 20 | 588,300 | 0.009% | 0.037% |
| November | 5,320,000 | 22 | 241,818 | 0.004% | 0.015% |
| December | 1,132,990 | 20 | 56,650 | 0.001% | 0.004% |
| 2023 | | | | | |
| January | 1,575,000 | 18 | 87,500 | 0.006% | 0.001% |
| February | 25,208,422 | 20 | 1,260,421 | 0.020% | 0.079% |
| March | 6,196,733 | 23 | 269,423 | 0.004% | 0.017% |
| April (up to and including the Latest Practicable Date) | 240,000 | 3 | 80,000 | 0.001% | 0.005% |

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

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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. Based on total number of Shares in issue at the end of each month/period or as at the Latest Practicable Date.
3. The total number of Shares held by the public is based on the number of Shares held by public Shareholders of 1,590,201,655 Shares as at the Latest Practicable Date.
4. The trading in the Shares on the Stock Exchange was suspended from 26 October 2021 to 27 October 2021, pending the issue of the Rule 3.7 Announcement.

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range from approximately 12,459 Shares to approximately 1.4 million Shares, representing approximately 0.000% to 0.023% over the total number of Shares in issue as at the end of the respective month/period, and approximately 0.001% to 0.090% of the total number of Shares held by public Shareholders as at the end of the respective month/period. We noted that the higher average daily volume for the September 2022, we believe that the increase in trading volume of the Shares was possibly due to the market reaction to the announcement of the Offers after the publication of the Joint Announcement. The improvement of the liquidity of the Shares indicating that, without the Offer, the Shares were generally illiquid in the open market and that the higher level of trading volume may not be sustainable after the Offer Period.

In view of the above, the Offer provides an opportunity for Independent Shareholders to realise their investment in the Company for cash at the fixed Offer Price regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares.

6.4 Comparative Analysis

In order to assess the fairness and reasonableness of the Share Offer Price, we took into consideration the reference to price-to-earnings ratio (“**PE Ratio**”) and price-to-book multiple (“**PB Ratio**”), which are two of the most commonly used benchmarks in assessing the financial valuation of a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the company determined by the open market. However, given that the Group recorded loss attribute to equity holders of the Company in FY2022, the PE Ratio analysis are not applicable. Alternatively, we have considered comparable analysis by using the price-to-sale ratio (“**PS Ratio**”), which is also one of the commonly used benchmarks in assessing the valuation of a company. Despite the fact the PS Ratio could not reflect the profitability of the Group, as an alternative to PE Ratio, PS Ratio provides a meaningful analysis on the Group’s revenue generating ability. Nonetheless, as discussed in the section headed “2. Background information of the Group” in this letter, the Group recorded negative revenue of approximately HK\$177.8 million which was

principally attributable to the net investment loss. Therefore, the PS Ratio analysis are not applicable. We note that the Group's total assets are mostly consisted of cash and cash equivalent, financial assets held for trading, financial assets not held for trading, loans to margin clients, other loans and account receivables which accounted for approximately 70.2% of the total assets of the Company as at 31 December 2022. For capital-intensive business or financial business with significant amount of assets on the books, the PB Ratio provides an insight into the market's perception of a company's asset utilisation and its financial health as PB Ratio compares the market value of a company to its net book value. The net book value refers to the sum of the a company's total assets minus its liabilities and non-controlling interest. As a result, taking into account the financial performance and the financial position of the Group, in particular the capital intensive nature of the Group's business, we consider PB Ratio to be the most appropriate parameter of the fair values of the comparable companies.

By taking into account of the business model and principal activities of the Group, we have set out to identify comparable companies with the selection criteria of (i) being listed on the main board of the Stock Exchange; (ii) principally engaged in similar business as the Group's in provision of financial service which at least consist of (a) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services and (b) money lending service in Hong Kong, with both businesses contributing the majority the company's revenue and majority of the company's revenue are generated from the operations in Hong Kong; and (iii) having a market capitalisation ranging from HK\$800.0 million to HK\$1,400 million as at the Latest Practicable Date in view that it is in the similar range of the historical market capitalisation of the Company during the Review Period.

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We have identified the below two comparable listed companies which met the aforementioned selection criteria (the “**Comparable Companies**”) and we consider them to be fair and exhaustive. Nevertheless, it should be noted that (i) we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies; and (ii) due to the limited sample size, the Comparable Companies may or may not be representative. Set out below is the information of the Comparable Companies:

| Company name (Stock code) | Principal activities | Market capitalisation as at the Last Practicable Date (HK\$'000) (Note 1) | PB Ratio (times) (Note 2) |
|--|--|---|---------------------------------|
| BOCOM International Holdings Company Limited (Stock code: 3329) | Principally engaged in (i) securities brokerage; (ii) margin financing; (iii) corporate finance and underwriting; (iv) investment and loans; and (v) asset management and advisory businesses | 1,230,476 | 0.46 |
| Central Wealth Group Holdings Limited (Stock code: 0139) | Principally engage in (i) securities and futures dealing business; (ii) trading of debts and equity investments; and (iii) money lending business | 896,162 | 0.81 |
| | | Maximum | 1,230,476 |
| | | Minimum | 896,162 |
| | | Average | 1,063,319 |
| | | Median | 1,063,319 |
| | The Company (Note 3) | 1,239,410 | 0.62 |

Source: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies

Notes:

1. As computed by multiplying the total number of issued shares and the closing share price quoted on the Stock Exchange on the Latest Practicable Date.
2. As computed by dividing the respective market capitalisation as at the Latest Practicable Date by the respective equity attributable to owners of the company according to their latest published interim/annual results/reports or announcements of unaudited net asset value.
3. The implied market capitalisation and PB Ratio of the Company are calculated based on the Offer Price.

As illustrated in the table set out above, the PB Ratio of the Comparable Companies are approximately 0.46 times and 0.81 times respectively, with an average of approximately 0.64 times and a median of approximately 0.64 times. The Company's implied PB Ratio of approximately 0.62 times is slightly below the average of the Comparable Companies. We would like to emphasise that this is merely one of the factors taken into consideration in assessing the fairness and reasonableness of the Offer Price as our consideration of the Offer Price has been made on an overall basis having considered various principal factors as set out in various sections above and in particular, the recommendation section below.

7. Uncertainties on the completion of the Settlement Arrangement

Your attention is drawn to the circular of the Company dated 13 February 2023 for the details of the extension of Settlement Agreement and Settlement Arrangements which constituted major and connected transactions under the Listing Rules and special deal under the Takeover Code. As such, independent shareholders' approval is required for the transaction contemplated thereunder. We also noted that the ordinary resolutions regarding the extension of Settlement Agreements has been duly passed on 10 March 2023. The Shareholders are reminded that granting the Extension does not imply the Company can proceed to implement the Settlement Agreements, and there is no guarantee that the Settlement Agreement can be completed and Debt A and Debt B may not be recovered fully or partly. If the condition precedents are not satisfied or waived (as the case may be) on or before the Long Stop Date of 30 June 2023, the Settlement Agreement shall lapse and cease to have effect. Furthermore, as stated in the circular of the Company dated 13 February 2023, the aggregate amount of outstanding principal and accrued interest of Debt A and Debt B were approximately HK\$1,700.6 million and HK\$538.5 million respectively and the Debts are likely not to be recovered in cash but approximately 4.5% of shareholding in the Target Company (subject to the due diligence exercises and net asset value of the Target Company as at the adjustment date). Also, the counter-parties of the Settlement Agreements, namely China Oceanwide and Oceanwide Holdings, and the Target Group is involved in certain litigations. We are of the view that the Shareholders can avoid the potential risk associated with the Settlement Agreement and Settlement Arrangement by accepting the Offer.

8. Possible settlement arrangement with Tohigh Holdings Co., Ltd.

On 21 September 2017 and 30 August 2019, the Company and Tohigh Holdings Co., Ltd. ("**Tohigh**") entered into framework services agreements ("**Tohigh Framework Services Agreement**"), pursuant to which, among others, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to Tohigh and its subsidiaries (excluding China Oceanwide Holdings Limited and its subsidiaries, Oceanwide Holdings and its subsidiaries and the Group) (the "**Tohigh Group**") or vice versa, pursuant to the Tohigh Framework Services Agreement, China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, has provided loans to China Oceanwide International Investment Company Limited ("**China**

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Oceanwide International Investment”), an indirect wholly-owned subsidiary of Tohigh, with an aggregate outstanding principal and interests owed of approximately HK\$1,343.5 million as at the Latest Practicable Date.

The Group is currently in the process of finalising a deed of settlement (the “**Deed of Settlement**”) with China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development Limited* (通海國際發展有限公司) (“**Tonghai International Development**”), and both China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) and Tonghai International Development are indirect wholly-owned subsidiaries of Tohigh, for the purpose of settlement of all or part of the outstanding principal and interests owed by China Oceanwide International Investment to the Group on a dollar-for-dollar basis by way of transfer of four direct wholly-owned subsidiaries of Tonghai International Development incorporated in the BVI which are, in turn, the legal and beneficial owners of several landed properties located in the United States of America) (the “**Settlement by Transfer of Properties**”).

As the Settlement by Transfer of Properties may constitute a major transaction of the Company under the Listing Rules and a special deal under Rule 25 of the Takeovers Code, the Company will need to comply with the disclosure obligations under the Listing Rules and Takeovers Code in relation to the Settlement by Transfer of Properties upon the execution of Deed of Settlement. Shareholders are advised to monitor the latest development of the Settlement by Transfer of Properties which the Company shall publish announcement once materialised.

Shareholders are also reminded that a special deal under the Takeovers Code requires shareholders’ approval by way of poll at the general meeting to approve the transactions contemplated thereunder. As such, the Company is required to publish a circular with details of the Settlement by Transfer of Properties, letter of recommendation from independent board committee and letter of independent financial adviser. Shareholders are reminded to read the circular and advice from independent board committee and independent financial adviser and the principal factors considered by them in arriving at their recommendation. The Independent Shareholders should note that the Deed of Settlement and Settlement by Transfer of Properties are not inter-conditional to the Offer and will not affect the Offer, since the Offer is unconditional in all respect. The poll results of the said special deal has no effect in accepting the Offer and has no effect on the Offer Price until the end of Offer Period.

As the Settlement by Transfer of Properties if materialised may bring uncertainties to the Company in the near future as the Settlement by Transfer of Properties may alter the financial position of the Company, we are of the view that the Shareholders can avoid the potential risk associated with the Settlement by Transfer of Properties by accepting the Offer.

9. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, upon 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.

As disclosed in the section headed “Letter from Haitong International Securities and Red Sun”, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer. In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company’s issued Shares held by the public, the directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offer to ensure that at least 25% of the issued Shares will be held by the public.

RECOMMENDATION

When we come up with our recommendation, we have reviewed different factors of the Company and the Offer; and we would like to summarise those principal factors discussed as below:

- (i) in view that the Group reported net losses for FY2021 and FY2022 and significant decreases in revenue for FY2022 as compared to FY2021, it is uncertain as to whether the Group can improve its operating results in the near future;
- (ii) despite the fact that the Mr. LAM and Mr. HAN, the ultimate beneficial owners and directors of the Offeror, are experienced in the similar business of the Group and intended to continue the existing principal businesses of the Group, however, there are challenges and uncertainties in the macro economic environment lying ahead of the Group as discussed in the paragraph headed “5. Future Prospects and Outlook of the Group” in this letter;
- (iii) the Offer Price is higher than the average closing price of the Shares of HK\$0.182 during the Review Period;
- (iv) the Offer Price represents slight premium of approximately 2.0% over the one month average closing prices of approximately HK\$0.196 of the Shares on the Stock Exchange from 1 March to 31 March 2023;

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- (v) save for the 34 and 8 trading days which recorded trading volume of more than 0.01% and 0.1% of the issued share capital of the Company, the trading volume of Shares was thin during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to realise their investment in the Company in the open market for cash at the fixed Offer Price without depressing the Share price;
- (vi) the PB Ratio implied by the Offer Price of approximately 0.62 times is slightly below the average PB Ratio of the Comparable Companies of approximately 0.64 times, which represents the general market is valuing the Company's net assets similarly to its peers. However, we would like to remind the Independent Shareholders that, due to the limited sample size, the Comparable Companies may or may not be representative;
- (vii) the uncertainties regarding the Settlement Arrangement which may or may not proceed accordingly and successfully, the Shareholders can avoid the potential risk associated with it by accepting the Offer as discussed in the paragraph headed "7. Uncertainties on the completion of the Settlement Arrangement" in this letter; and
- (viii) the uncertainties regarding the Settlement by Transfer of Properties which may or may not materialise, the Shareholder can avoid the potential risk associated with it by accepting the Offer as discussed in the paragraph headed "8. Possible settlement arrangement with Tohigh Holdings Co. Ltd." in this letter.

Notwithstanding that the Offer Price represents a discount of approximately 37.5% over the audited consolidated net assets attributable to owners of the Group of approximately HK\$0.32 per Share as at 31 December 2022, the market perception on the value of the Company's net asset as indicated by the PB Ratio slightly below of that of the Comparable Companies, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer. Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price and liquidity of the Shares during the Offer Period and may, instead of accepting the Offer, consider selling their Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Offer.

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As each individual Independent Shareholder would have different investment objectives and/or circumstances, we advise the Independent Board Committee to also recommend the Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they should carefully read the procedures for accepting the Offer as set out in the Composite Document, its appendices and the accompany Forms of Acceptance, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Emperor Corporate Finance Limited
Mark Chan
Managing Director

Mr. Mark Chan is a licensed person and has been a responsible officer of Emperor Corporate Finance Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2018 and 2016 respectively and has over 10 years of experience in corporate finance.

1. PROCEDURES FOR ACCEPTANCE

1.1 The Offer

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked “China Tonghai International Financial Limited — Offer”, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce as a result of a revision or an extension of the Offer in accordance with the Takeovers Code, if any.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce as a result of a revision or an extension of the Offer in accordance with the Takeovers Code, if any; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce as a result of a revision or an extension of the Offer in accordance with the Takeovers Code, if any;
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and signed and delivered to the Registrar in an envelope marked "China Tonghai International Financial Limited — Offer", together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be delivered to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself in an envelope marked “China Tonghai International Financial Limited — Offer”. Such action will be deemed to be an irrevocable authority to the Offeror and/or Haitong International Securities and/or Red Sun or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (f) Acceptance of the Offer will be treated as valid only if the duly completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time(s) and/or date(s) as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code) and the Registrar has recorded the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of you executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Independent Shareholder or his personal representative(s) (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (h) The seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable, in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amounts payable by the Offeror to such Independent Shareholders who accept the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and will pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (i) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (j) The address of the Registrar, Tricor Tengis Limited, is 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

2. SETTLEMENT OF THE OFFER

2.1 The Offer

- (a) Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the cash amount (rounding up to the nearest cent) due to each of the Independent Shareholders who accepts the Offer less seller's Hong Kong ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Offer will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the date of receipt by the Registrar of the duly completed Form of Acceptance and all relevant document(s) of title which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.
- (b) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of the seller's Hong Kong ad valorem stamp duty), without regard to any lien,

right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

- (c) Cheque(s) not presented for payment within six (6) months from the date of issue of the relevant cheque(s) will not be honoured and be of no further effect, and in such circumstances, cheque holders should contact the Registrar for payment.
- (d) No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on 12 April 2023, being the date of despatch of this Composite Document, and is capable of acceptance on and from this date until 4:00 p.m. on the Closing Date.
- (b) In order to be valid as acceptance for the Offer, the Form of Acceptance must be received by the Registrar (in respect of the Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive and in accordance with the Takeovers Code.
- (c) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.
- (d) The Offeror will publish an announcement on the website of HKEXnews no later than 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been extended, revised or has expired.
- (e) If the Offer is extended or revised, the announcement of such extension or revision will state either the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.

- (f) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. ANNOUNCEMENTS

- (a) As required by Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the website of HKEXnews by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised, extended, or has expired.

The announcement will state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror and/or parties acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and/or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are in all respects complete, in good order and fulfill the acceptance conditions set out in paragraph 1 of this Appendix, and which have been received by the Registrar (in respect of the Offer) no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive and in accordance with the Takeovers Code, shall be included.

- (b) As required under the Takeovers Code, all announcements in relation to the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules, where appropriate.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by Independent Shareholders, respectively, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (b) below.
- (b) In the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed “4. ANNOUNCEMENTS” above), the Executive may require that Independent Shareholders who have tendered acceptances of the Offer be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

6. STAMP DUTY

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer at a rate of 0.13% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptances, will be deducted from the amount payable to Independent Shareholders who accept the Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller’s Hong Kong ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the relevant Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

7. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all Independent Shareholders, including the Overseas Shareholders. As the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions, the Overseas Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any relevant applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities or legal and regulatory requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdictions.

The Offeror and the parties acting in concert with it, the Company, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance, the Registrar, the company secretary of the Company or any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes as such persons may be required to pay.

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

8. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

9. TAXATION ADVICE

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance, the Registrar (as the case may be) and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittance(s) to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, parties acting in concert with the Offeror, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance and any of their respective ultimate beneficial owners, directors, officers, advisers, associates, agents nor the Registrar or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage, delay in transmission or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as the Offeror may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror that are (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights, benefits and entitlements accruing or attaching to them, including, without limitation, the right to receive in full all dividends and distributions (as applicable) which may be recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of this Composite Document.

The Offer is made available to all Independent Shareholders, including those who are residents outside Hong Kong. The availability of the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibilities, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdictions.

Any acceptance by the Independent Shareholders and the beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. Independent Shareholders should consult their respective professional advisers if in doubt. Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which as indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (h) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.
- (j) In making their decisions, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror and parties acting in concert with it, the Company, Haitong International Securities, Haitong International Capital, Red Sun, Quam Capital, Emperor Corporate Finance and the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer. The Independent Shareholders should consult their own professional advisers for professional advice.
- (k) The Offer is made in accordance with the Takeovers Code.
- (l) The English transliteration of the Chinese name(s) in this Composite Document, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table is a summary of certain audited consolidated financial information of the Group for the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 as disclosed in the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Results.

| | For the year ended 31 December | | |
|--|--------------------------------|--------------------|--------------------|
| | 2020 | 2021 | 2022 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| | (audited) | (audited) | (audited) |
| Total revenue | 1,104,615 | 857,822 | (177,818) |
| Other (loss)/income | 15,902 | 15,110 | (73,417) |
| Direct costs | (165,747) | (141,838) | (103,824) |
| Staff costs | (255,215) | (186,178) | (165,883) |
| Depreciation and amortisation | (48,243) | (45,807) | (41,940) |
| Expected Credit Loss net charges | (372,627) | (2,582,604) | (916,544) |
| Finance costs | | | |
| — Interest on borrowings | (105,713) | (59,717) | (49,078) |
| — Interest on lease liabilities | (4,111) | (2,725) | (1,277) |
| Other operating expenses | (53,662) | (55,325) | (53,841) |
| Share of result of an associate | (206) | 526 | (556) |
| Share of results of joint ventures | (1,873) | 1,552 | — |
| Profit/(loss) before tax | 113,120 | (2,199,184) | (1,584,178) |
| Tax credit/(expense) | (9,870) | (61,393) | 514 |
| Net profit/(loss) attributable to equity holders of the Company | <u>103,250</u> | <u>(2,260,577)</u> | <u>(1,583,664)</u> |
| Total comprehensive income attributable to the equity holders of the Company | <u>107,663</u> | <u>(2,263,437)</u> | <u>(1,585,189)</u> |
| Dividends | <u>30,985</u> | <u>—</u> | <u>—</u> |
| | HK cent(s) | HK cent(s) | HK cent(s) |
| Earnings/(loss) per share for net profit/(loss) attributable to equity holders of the Company | | | |
| — Basic and diluted | 2 | (37) | (26) |
| Dividend per share | 0.5 | Nil | Nil |

Save as disclosed above, there is no other income or expense which are material to the Company for each of the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. There has been no change in the Group's accounting policies which would result in the figures in its consolidated financial statements being not comparable to a material extent.

Saved for the material uncertainty related to going concern disclosed below, the auditor's reports issued by KPMG, in respect of the audited consolidated financial statements of the Group for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

As set out in the auditor's reports issued by KPMG, in respect of the audited consolidated financial statements of the Group for the year ended 31 December 2021, the Group incurred a net loss of HK\$2,261 million attributable to the Shareholders during the year ended 31 December 2021. As at 31 December 2021, the Group's bank and other borrowings of HK\$1,503 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to HK\$405 million as at the same date. In addition, the Group's related parties, including the immediate holding company, intermediate holding company and a fellow subsidiary, experienced a series of credit default events such as debt defaults and lawsuits during the year, which indicated concerns about repayment of the amounts due from them and may affect the Group's ability to raise additional funds or renew/extend its existing borrowings. These events or conditions, along with other matters as set forth on pages 102 to 104 of the 2021 Annual Report under Note 2.2 to the consolidated financial statements for the year ended 31 December 2021, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

2. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 were disclosed in the 2019 Annual Report (pages 92 to 206), the 2020 Annual Report (pages 96 to 206), the 2021 Annual Report (pages 94 to 206) and the 2022 Annual Results (pages 1 to 17).

The aforementioned financial information of the Group has been published on both the website of HKEXnews (www.hkexnews.hk) and the website of the Company (www.tonghaifinancial.com). Please refer to the hyperlinks as stated below:

2019 Annual Report (for the year ended 31 December 2019):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802410.pdf>

2020 Annual Report (for the year ended 31 December 2020):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901088.pdf>

2021 Annual Report (for the year ended 31 December 2021):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802338.pdf>

2022 Annual Results (for the year ended 31 December 2022):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0328/2023032801381.pdf>

The abovementioned audited consolidated financial statements of the Group for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

At the close of business on 28 February 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

Borrowings

Bank loans, other borrowings and lease liabilities totaling approximately HK\$798,388,000, comprising:

(a) Bank loans, which were:

| | HK\$'000 |
|---|-----------------------|
| Secured and guaranteed by the Company* | 161,696 |
| Secured and guaranteed by former ultimate controlling Shareholder** | <u>335,219</u> |
| | <u><u>496,915</u></u> |

* These bank loans were secured by marketable securities as at 28 February 2023 and the Company's guarantee. The marketable securities include securities collaterals provided by the margin clients to the Group.

** These bank loans were secured by unlisted equity securities, private equity fund and bank deposits held by the Group as at 28 February 2023, certain listed Shares held by former immediate controlling Shareholder and certain former fellow subsidiary's listed shares held by its immediate controlling shareholder. These bank loans were also guaranteed by former ultimate controlling Shareholder and a wholly-owned subsidiary of the Company.

(b) Other borrowings, which were:

| | HK\$'000 |
|-----------------------------|-----------------------|
| Secured and unguaranteed*** | 114,752 |
| Unsecured and unguaranteed | <u>143,132</u> |
| | <u><u>257,884</u></u> |

*** These other borrowings were secured by listed equity securities, cash deposits and property and plant held by the Group as at 28 February 2023.

(c) Lease liabilities of approximately HK\$43,589,000.

Commitments

As at the close of business on 28 February 2023, the Group had capital commitments which were contracted of HK\$9,003,000 and contractual amounts of loan commitment of HK\$11,000,000.

Contingent liabilities

As at 28 February 2023, the Group had no material contingent liabilities.

Disclaimers

Save as aforesaid or otherwise disclose therein, and apart from intra-group liabilities and normal accounts payable, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, other recognised lease liabilities or lease commitments (whether are either guaranteed, unguaranteed, secured or unsecured), guarantees or other material contingent liabilities at the close of business on 28 February 2023.

To the best knowledge of the Directors, having made all reasonable enquiries, the Directors confirm there have been no material changes in indebtedness or contingent liabilities of the Group since 28 February 2023 and up to Latest Practicable Date.

On 31 December 2021, the Company as borrower entered into a deed of amendment with a licensed bank in Hong Kong as lender (the “**Banking Facility Arrangement**”) to extend the banking facility with the principal amount of HK\$410 million (the “**Extended Banking Facility**”) for one year from 31 December 2021. On 30 December 2022, the repayment date of the outstanding balance under the Extended Banking Facility had been extended to 31 March 2023. For the period from 31 December 2021 to 28 February 2023, the total interest accrued on the Extended Banking Facility was HK\$17.3 million and the Group made a total repayment of approximately HK\$92.1 million, of which approximately HK\$79.2 million was settled towards the principal of the Extended Banking Facility, while approximately HK\$12.9 million was directed towards the interest accrued on the Extended Banking Facility during the same period. As at 28 February 2023, the outstanding principal and the accrued interest amounted to approximately HK\$335.2 million and included in the bank loans of the Group listed above and the repayment date of such loan has been extended to 31 March 2023. Pursuant to the Banking Facility Arrangement, Mr. LU Zhiqiang and his parties acting in concert, shall at all times directly or indirectly beneficially own not less than 60% of the issued Shares (the “**Specific Performance of Mr. LU**”).

On 28 March 2023, the Company as borrower entered into a deed of amendment (the “**Deed of Amendment**”) with the lender to extend the banking facility with the principal amount of HK\$330,000,000 to 29 December 2023, from the date upon which the conditions precedent under the Deed of Amendment are fulfilled (the “**Effective Date**”). The Effective Date is 29 March 2023. The Specific Performance of Mr. LU has been removed. Pursuant to the Deed of Amendment, it requires Mr. LAM to maintain controlling interest in the Offeror or the Offeror shall at all times directly beneficially own not less than 60% of the issued Shares.

4. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it, the Vendor (save for the information relating to the Vendor Group and the information set out in Notes 3, 4 and 5 in the subsection headed “Shareholding Structure of the Company” in the section headed “Letter from the Board” and the definition of “Vendor” in the section headed “Definitions”) and the parties acting in concert with it, and the Receivers) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror in their capacity as directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

| | <i>Number of ordinary Shares of HK one third of one cent each</i> | <i>HK\$'000</i> |
|-----------------------|---|-----------------|
| Authorised: | <u>30,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid | <u>6,197,049,220</u> | <u>20,657</u> |

All of the Shares currently in issue are fully paid up or credited as fully paid and rank *pari passu* in all respects with each other, including all rights as to dividends, voting rights and capital. The Shares are listed on the Stock Exchange and none of securities of the Company is listed or dealt in on any other stock exchange and no listing or permission to deal the securities of the Company is being or is proposed to be sought.

No Shares have been issued by the Company since 31 December 2022 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and the Company had not entered into any agreement of the issue of any Shares or warrants, derivatives, options or other securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

Interests of the Directors

As at the Latest Practicable Date, interests of the Directors in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”) are as follows:

I. Long position in the Shares and the underlying Shares

| Name of Directors | Capacity | Number of Shares held | Approximate percentage of shareholding in the Shares in issue (Note 1) |
|-------------------|--|--|---|
| Mr. HAN | Interest of Controlled Corporation | 4,098,510,000 (Note 2) | 66.13% |
| Mr. LAM | Beneficial Owner Interest of Controlled Corporation | 113,072,833 4,098,510,000 (Note 2) | 1.82% 66.13% |

II. Long positions in the shares of associated corporations of the Company

The Offeror (Note 2)

| Name of Director | Capacity | Number of shares in the Offeror | Approximate percentage of shareholding in the Offeror (Note 3) |
|------------------|------------------|---------------------------------|---|
| Mr. HAN | Beneficial Owner | 490 | 49% |
| Mr. LAM | Beneficial Owner | 510 | 51% |

III. Interest in the debentures of the Company

| Name of Director | Nature of interest | Amount of debenture |
|------------------|--------------------|---------------------|
| Mr. FANG Zhou | Personal interest | HK\$1,000,000 |

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at the Latest Practicable Date.
2. The Offeror is the beneficial owner of 4,098,510,000 Shares and the Offeror is owned as to 51% by Mr. LAM and 49% by Mr. HAN, whose respective shares in the Offeror are charged pursuant to the NLL Share Charge. By virtue of the SFO, Mr. LAM and Mr. HAN are deemed to be interested in 4,098,510,000 Shares.
3. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As Mr. LAM and Mr. HAN are the ultimate beneficial owners of the Offeror, beneficial shareholding in the Shares held by Mr. LAM and Mr. HAN are not subject to the Offer.

4. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) the Company was not interested in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (ii) save as disclosed in the paragraph headed “3. Disclosure of Interests” in this Appendix, none of the Directors were interested in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (iii) save as the Offeror is owned as to 51% by Mr. LAM and as to 49% by Mr. HAN, none of the Directors were interested in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (iv) Save and except (i) 9 Shares held in the name of China Tonghai Capital Limited (currently known as Quam Capital Limited), a subsidiary of the Company; and (ii) 534 Shares held in the name of China Tonghai International Financial Limited — Fractional Account, no Share, convertible security, warrant, option or derivative of the Company was owned or controlled by subsidiaries of the Company or by a pension fund of members 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 is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers);

- (v) save for the Deed of Share Purchase, the HT Loan Facility Agreement, the HT Security Deed, the Loan Facilities Agreement, the Share Charge, the Charge Over Account, Grand Profit's Irrevocable Undertaking and Sunny Chance's Irrevocable Undertaking, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or 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 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 on one hand, and any other person on the other;
- (vi) save for the 395,254,732 Shares held by the Vendor, 271,910,000 Shares held by Grand Profit and 306,852,000 Shares held by Sunny Chance, no person who had any 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 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 owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (vii) no Share, convertible security, warrant, option or derivative of the Company were managed on a discretionary basis by any fund managers (other than exempted fund managers) connected with the Company; and
- (viii) neither the Company nor the Directors had borrowed or lent any Share, convertible security, warrant, option or derivative of the Company.

5. DEALING IN SECURITIES

- (i) During the Relevant Period, the Company had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror.
- (ii) During the Relevant Period, save as disclosed below, none of the Directors has dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company.

| Date | Description | Price |
|-----------------|---|-------------------|
| 3 February 2023 | Completion of the sale and purchase of Sale Shares pursuant to the Deed of Share Purchase | HK\$0.2 per Share |

- (iii) During the Relevant Period, save as disclosed below, none of the Directors has dealt for value in the shares, convertible securities, warrants, options or derivatives of the Offeror.

| Date | Description | Price |
|---------------|---|--------------|
| 25 April 2022 | Subscription of 1,000 shares of the Offeror by Mr. LAM | HK\$100 |
| 5 July 2022 | Transfer of 490 shares of the Offeror from Mr. LAM to Mr. HAN | HK\$1 |

- (iv) During the Offer Period and ending with the Latest Practicable Date, no Share, convertible security, warrant, option or derivative of the Company was dealt with by China Tonghai Capital Limited (currently known as Quam Capital Limited), a subsidiary of the Company, or of China Tonghai International Financial Limited — Fractional Account, who owned or controlled 9 Shares and 534 Shares respectively. In addition, during the Offer Period and ending with the Latest Practicable Date, no Share, convertible security, warrant, option or derivative of the Company was dealt with by subsidiaries of the Company, a pension fund of members 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 is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders and exempt fund managers).
- (v) Save as disclosed below, during the Offer Period and ending with the Latest Practicable Date, no person who had any 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 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 had any dealing in any Share, convertible security, warrant, option or derivative of the Company.

| Date | Description | Price |
|-----------------|---|-------------------|
| 3 February 2023 | Completion of the sale and purchase of Sale Shares pursuant to the Deed of Share Purchase | HK\$0.2 per Share |

- (vi) During the Offer Period and ending with the Latest Practicable Date, there was no dealing in any Share, convertible security, warrant, option or derivative of the Company managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) there was no benefit (other than statutory compensation) was or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected therewith; and
- (iii) as the Offeror is owned as to 51% by Mr. LAM and 49% by Mr. HAN, Mr. LAM and Mr. HAN has a material personal interest in each material contract entered into by the Offeror, being the Second Deed of Assignment (as supplemented by the Supplemental Deed of Assignment), Deed of Confirmation and Guarantee, Deed of Share Purchase, Surrender Deed, HT Loan Facility Agreement, HT Security Deed, Loan Facilities Agreement, Charge Over Account, Share Charge, NLL Loan Agreement, NLL Share Charge, NLL Deed of Assignment and the Settlement of Payments Deed. Save as disclosed, no material contract had been entered into by the Offeror in which any Director has a material personal interest.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract in force with any member of the Group or associated companies (i) which (including both continuous and fixed term contracts) had been entered into or amended within six months before commencement of the Offer Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries during the period from the date two years before commencement of the Offer Period and ending on the Latest Practicable Date, which are or may be material in relation to the business of the Group:

- (1) the fifth supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and Oceanic Vanguard Investments Limited in relation to the extension of loan in the principal amount of HK\$184.55 million to 31 March 2023. Details of the fifth supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (2) the supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and Oceanic Vanguard Investments Limited in relation to the extension of loan in the principal amount of HK\$65 million to 19 December 2022. Details of the supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (3) the supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and Oceanic Vanguard Investments Limited in relation to the extension of loan in the principal amount of HK\$25 million to 1 February 2023. Details of the supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (4) the seventh supplemental agreements dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and Grand Profit in relation to the extension of loans in the principal amount of HK\$234.2 million to 31 March 2023. Details of the seventh supplemental agreements are set out in the announcement of the Company dated 12 May 2022;
- (5) the sixth supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and Sunny Chance in relation to the extension of loan in the principal amount of HK\$120.6 million to 31 March 2023. Details of the supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (6) the supplemental agreement dated 12 May 2022 entered into China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and Sunny Chance in relation to the extension of loan in the principal amount of HKD\$60 million to 10 February 2023. Details of the supplemental agreement are set out in the announcement of the Company dated 12 May 2022;

- (7) the second supplemental agreement to the Settlement Agreement dated 31 March 2022 entered into among the Company, Oceanwide Holdings and China Oceanwide Holdings Limited to extend of the long stop date of the Settlement Agreement. Details of the second supplemental agreement are set out in the announcement of the Company dated 31 March 2022;
- (8) the deed of assignment dated 25 March 2022 entered into among China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and China Tonghai Guaranteed Return Segregated Portfolio as assignors and EBG Capital Holdings Limited as assignee pursuant to which the assignors have conditionally agreed to sell and the assignee has conditionally agreed to purchase the outstanding principal amount and accrued interest in the assignors' participation in a loan facility for a consideration of HK\$321 million, of which approximately HK\$199.3 million is attributable to the HK\$166 million lent by China Tonghai Finance Limited to Filled Converge Limited as borrower under the facility. Details of the deed of assignment are set out in the announcement of the Company dated 25 March 2022;
- (9) the loan agreement dated 17 January 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and YL Asia Pacific Innovation and Technology Services Limited in relation to a loan with principal amount of HK\$120 million due on 16 January 2023. Details of the loan agreement are set out in the announcement of the Company dated 17 January 2022;
- (10) the loan agreement dated 10 January 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Hong Kong Hoi Hing International Limited in relation to a loan with principal amount of HK\$60 million due on the date falling 12 months from the first utilisation date. Details of the loan agreement are set out in the announcement of the Company dated 10 January 2022;
- (11) the supplemental agreement to the Settlement Agreement dated 30 November 2021 entered into among the Company, Oceanwide Holdings and China Oceanwide Holdings Limited to extend of the long stop date of the Settlement Agreement. Details of the supplemental agreement are set out in the announcement of the Company dated 30 November 2021;
- (12) the financial services agreement dated 29 October 2021 entered into among China Tonghai Securities Limited, an indirect wholly-owned subsidiary of the Company and certain connected persons of the Company in relation to the connected dealings services and the connected margin loans from 1 January 2022 to 31 December 2024. The annual caps for the fees charged by China Tonghai Securities Limited from the connected persons under the connected dealing services for the financial year ended 31 December 2022, financial years ending 31 December 2023 and 31 December 2024 are HK\$30 million, HK\$30 million and HK\$30 million respectively. The maximum daily outstanding balance of the connected margin

loans granted by China Tonghai Securities Limited to the connected persons for the financial year ended 31 December 2022, financial years ending 31 December 2023 and 31 December 2024 are HK\$116 million, HK\$116 million and HK\$116 million respectively. Details of the financial services agreement are set out in the announcement of the Company dated 29 October 2021;

- (13) the supplemental agreement dated 24 September 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Grand Profit in relation to the extension of a loan in the principal amount of HK\$74 million to 23 August 2022. Details of the supplemental agreement are set out in the announcement of the Company dated 24 September 2021;
- (14) the Settlement Agreement pursuant to which Oceanwide Holdings has conditionally agreed to transfer (i) consideration shares of a subsidiary of Oceanwide Holdings to the Company (or its nominee) to settle a debt of HK\$691 million and US\$103 million and settle any outstanding interest accrued on such debt up to the date of completion in cash; and (ii) consideration shares of a subsidiary of Oceanwide Holdings to the Company (or its nominee) to settle a debt of HK\$480 million and settle any outstanding interest accrued on such debt up to the date of completion in cash. Details of the Settlement Agreement are set out in the announcement of the Company dated 24 August 2021;
- (15) the fourth supplemental agreement dated 16 April 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Oceanic Vanguard Investments Limited in relation to the extension of loan in the principal amount of HK\$194 million to 31 March 2022. Details of the fourth supplemental agreement are set out in the announcement of the Company dated 16 April 2021;
- (16) the sixth supplemental agreements dated 7 April 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Grand Profit in relation to the extension of loans in the principal amount of HK\$245 million to 31 March 2022. Details of the sixth supplemental agreement are set out in the announcement of the Company dated 7 April 2021;
- (17) the fifth supplemental agreement dated 7 April 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Sunny Chance in relation to the extension of loan in the principal amount of HK\$150.5 million to 31 March 2022. Details of the fifth supplemental agreement are set out in the announcement of the Company dated 7 April 2021;
- (18) the sale and purchase agreement dated 17 March 2021 entered into between China Tonghai Capital (Holdings) Limited, a subsidiary of the Company as seller and Joyful Richness Holdings Limited (an Independent Third Party) as buyer in relation to the disposal of (1) the outstanding principal amount and accrued interest in the seller's participation in a loan facility of an aggregate amount of HK\$5,810 million granted by China Tonghai Securities Limited and other lenders and the Seller's rights, obligations and other entitlement under the finance

- documents; and (2) the call option for an irrevocable right to purchase from Huge Auto Investment Holdings Limited as grantor and to require the grantor to sell to each of China Tonghai Capital (Holdings) Limited, a subsidiary of the Company and the original lenders under the original facility agreement dated 28 August 2017 as grantees, all (but not part) of the corresponding number of shares of China Grand Automotive Group Limited together with all related rights for a consideration of approximately HK\$261 million. Details of the sale and purchase agreement are set out in the announcement of the Company dated 17 March 2021;
- (19) the supplemental agreement dated 19 February 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Tung Kee Development Limited as borrower and Mr. YUNG Man Tung as personal guarantor in relation to the extension of a loan with principal amount of HK\$3 million to 19 April 2021. Details of the supplemental agreement are set out in the announcement of the Company dated 19 February 2021;
- (20) the loan agreement dated 9 February 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and YuLong International Capital Limited in relation to a loan with principal amount of HK\$50 million due on 8 April 2021. Details of the loan agreement are set out in the announcement of the Company dated 9 February 2021;
- (21) the fifth supplemental agreement dated 31 December 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Green Giant Energy Limited in relation to the extension of a loan in the principal amount of HK\$163.8 million to 27 June 2021. Details of the fifth supplemental agreement are set out in the announcement of the Company dated 31 December 2020;
- (22) the loan facility agreement dated 30 December 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, Silver Eagle Limited and Mr. ZHU Mu Po (the personal guarantor) in relation to the provision of a loan facility of HK\$15 million due on the date falling 12 months from the first utilisation date of the loan. Details of the loan facility agreement are set out in the announcement of the Company dated 30 December 2020;
- (23) the loan facility agreement dated 10 December 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, Cosmo Machinery (Holdings) Limited and Mr. TANG To and Mr. TANG Yu, Freeman (the personal guarantors) in relation to the provision of a loan facility of HK\$70 million for not more than 45 days from the utilisation date. Details of the loan facility agreement are set out in the announcement of the Company dated 10 December 2020;

- (24) the loan agreement dated 18 November 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Hong Kong Hoi Hing International Limited in relation to a loan with principal amount of HK\$190 million due on the date falling 20 days following the date(s) of utilisation. Details of the loan agreement are set out in the announcement of the Company dated 18 November 2020;
- (25) the supplemental agreement dated 21 August 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Elion International Investment Limited in relation to the extension of a loan in the principal amount of HK\$32.5 million to 18 June 2021. Details of the supplemental agreement are set out in the announcement of the Company dated 21 August 2020;
- (26) the deed of call option dated 29 July 2020 entered into among China Tonghai Capital (Holdings) Limited, a subsidiary of the Company and the original lenders under the original facility agreement dated 28 August 2017 as grantees, Huge Auto Investment Holdings Limited as grantor, Huge Group Holdings Limited and BOCI Leveraged & Structured Finance Limited as the agent pursuant to which the grantor has agreed to grant to each of the grantees an irrevocable right to purchase from the grantor and to require the grantor to sell to each of the grantees, all (but not part) of the corresponding number of shares of China Grand Automotive Group Limited together with all related rights at the total consideration of HK\$1.0. Details of the deed of call option are set out in the announcement of the Company dated 29 July 2020;
- (27) the amendment and restatement agreement dated 29 July 2020 entered into among the original lenders under the original facility agreement dated 28 August 2017 as lenders, Huge Group Holdings Limited and Huge Auto Investment Holdings Limited as borrowers, Mr. Huang Chusheng and National Holdings Group Company Limited as guarantors and BOCI Leveraged & Structured Finance Limited as the agent to extend the maturity date of the outstanding amount of a loan facility in an aggregate amount of HK\$3,108,486,752.84 from 2 September 2019 to 2 September 2020 together with other amendments, of which HK\$267,511,768.44 was attributable to China Tonghai Capital (Holdings) Limited, a subsidiary of the Company. Details of the amendment and restatement agreement are set out in the announcement of the Company dated 29 July 2020;
- (28) the sale and purchase agreement dated 22 June 2020 entered into between China Tonghai Capital (Holdings) Limited, a subsidiary of the Company, and VMS CSW 1 Land Holdings Limited in relation to the sale and purchase of the variable rates senior secured notes due 2020 issued by VMS CSW 1 Land Holdings Limited in the principal amount of HK\$25 million at a consideration of HK\$25 million. Details of the sale and purchase agreement are set out in the announcement of the Company dated 22 June 2020;

- (29) the hedging contract dated 17 June 2020 entered into between China Tonghai Capital (Holdings) Limited, a subsidiary of the Company and XingHai Pacific Investment Limited in relation to the hedging of a maximum of 154,275,711 shares of Guotai Junan International Holdings Limited (stock code: 1788) at a consideration of a non-refundable cash amount of HK\$15 million paid by China Tonghai Capital (Holdings) Limited to XingHai Pacific Investment Limited. Details of the hedging contract are set out in the announcement of the Company dated 17 June 2020;
- (30) the loan agreement dated 8 May 2020 enter into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, and MSEC Holdings Limited in relation to a loan facility with principal amount of HK\$120 million due on one year from the date of the making of the first drawing. Details of the loan agreement are set out in the announcement of the Company dated 8 May 2020;
- (31) the loan facility agreement dated 24 April 2020 enter into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Buddy Finance Limited in relation to a loan with principal amount of HK\$5 million due on the date falling 24 months following the date of utilisation. Details of the loan facility agreement are set out in the announcement of the Company dated 24 April 2020;
- (32) the third supplemental agreement dated 17 April 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Oceanic Vanguard Investments Limited in relation to the extension of a loan in the principal amount of HK\$194 million to 31 March 2021. Details of the third supplemental agreement are set out in the announcement of the Company dated 17 April 2020;
- (33) the fourth supplemental agreement dated 17 April 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Sunny Chance in relation to the extension of a loan in the principal amount of HK\$255 million to 31 March 2021. Details of the fourth supplemental agreement are set out in the announcement of the Company dated 17 April 2020;
- (34) the fifth supplemental agreements dated 17 April 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Grand Profit in relation to the extension of loans in the principal amount of HK\$245 million to 31 March 2021. Details of the fifth supplemental agreements are set out in the announcement of the Company dated 17 April 2020;
- (35) the fourth supplemental agreement dated 5 March 2020 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Green Giant Energy Limited in relation to the extension of loan in the principal amount of HK\$163.8 million to 27 June 2020. Details of the fourth supplemental agreement are set out in the announcement of the Company dated 5 March 2020;

- (36) the second supplemental agreement dated 31 December 2019 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Oceanic Vanguard Investments Limited in relation to the extension of loan in the principal amount of HK\$194 million to 31 March 2020. Details of the second supplemental agreement are set out in the announcement of the Company dated 31 December 2019;
- (37) the third supplemental agreement dated 30 December 2019 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Sunny Chance in relation to the extension of loan in the principal amount of HK\$255 million to 31 March 2020. Details of the third supplemental agreement are set out in the announcement of the Company dated 30 December 2019; and
- (38) the fourth supplemental agreements dated 27 December 2019 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Grand Profit in relation to the extension of loans in the principal amount of HK\$245 million to 31 March 2020. Details of the fourth supplemental agreement are set out in the announcement of the Company dated 27 December 2019.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this Composite Document:

| Name | Qualification |
|---|--|
| Emperor Corporate Finance Limited (formerly known as Emperor Capital Limited) | licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

Emperor Corporate Finance Limited has given and have not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and report and references to its name in the form and context in which it appears.

11. MISCELLANEOUS

As at the Latest Practicable Date,

- (a) the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda;
- (b) the head office and principal place of business in Hong Kong of the Company is located on 5/F and 24/F (Rooms 2401 and 2412), Wing On Centre, 111 Connaught Road Central, Hong Kong;

- (c) the company secretary of the Company is Ms. Hortense CHEUNG Ho Sze who is an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute;
- (d) the principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda;
- (e) the Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;
- (f) the registered office of Emperor Corporate Finance Limited, the Independent Financial Adviser, is at 23/F Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong; and
- (g) in the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror (namely, Mr. Kenneth LAM Kin Hing and Mr. HAN Xiaosheng) jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the information relating to the Vendor Group and the information set out in Notes 3, 4 and 5 in the subsection headed “Shareholding Structure of the Company” in the section headed “Letter from the Board” and the definition of “Vendor” in the section headed “Definitions”), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors in their capacity as directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS

Interests of the Offeror and parties acting in concert with it in the Company

The Offeror is beneficially owned as to 51% by Mr. LAM and as to 49% by Mr. HAN, who are also the directors of the Offeror.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it owns an aggregate of 4,606,837,565 Shares, representing approximately 74.34% of the entire issued share capital of the Company, in which (i) the Offeror owns 4,098,510,000 Shares; (ii) Mr. LAM owns 113,072,833 Shares; and (iii) the Vendor owns 395,254,732 Shares.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including the directors of the Offeror but other than the Vendor Group) own 4,211,582,833 Shares, representing approximately 67.96% of the entire issued share capital of the Company. Save for the above, the Offeror and parties acting in concert with it (other than the Vendor Group) did not have any other interest in any shares, warrants, options, derivatives of the Company or securities carrying conversion or subscription rights into Shares.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS OF THE OFFEROR IN THE COMPANY

The Vendor Group and the Offeror (and its ultimate beneficial owners) are considered as parties acting in concert under the Takeovers Code.

Save for the Sale Shares under the Deed of Share Purchase, none of the Offeror, Mr. LAM, Mr. HAN and/or any person acting in concert with any one of them, the Vendor Group and the Receivers has dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

The Offeror confirms that as at the Latest Practicable Date,

- (i) save for the 113,072,833 Shares held by Mr. LAM, the Sale Shares acquired by the Offeror and the 395,254,732 Shares held by the Vendor, none of the Offeror, Mr. LAM, Mr. HAN and parties acting in concert with any one of them holds, owns or has control or direction over any voting rights or rights over any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities;
- (ii) there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror, Mr. LAM, Mr. HAN and/or any person acting in concert with any one of them;
- (iii) none of the Offeror, Mr. LAM, Mr. HAN and parties acting in concert with any one of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (iv) save for the Deed of Share Purchase, the HT Loan Facility Agreement, the HT Security Deed, the Loan Facilities Agreement, the Share Charge and the Charge Over Account, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Shares which might be material to the Offer;
- (v) save for the Deed of Share Purchase, there is no agreement or arrangement to which the Offeror, Mr. LAM, Mr. HAN and/or parties acting in concert with any one of them is a party which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (vi) save for (a) Grand Profit and Mr. HAN Lei (the beneficial owner of Grand Profit), both have executed the Grand Profit's Irrevocable Undertaking, and (1) owned and controlled 271,910,000 Shares as at the Latest Practicable Date; and (2) had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period; and (b) Sunny Chance and Mr. CHENG Kwok Yue (the beneficial owner of Sunny Chance), both have executed the Sunny Chance's Irrevocable Undertaking, and (1) owned and controlled 306,852,000 Shares as at the Latest Practicable Date; and (2) had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, none of the Offeror, Mr. LAM, Mr. HAN and/or parties acting in concert with any one of them has received any irrevocable commitment(s) to accept or reject the Offer;
- (vii) there are no conditions to which the Offer is subject;

- (viii) save for the Extension, there is no understanding, arrangement or agreement which constitutes a special deal under Rule 25 of the Takeovers Code between the Offeror, Mr. LAM, Mr. HAN or any parties acting in concert with any one of them (other than the Vendor Group) on the one hand and the Vendor and any parties acting in concert with it on the other hand;
- (ix) save for the Consideration, no other consideration, compensation or benefit in whatever form is paid or to be paid by the Offeror, Mr. LAM, Mr. HAN or any parties acting in concert with any one of them (other than the Vendor Group) to the Vendor or any parties acting in concert with it in connection with the sale and purchase of the Sale Shares;
- (x) save for the Deed of Share Purchase, Grand Profit's Irrevocable Undertaking, Sunny Chance's Irrevocable Undertaking and the Extension, there is no understanding, arrangement, agreement or special deal under Rule 25 of the Takeovers Code between (1) any Shareholders; and (2)(a) the Offeror, Mr. LAM, Mr. HAN and any parties acting in concert with any one of them; or (b) the Company, its subsidiaries or associated companies;
- (xi) save for the Deed of Share Purchase, Grand Profit's Irrevocable Undertaking and Sunny Chance's Irrevocable Undertaking, no Shareholder with whom the Offeror, Mr. LAM, Mr. HAN or any party acting in concert with any one of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code;
- (xii) save for the Deed of Share Purchase, the HT Loan Facility Agreement, the HT Security Deed, the Loan Facilities Agreement, the Share Charge, the Charge Over Account, Grand Profit's Irrevocable Undertaking and Sunny Chance's Irrevocable Undertaking, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, Mr. LAM, Mr. HAN or any person acting in concert with any one of them or any other associate of the Offeror, and any other person. Each of Haitong International Securities, Realord, Wanhai and Lego had no dealings in relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period and did not hold any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date;
- (xiii) save for the Loan Facilities Agreement, the Share Charge, the Charge Over Account and the Participation Agreement, the terms of which are set out below (pursuant to which the security interests created by the Share Charge and the Charge Over Account may be transferred to Realord or its nominee if any one or more of the event(s) of default referred to in the Loan Facilities Agreement occur(s), such as failure by the Offeror to duly perform or observe any of its obligations or its breach of the covenants under any of the Loan Facilities Agreement, the Share Charge and the Charge Over Account in any material

respect), there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons:

- (a) the Loan Facilities Agreement dated 15 September 2022 entered into between the Offeror as borrower and Realord as lender in relation to the provision of credit loan facilities in an aggregate principal amount of up to HK\$282 million, as secured by the Share Charge and the Charge Over Account;
 - (b) the Share Charge dated 15 September 2022 executed by the Offeror in favour of Realord in respect of the Shares that may be acquired by the Offeror or parties acting in concert with it pursuant to the Offer (excluding the Sale Shares), by way of first fixed charge as continuing security for the payment and discharge of the secured obligations of the Offeror under the Loan Facilities Agreement;
 - (c) the Charge Over Account dated 15 September 2022 entered into between the Offeror and Realord in respect of all the securities (excluding the Sale Shares) and monies held from time to time in the name of the Offeror standing in the securities margin account maintained with Realord to be charged by way of first fixed charge (to the extent such assets are not effectively charged by way of first fixed charge, by way of first floating charge) as continuing security for the payment, discharge and performance of all of the obligations of the Offeror under the Loan Facilities Agreement; and
 - (d) the Participation Agreement dated 15 September 2022 entered into among Realord, Wanhai and Lego in respect of their participation and obligations in lending the Loan Facilities to the Offeror, pursuant to which Realord shall take the necessary actions to enforce its rights, authorities or powers under the Loan Facilities Agreement, the Share Charge and the Charge Over Account (collectively, the “**Loan Documents**”). In the occurrence of one or more of the event(s) of default referred to in the Loan Facilities Agreement, upon any reasonable requests of Wanhai and Lego to do the same, Realord shall take the necessary actions to enforce its rights, authorities or powers under the Loan Documents including but not limited to realisation or enforcement of the security interest under the Loan Documents as set out in subparagraphs (b) and (c) above;
- (xiv) save for the Deed of Share Purchase, Grand Profit’s Irrevocable Undertaking and Sunny Chance’s Irrevocable Undertaking, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, Mr. LAM, Mr. HAN or any parties acting in concert with any one of them and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Offer; and
- (xv) no benefit will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

4. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the date of the Rule 3.7 Announcement; (iii) the Last Trading Day; and (iv) the Latest Practicable Date.

| Date | Closing price per Share (HK\$) |
|--|--------------------------------------|
| 30 April 2021 | 0.26 |
| 31 May 2021 | 0.231 |
| 30 June 2021 | 0.26 |
| 30 July 2021 | 0.255 |
| 31 August 2021 | 0.218 |
| 30 September 2021 | 0.209 |
| 25 October 2021 (being the Business Day immediately preceding the date of the Rule 3.7 Announcement) (<i>Note</i>) | 0.19 |
| 29 October 2021 | 0.199 |
| 30 November 2021 | 0.193 |
| 31 December 2021 | 0.19 |
| 31 January 2022 | 0.195 |
| 28 February 2022 | 0.197 |
| 31 March 2022 | 0.19 |
| 29 April 2022 | 0.148 |
| 31 May 2022 | 0.172 |
| 30 June 2022 | 0.153 |
| 29 July 2022 | 0.169 |
| 31 August 2022 | 0.168 |
| 14 September 2022 (being the Last Trading Day) | 0.172 |
| 30 September 2022 | 0.184 |
| 31 October 2022 | 0.18 |
| 30 November 2022 | 0.175 |
| 30 December 2022 | 0.187 |
| 31 January 2023 | 0.172 |
| 28 February 2023 | 0.198 |
| 31 March 2023 | 0.197 |
| 6 April 2023 (being the Latest Practicable Date) | 0.198 |

Note: Trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 26 October 2021 to 27 October 2021 pending the release of the Rule 3.7 Announcement.

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.280 per Share (on 27 April 2021 and 28 April 2021) and HK\$0.128 per Share (on 4 May 2022), respectively,

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given their opinion and advice which are contained in this Composite Document:

| Name | Qualification |
|--|--|
| Haitong International Capital Limited | a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |
| Haitong International Securities Company Limited | a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO |
| Red Sun Capital Limited | a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

Each of Haitong International Capital, Haitong International Securities and Red Sun has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, advice and/or references to its name, in the form and context in which it appears.

6. MISCELLANEOUS

As at the Latest Practicable Date,

- a. the principal members of the Offeror's concert group are the Offeror, Mr. LAM and Mr. HAN;
- b. the Offeror is owned as to 51% by Mr. LAM and 49% by Mr. HAN. Mr. LAM and Mr. HAN are the directors of the Offeror;
- c. the registered office of the Offeror is Office 1601, 16/F, LHT Tower, 31 Queen's Road Central, Hong Kong. The correspondence address of Mr. LAM, a director and shareholder of the Offeror, is 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong. The correspondence address of Mr. HAN, a director and shareholder of the Offeror, is 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong;
- d. the registered office of Haitong International Securities is 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong;
- e. the business address of Haitong International Capital is Suites 3001–3006 and 3015–3016, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong;

- f. the business address of Red Sun is Room 310, 3/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong; and
- g. in the event of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

Copies of the following documents will be available for inspection on the websites of the SFC (www.sfc.hk) and the Company (www.tonghaifinancial.com) from the date of this Composite Document up to and including the Closing Date:

- a) the memorandum of association and bye-laws of the Company;
- b) the articles of association of the Offeror;
- c) the 2019 Annual Report, 2020 Annual Report and the 2021 Annual Report containing audited consolidated financial statements of the Company for the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021;
- d) the 2022 Annual Results containing audited annual results of the Company for the financial year ended 31 December 2022;
- e) the “Letter from Haitong International Securities and Red Sun”, the text of which is set out on pages 12 to 28 of this Composite Document;
- f) the “Letter from the Board”, the text of which is set out on pages 29 to 38 of this Composite Document;
- g) the “Letter from the Independent Board Committee”, the text of which is set out on pages 39 to 40 of this Composite Document;
- h) the “Letter from Emperor Corporate Finance”, the text of which is set out on pages 41 to 67 of this Composite Document;
- i) the material contracts referred to in the section headed “9. MATERIAL CONTRACT” in Appendix III to this Composite Document;
- j) the written consents as referred to in the section headed “10. EXPERT AND CONSENT” in Appendix III to this Composite Document;
- k) the written consents as referred to in the section headed “5. QUALIFICATIONS AND CONSENTS OF EXPERTS” in Appendix IV to this Composite Document;
- l) the Deed of Share Purchase;
- m) the Loan Facilities Agreement;
- n) the Share Charge;
- o) the Charge Over Account;
- p) the Participation Agreement;
- q) Grand Profit’s Irrevocable Undertaking; and
- r) Sunny Chance’s Irrevocable Undertaking.