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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Proposal, the Scheme or the Share Option Offer, this Scheme Document and/or the accompanying forms of proxy and (if applicable) 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 otherwise transferred all your securities in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy and (if applicable) Form of Acceptance to the purchaser(s) or transferee(s), or the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Scheme Document should be read in conjunction with the accompanying forms of proxy and (if applicable) the letter to the Share Option Holders and the Form of Acceptance, the contents of which form part of the terms and conditions of the Proposal, the Scheme and the Share Option Offer. This Scheme Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

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 Scheme Document and the accompanying forms of proxy and Form of Acceptance, make no representation as to their 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 Scheme Document and the accompanying forms of proxy and Form of Acceptance.

The Proposal, the Scheme or the Share Option Offer are being made for the securities of an exempted company incorporated in Bermuda with limited liability and are subject to Hong Kong, China disclosure and other procedural requirements, which are different from those of the U.S. The financial information included in this Scheme Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the U.S.

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**HAITONG INTERNATIONAL  
HOLDINGS LIMITED**  
海通國際控股有限公司  
*(Incorporated in Hong Kong, China with limited liability)*




**HAITONG INTERNATIONAL  
SECURITIES GROUP  
LIMITED**  
海通國際證券集團有限公司  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 665)**

## SCHEME DOCUMENT

### **(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF HAITONG INTERNATIONAL SECURITIES GROUP LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF THE COMPANIES ACT;**

**AND**

### **(2) PROPOSED WITHDRAWAL OF LISTING OF HAITONG INTERNATIONAL SECURITIES GROUP LIMITED**

**Financial Adviser to the Offeror**  
 **SOMERLEY CAPITAL LIMITED**

**Independent Financial Adviser to the  
Independent Board Committee**  
**ALTUS CAPITAL LIMITED**

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Unless the context otherwise requires, capitalised terms used in this Scheme Document have the same meanings as those defined in the section headed "Definitions" in this Scheme Document.

A letter from the Board is set out on pages 21 to 29 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders and the Share Option Holders in respect of the Proposal, the Scheme and the Share Option Offer is set out on pages 30 to 31 of this Scheme Document. A letter from the Independent Financial Adviser containing their advice to the Independent Board Committee in connection with the Proposal, the Scheme and the Share Option Offer is set out on pages 32 to 65 of this Scheme Document. The Explanatory Statement is set out on pages 66 to 94 of this Scheme Document. The actions to be taken by the Shareholders are set out on pages 11 to 16 of this Scheme Document.

Notices convening the Court Meeting and the SGM to be held at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China, on Friday, 15 December 2023 at 10:00 a.m., Hong Kong, China time, in the case of the Court Meeting, and at 10:30 a.m., Hong Kong, China time (or immediately after the conclusion or adjournment of the Court Meeting), in the case of the SGM, are set out on pages IV-1 to IV-3 and V-1 to V-2 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the SGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting (if you are a Scheme Shareholder), and the enclosed **WHITE** form of proxy in respect of the SGM (if you are a Shareholder), in accordance with the instructions printed thereon and to lodge them with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China as soon as possible, but in any event no later than the respective times and dates stated under Part II of this Scheme Document headed "Actions to be Taken". If the **PINK** form of proxy is not so lodged, it may alternatively be handed to the chairman of the Court Meeting (who will have absolute discretion as to whether or not to accept it) at the Court Meeting. If the **WHITE** form of proxy is not so lodged, it will not be valid. Completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish, and, in such event, the relevant form of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

22 November 2023

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## IMPORTANT NOTICES

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### NOTICE TO U.S. INVESTORS

The Proposal and the Scheme relate to the cancellation of the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda. The Share Option Offer represents an appropriate offer to be made by the Offeror to the Share Option Holders. The Proposal, the Scheme and the Share Option Offer are subject to Hong Kong, China disclosure and other procedural requirements, which are different from those of the U.S.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer or the proxy solicitation rules under the U.S. Securities Exchange Act of 1934. Accordingly, the Proposal, the Scheme and the Share Option Offer are subject to the disclosure and other procedural requirements and practices applicable in Bermuda and Hong Kong, China to schemes of arrangement which differ from those applicable under the U.S. federal securities laws.

The receipt of cash pursuant to the Proposal, the Scheme or the Share Option Offer by a U.S. holder of Scheme Shares and/or Share Options, respectively, will likely be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of Scheme Shares and/or Share Options is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal, the Scheme and the Share Option Offer applicable to him/her/it.

It may be difficult for U.S. holders of Scheme Shares and/or Share Options to enforce their rights and any claim arising out of the U.S. federal securities laws in connection with the Proposal, the Scheme and the Share Option Offer, since the Offeror and the Company are located in a country outside the U.S., and some or all of their respective officers and directors may be residents of a country other than the U.S. U.S. holders of Scheme Shares and/or Share Options may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

None of the Proposal, the Scheme, the Share Option Offer nor this Scheme Document have been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have such authorities approved or disapproved or passed judgement upon the fairness or the merits of the Proposal, the Scheme or the Share Option Offer, or determined if the information contained in this Scheme Document is adequate, accurate or complete. Any representation to the contrary is a criminal offence in the U.S.

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## **IMPORTANT NOTICES**

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### **NOTICE TO SINGAPORE INVESTORS**

This Scheme Document is for the exclusive use by the Scheme Shareholders and Share Option Holders solely for the purposes of assessing the Proposal, the Scheme and the Share Option Offer and should not be used other than in connection with such purpose. This Scheme Document has not been lodged with or registered by the Monetary Authority of Singapore, does not constitute an offer or invitation for the sale or purchase of securities in Singapore and shall not form the basis of any contract for the issue or sale of securities in Singapore.

### **NOTICE TO INDIA INVESTORS**

The Proposal, the Scheme and the Share Option Offer are not being made to the Indian public at large but are being made only to the registered Indian holders of Scheme Shares and/or Share Options for the limited purposes of cancellation of the securities of the Company and Share Options held by such Indian holder. This Scheme Document does not constitute an offer, solicitation or an invitation to the public to purchase the securities of the Company. This Scheme Document is not and should not be deemed as a 'prospectus' as defined under the provisions of the Companies Act, 2013 (18 of 2013) of India and the same shall not be filed with any regulatory authority in India.

### **NOTICE TO JAPAN INVESTORS**

This Scheme Document does not constitute an offer of securities in Japan and no securities registration has been or will be made for the Scheme, the Proposal or the Share Option Offer.

### **NOTICE TO TAIWAN, CHINA INVESTORS**

The Proposal, the Scheme and the Share Option Offer have not been and will not be registered with the Financial Supervisory Commission of Taiwan, China pursuant to relevant securities laws and regulations and may not be offered, sold or issued within Taiwan, China through a public offering or in a circumstance which constitutes an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act of Taiwan, China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, China. No person or entity in Taiwan, China has been authorized by the Company or the Offeror to offer or sell the Shares in Taiwan, China.

### **NOTICE TO U.K. INVESTORS**

This Scheme Document and any other material in relation to the Scheme Shares and/or Share Options described herein (including the letter to the Share Option Holder) is only being distributed to, and is only directed at, and any investment or investment activity to which this Scheme Document relates is available only to, and will be engaged in only with persons who are (i) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) of the Financial Services and

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## IMPORTANT NOTICES

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Markets Act 2000 (Financial Promotion) Order 2005 (“**FPO**”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the FPO; (iii) outside the U.K.; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the U.K.’s Financial Services and Markets Act 2000 (“**FSMA**”)) in connection with the Scheme Shares may otherwise lawfully be communicated or caused to be communicated, (all such persons together being referred to as “**Relevant Persons**”). Any invitation, offer or agreement to purchase or otherwise acquire or cancel the Scheme Shares and/or Share Options will be engaged in only with, the Relevant Persons. This Scheme Document and its contents should not be distributed, published, or reproduced (in whole or in part) or disclosed by recipients to any other person in the U.K.. Any person in the U.K. that is not a Relevant Person should not act or rely on this Scheme Document or any of its contents.

No Scheme Shares have been offered or will be offered to the public in the United Kingdom prior to the publication of a prospectus in relation to the Scheme Shares and/or Share Options which has been approved by the Financial Conduct Authority in the U.K., except that an offer may be made under this Scheme Document in the U.K. at any time:

1. to any legal entity which is a qualified investor as defined under Article 2 of the U.K. Prospectus Regulation.
2. to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the U.K. Prospectus Regulation); or
3. in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer shall require the Company or any of their affiliates to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the U.K. Prospectus Regulation. For the purposes of this paragraph, the expression an “offer to the public” in the U.K. means the communication in any form and by any means of sufficient information on the terms of the offer so as to enable a Shareholder of the Company to decide to accept the Scheme and the expression “U.K. Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Each U.K. holder of the Scheme Shares and/or Share Options who accepts the offer under this Scheme Document any other material in relation to the Scheme Shares and/or Share Options described herein (including the letter to Share Option Holders) or to whom any offer is made will be deemed to have represented, acknowledged, and agreed to and with HSCL, the Offeror, the Company and its affiliates that it meets the criteria outlined in this section.

### **PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

This Scheme Document may include certain “forward-looking statements”. These statements are based on the current expectations of the management of HSCL, the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Scheme Document include

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## IMPORTANT NOTICES

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statements about the expected effects on the Company of the Proposal, the Scheme and the Share Option Offer, the expected timing and scope of the Proposal, the Scheme and the Share Option Offer, and all other statements in this Scheme Document other than historical facts. Forward-looking statements include, without limitation, statements typically containing words such as “believes”, “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages”, “may”, “will” or “should” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction or waiver (where applicable) of the Pre-Condition and Conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. All written and oral forward-looking statements attributable to HSCL, the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date and each of HSCL, the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

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*In this Scheme Document, the following terms have the meanings set out below unless the context requires otherwise.*

“2020 Annual Report”	the annual report of the Company for the financial year ended 31 December 2020
“2021 Annual Report”	the annual report of the Company for the financial year ended 31 December 2021
“2022 Annual Report”	the annual report of the Company for the financial year ended 31 December 2022
“2023 Interim Report”	the interim report of the Company for the six months ended 30 June 2023
“acting in concert”	has the meaning ascribed to such terms under the Takeovers Code
“Altus Capital” or “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee in connection with the Proposal, the Scheme and the Share Option Offer
“Announcement”	the announcement dated 6 October 2023 jointly issued by the Company and the Offeror in relation to, among other things, the Proposal, the Scheme and the Share Option Offer
“Announcement Date”	6 October 2023, being the date of the Announcement
“Applicable Laws”	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgments, decrees, orders or notices of any Authority that is applicable to such person
“Approval(s)”	authorisations, registrations, licences, filings, rulings, consents, permissions, waivers, exemptions and approvals by and reports with any Authority or any third party
“associate(s)”	has the meaning ascribed to it under the Takeovers Code

“Authority”	any relevant government, governmental, semi-governmental, administrative, regulatory or judicial body, department (including any relevant securities exchange), commission, authority, tribunal, agency or entity
“Awarded Share(s)”	the existing Share(s) (vested or unvested) awarded by the Company under the Share Award Scheme
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered in the name of a Registered Owner(s) other than him/herself
“Board”	the board of Directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$1.52 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“China”	the People’s Republic of China
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Haitong International Securities Group Limited (海通國際證券集團有限公司), an exempted company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange under the stock code 665
“Condition(s)”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “4. <i>Conditions of the Proposal and the Scheme</i> ” in the Explanatory Statement



“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders convened at the directions of the Court, notice of which is set out in Appendix IV to the Scheme Document, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Disinterested Scheme Share(s)”	Scheme Share(s) held by the Disinterested Shareholders
“Disinterested Shareholder(s)”	Shareholder(s) other than (i) the Offeror and the Offeror Concert Parties, and (ii) the other holders of Scheme Shares that are not Disinterested Scheme Shares as described in the section headed “9. <i>Shareholding Structure of the Company and Effect of the Proposal</i> ” in the Explanatory Statement
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong, China or any delegate thereof
“Explanatory Statement”	the explanatory statement in relation to the Scheme, as set out in Part VII headed “ <i>Explanatory Statement</i> ” of this Scheme Document
“External Financing”	the external bank financing obtained by the Offeror for the purpose of financing in full the cash required for the Proposal, the Scheme and the Share Option Offer
“Form of Acceptance”	the form of acceptance despatched to the Share Option Holders in connection with the Share Option Offer
“Group”	the Company and its subsidiaries

“Guosheng Hong Kong”	Guosheng Overseas Holdings (Hong Kong) Limited (國盛海外控股(香港)有限公司), a company incorporated in Hong Kong, China with limited liability and wholly-owned by Shanghai Guosheng Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong, China
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong, China”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSCL”	Haitong Securities Co., Ltd. (海通證券股份有限公司), a joint stock limited company incorporated in Mainland China with limited liability, which is the holding company of the Offeror and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600837) and the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6837)
“HSCL Group”	HSCL and its subsidiaries (including the Group)
“Independent Board Committee”	the independent board committee of the Company comprising Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret, each being an independent non-executive Director, established by the Board to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders
“Investor Participant”	a person admitted to participate in CCASS as an investor participant

“Irrevocable Undertaking(s)”	the irrevocable undertakings given by the IU Shareholders, respectively, in respect of the IU Shares as described in the section headed “7. <i>Irrevocable Undertakings</i> ” in the Explanatory Statement
“IU Shareholders”	(a) NWS Financial Management Services Limited, which is a wholly owned subsidiary of NWS Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 659); and (b) China Point Investment Limited, which is ultimately wholly-owned by Mr. YIU Chi Shing (姚志勝)
“IU Shares”	139,697,073 Shares held, in aggregate, by the IU Shareholders as at the date of the Irrevocable Undertakings, representing approximately 1.66% of the issued share capital of the Company and 6.51% of the Disinterested Scheme Shares, in each case as at the Latest Practicable Date
“Last Trading Day”	26 September 2023, being the last trading day prior to the issue of the Announcement
“Latest Practicable Date”	17 November 2023, being the latest practicable date prior to the date of this Scheme Document for ascertaining certain information contained in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2024 or such other date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct, and in all cases as permitted by the Executive
“Material Contract”	other than the Relevant Borrowings, any licences, permits or contractual obligations of any member of the Group which are material in the context of the Group (taken as a whole)

“Meeting Record Date”	15 December 2023, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the SGM
“NDRC”	the National Development and Reform Commission of China
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 6 October 2023, being the Announcement Date
“Offeror”	Haitong International Holdings Limited, a company incorporated in Hong Kong, China with limited liability, which is a wholly-owned subsidiary of HSCL
“Offeror Concert Parties”	persons who are acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, including the members of the Somerley Capital group and Guosheng Hong Kong
“Offeror Director(s)”	director(s) of the Offeror
“PBOC”	The People’s Bank of China
“Pre-Condition”	the pre-condition to the making of the Proposal and Share Option Offer and implementation of the Scheme as described in the section headed “3. <i>Pre-Condition to the Proposal and the Scheme</i> ” in the Explanatory Statement
“Pre-Condition Long Stop Date”	31 December 2023 or such later date as may be agreed between the Offeror and the Company, and as permitted by the Executive
“Proposal”	the conditional proposal for the privatisation of the Company by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document

“Registered Owner”	any person (including, without limitation, a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a Shareholder
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong, China share registrar
“Relevant Borrowings”	existing loan facilities, debt instruments and repurchase agreements of any member of the Group
“Relevant Period”	the period commencing from 6 April 2023 (being the date falling six (6) months before the offer period) up to and including the Latest Practicable Date
“Rights Issue”	the issue by way of rights of new Shares by the Company to the qualifying Shareholders on the basis of three (3) new Shares for every ten (10) existing Shares at the subscription price of HK\$0.65 per new Share, which was completed on 23 June 2023
“Scheme”	the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act involving, among other things, the cancellation of all of the Scheme Shares
“Scheme Document”	this composite scheme document of the Company and the Offeror containing, among other things, further details of the Proposal, the Scheme and the Share Option Offer
“Scheme Record Date”	Tuesday, 9 January 2024, or such other date as may be announced to the Shareholders, being the record date for the purposes of determining the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme
“Scheme Share(s)”	all of the Share(s) and such further Share(s) as may be issued prior to the Scheme Record Date, other than those held by the Offeror
“Scheme Shareholder(s)”	registered holder(s) of Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong, China

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, China)
“SGM”	the special general meeting of the Company convened for the purposes of considering and, if thought fit, approving all resolutions necessary for the implementation of the Proposal, notice of which is set out in Appendix V to the Scheme Document, or any adjournment thereof
“Shanghai Guosheng Group”	Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司), a company incorporated in the Mainland China
“Shanghai SASAC”	the Shanghai State-owned Assets Supervision and Administration Commission
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Award Holder(s)”	the holder(s) of unvested Awarded Shares or vested but not yet transferred Awarded Shares
“Share Award Scheme”	the share award scheme adopted by the Company on 19 December 2014 (as amended from time to time)
“Share Award Trustee”	Teeroy Limited, a company incorporated in Hong Kong, China with limited liability, the trustee appointed to hold Shares for the benefit of the Share Award Holders pursuant to the Share Award Scheme
“Share Option(s)”	share option(s) granted by the Company under the Share Option Scheme from time to time
“Share Option Holder(s)”	holder(s) of the outstanding Share Option(s)
“Share Option Offer”	the offer to be made by or on behalf of the Offeror to the Share Option Holders, details of which are set out in the section headed “5. <i>Share Option Offer</i> ” in the Explanatory Statement
“Share Option Offer Price”	in relation to any outstanding Share Option, the price at which the Share Option Offer will be made
“Share Option Scheme”	the share option scheme adopted by the Company on 8 June 2015 (as amended from time to time)

“Shareholder(s)”	registered holder(s) of Shares
“Somerley Capital”	Somerley 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, and the financial adviser to the Offeror in connection with the Proposal
“Southbound Investors”	investors who hold Shares through China Securities Depository and Clearing Corporation Limited (as their nominee Shareholder) under the southbound trading link of the Shenzhen-Hong Kong Stock Connect and Shanghai-Hong Kong Stock Connect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong, China issued by the SFC, as amended from time to time
“Trustee Held Awarded Shares”	the Awarded Shares which are not yet vested (or vested but not yet transferred) and held by the Share Award Trustee for the relevant Share Award Holders under the Share Award Scheme until the vesting or transfer of such Awarded Shares pursuant to the rules of the Share Award Scheme and the relevant terms of the award notices
“Trustee Held Pool Shares”	the Shares held by the Share Award Trustee that are unutilised under the Share Award Scheme
“Trustee Held Shares”	the Shares held by the Share Award Trustee pursuant to the Share Award Scheme. As at the Latest Practicable Date, there were 96,505,933 Trustee Held Shares, which comprises (a) 938,571 Trustee Held Awarded Shares; and (b) 95,567,362 Trustee Held Pool Shares
“U.K.”	the United Kingdom
“U.K. Prospectus Regulation”	Regulation (EU) 2017/1129 as it forms part of U.K. domestic law by virtue of the U.K.’s European Union (Withdrawal) Act 2018
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia

“US\$” United States dollar, the lawful currency of the United States

“%” per cent



**1. ACTIONS TO BE TAKEN BY SHAREHOLDERS**

Only Scheme Shareholders and/or Shareholders (as the case may be) whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting and/or the SGM (as the case may be). For the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for the right to attend and to vote at the Court Meeting and/or the SGM, all transfers of share accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China before 4:30 p.m. on Monday, 11 December 2023. A subsequent purchaser of Shares will need to obtain the **PINK** form of proxy in respect of the Court Meeting and/or the **WHITE** form of proxy in respect of the SGM from the transferor if he or she wishes to attend or vote at the Court Meeting and/or the SGM.

A **PINK** form of proxy for use at the Court Meeting and a **WHITE** form of proxy for use at the SGM are enclosed with this Scheme Document.

Whether or not you are able to attend the Court Meeting and/or the SGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **PINK** form of proxy in respect of the Court Meeting (if you are a Scheme Shareholder), **and** the enclosed **WHITE** form of proxy in respect of the SGM (if you are a Shareholder), in accordance with the instructions printed thereon, and to lodge them at the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China as soon as possible, but in any event no later than the following times and dates in order to be valid:

- the **PINK** form of proxy for use at the Court Meeting must be lodged no later than 10:00 a.m. on Wednesday, 13 December 2023 or, if it is not so lodged, may alternatively be handed to the chairman of the Court Meeting (who shall have absolute discretion as to whether or not to accept it) at the Court Meeting; and
- the **WHITE** form of proxy for use at the SGM must be lodged no later than 10:30 a.m. on Wednesday, 13 December 2023, failing which it will not be valid.

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof should you so wish. In such event, the relevant form of proxy will be revoked by operation of law.

Voting at the Court Meeting and the SGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the SGM, you will still be bound by the outcome of the Court Meeting and/or the SGM if, among other things, the resolutions are passed by the requisite majorities of the Scheme Shareholders, Disinterested Shareholders and/or the Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and/or the SGM in person or by proxy.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the SGM on Friday, 15 December 2023 by no later than 7:00 p.m.. If all of the resolutions are passed at the Court Meeting and/or the SGM, further announcement(s) will be made in relation to, among other things, the outcome of the hearing of the petition for the sanction of the Scheme by the Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

## **2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OTHER THAN HKSCC NOMINEES**

The Company will not recognise any person as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner (other than HKSCC Nominees), you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the SGM.

If you are a Beneficial Owner who wishes to attend and vote at the Court Meeting and/or the SGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the SGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name prior to the Meeting Record Date, if you wish to vote (in person or by proxy) at the Court Meeting and/or the SGM.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the SGM or, as applicable, the latest time for lodging transfers of Shares, in order to provide the Registered Owner with sufficient time to complete his/her forms of proxy or transfer documents accurately and to submit them by the relevant deadlines. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the forms of proxy in respect of the Court Meeting and/or the SGM or, as applicable, the latest time for lodging transfers of Shares, any such Beneficial Owner should comply with the requirements of such Registered Owner.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the SGM shall be in accordance with all relevant provisions in the bye-laws of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the SGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof should he/she so wish, and in such event, the relevant form of proxy will be revoked by operation of law.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company as at the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of members of the Company present and voting at the Court Meeting have approved the Scheme under section 99 of the Companies Act. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as members of the Company in their own names prior to the Meeting Record Date.

### **3. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE DEPOSITED IN CCASS**

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant:

- (a) contact your broker, custodian, nominee or other relevant person who is, or has, in turn deposited such Shares with, a CCASS Participant, regarding voting instructions to be given to such persons. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgement of forms of proxy in respect of the Court Meeting and the SGM, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Share(s) beneficially owned by you should be voted at the Court Meeting and/or the SGM; or
- (b) become a Registered Owner as of the Meeting Record Date and thereby have the right to attend and vote at the Court Meeting and/or the SGM (as appropriate) by withdrawing any or all of your Share(s) from CCASS and becoming a Registered Owner of such Share(s) prior to the Meeting Record Date. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Share(s) are held through a financial intermediary, any other relevant fees charged by your financial

intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Share(s) into your name so as to qualify to attend and vote at the Court Meeting and/or the SGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Share(s) from CCASS and register them in your name.

If you are a Southbound Investor, you should declare your voting instructions via clearing participants through the CCNET system of China Securities Depository and Clearing Corporation Limited anytime from the date of this Scheme Document until one Mainland China and Hong Kong, China trading day earlier than the last day for voting set by HKSCC Nominees. China Securities Depository and Clearing Corporation Limited will collect voting instructions from Southbound Investors for the Court Meeting and the SGM, and then submit such voting instructions to HKSCC Nominees on behalf of the Southbound Investors.

The procedures for voting in respect of the Scheme by the Investor Participants and the other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company as at the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company present and voting at the Court Meeting have approved the Scheme under section 99 of the Companies Act. In accordance with the direction from the Court, HKSCC Nominees will be counted as one Scheme Shareholder and may vote for or against the Scheme according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as members of the Company in their own names prior to the Meeting Record Date.

#### **4. ACTIONS TO BE TAKEN BY SHARE OPTION HOLDERS**

The letter to Share Option Holders is being sent to each Share Option Holder, together with this Scheme Document and a Form of Acceptance. If you are a Share Option Holder and you wish to accept the Share Option Offer, you must complete and return the duly completed and executed Form of Acceptance together with the relevant certificate(s), document(s) of title or entitlement in respect of the Share Options and/or any other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of the Share Options, so as to reach the Company at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China, for the attention of the Company Secretariat and marked “Haitong International – Share Option Offer” by no later than 4:30 p.m. (Hong Kong, China time) on Thursday, 4 January 2024 (or such later date and time as may be notified to you by the Offeror and the Company). No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

The Offeror is making an appropriate offer to the Share Option Holders in accordance with Rule 13 of the Takeovers Code, subject to and conditional upon the Scheme becoming effective. Under the Share Option Offer, the Offeror is offering the Share Option Holders the Share Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash for the cancellation of each outstanding Share Option they hold as at the Scheme Record Date. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option will be made.

Further details are set out in the section headed “5. *Share Option Offer*” in the Explanatory Statement.

You are urged to read the instructions and other terms and conditions of the Share Option Offer in the letter to Share Option Holders, substantially in the form set out in Appendix VI to this Scheme Document, and the enclosed Form of Acceptance.

## **5. EXERCISE YOUR RIGHT TO VOTE**

If you are a Shareholder or a Beneficial Owner, you are strongly encouraged to exercise your right to vote or give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or at the SGM.

If you are a Beneficial Owner and wish to be counted individually in the calculation of the “majority in number” requirement at the Court Meeting, you should make arrangements to become a Registered Owner of some or all of your Shares prior to the Meeting Record Date.

If you keep any Shares in a share lending programme, you are strongly encouraged to recall any outstanding Shares on loan prior to the Meeting Record Date to avoid market participants using borrowed stock to vote.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you are strongly encouraged to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which those Shares should be voted at the Court Meeting and/or at the SGM without delay and/or withdraw some or all of your Shares from CCASS and become a Registered Owner of such Shares prior to the Meeting Record Date and exercise your right to vote (in person or by proxy) at the Court Meeting and/or the SGM.

If you are a Southbound Investor, you are strongly encouraged to declare your voting instructions via clearing participants through the CCNET system of China Securities Depository and Clearing Corporation Limited in relation to the manner in which the Shares should be voted at the Court Meeting and/or at the SGM without delay.

If you are a Registered Owner holding Shares on behalf of Beneficial Owners, you should inform the relevant Beneficial Owners about the importance of exercising their right to vote. You should also remind the relevant Beneficial Owners that if they wish to be counted individually in the calculation of the “majority in number” requirement at the Court Meeting, they should make arrangements to become a Registered Owner of some or all of their Shares prior to the Meeting Record Date.

**IF APPROVED AND IMPLEMENTED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE SGM.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

## **6. ENQUIRIES CONCERNING ADMINISTRATIVE MATTERS**

If you have any enquiries concerning administrative or procedural matters (such as dates, documentation and procedures) relating to the Court Meeting and/or the SGM, please call the customer service hotline of the Registrar at +852 2980 1333 between 9:00 a.m. and 5:00 p.m. on Mondays to Fridays, excluding Hong Kong, China public holidays.

In addition, a designated hotline has been set up to answer any general enquiries which Shareholders may have concerning administrative or procedural matters relating to the Court Meeting and/or the SGM from 9:00 a.m. to 5:00 p.m. on Mondays to Fridays, excluding Hong Kong, China public holidays:

+852 3583 3388

+86 755 8266 3232

The hotline cannot and will not provide advice on the merits of the Proposal, the Scheme and/or the Share Option Offer or give financial or legal advice. If you are in any doubt as to any aspect of this Scheme Document 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.

*The timetable set out below is indicative only and is subject to change. Further announcement(s) will be made in the event that there is any change to the following timetable.*

<b>Event</b>	<b>Hong Kong, China Times and Dates (unless otherwise specified)</b>
Date of despatch of this Scheme Document and the letter to Share Option Holders . . . . .	Wednesday, 22 November 2023
Latest time for Share Option Holders to lodge notice of exercise of their Share Options in order to become entitled to attend and vote at the Court Meeting and the SGM. . . . .	4:30 p.m. on Monday, 11 December 2023
Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and the SGM . . . . .	4:30 p.m. on Monday, 11 December 2023
Register of members of the Company closed for determining entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and entitlement of the Shareholders to attend and vote at the SGM ( <i>Note 1</i> ). . . . .	Tuesday, 12 December 2023 to Friday, 15 December 2023 (both days inclusive)
Latest time for lodging <b>PINK</b> forms of proxy in respect of the Court Meeting ( <i>Note 2</i> ) . . . . .	10:00 a.m. on Wednesday, 13 December 2023 (or alternatively to be handed to the chairman of the Court Meeting)
Latest time for lodging <b>WHITE</b> forms of proxy in respect of the SGM ( <i>Note 2</i> ) . . . . .	10:30 a.m. on Wednesday, 13 December 2023
Meeting Record Date . . . . .	Friday, 15 December 2023
Court Meeting ( <i>Note 3</i> ) . . . . .	10:00 a.m. on Friday, 15 December 2023



SGM ( <i>Note 3</i> )	10:30 a.m. on Friday, 15 December 2023 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the SGM	no later than 7:00 p.m. on Friday, 15 December 2023
Expected last time for trading of Shares on the Stock Exchange	4:10 p.m. on Friday, 29 December 2023
Latest time and date for lodging the Form of Acceptance in relation to the Share Option Offer ( <i>Note 4</i> )	4:30 p.m. on Thursday, 4 January 2024
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Thursday, 4 January 2024
Register of members of the Company closed for determining entitlement under the Scheme ( <i>Note 5</i> )	from Friday, 5 January 2024 onwards
Latest time for Share Option Holders to lodge notice of exercise of their Share Options to qualify for entitlements under the Scheme ( <i>Note 6</i> )	4:30 p.m. on Friday, 5 January 2024
Court hearing of the petition for the sanction of the Scheme	Friday, 5 January 2024 (Bermuda time)
Announcement of (1) the results of the Court hearing for the petition for the sanction of the Scheme; (2) the expected Effective Date; and (3) the expected date of withdrawal of listing of the Shares on the Stock Exchange	at or before 8:30 a.m. on Monday, 8 January 2024
Scheme Record Date	Tuesday, 9 January 2024
Effective Date and the effective date of the Share Option Offer ( <i>Note 7</i> )	Tuesday, 9 January 2024 (Bermuda time)



Announcement of (1) the Effective Date; and  
(2) the results of the Share Option Offer; and  
(3) the withdrawal of listing of the Shares  
on the Stock Exchange . . . . .no later than 8:30 a.m. on  
Wednesday, 10 January 2024

Withdrawal of listing of Shares on the Stock  
Exchange becomes effective (*Note 8*) . . . . .9:00 a.m. on Thursday,  
11 January 2024

Latest time to despatch cheques for  
the cash payment of (1) the Cancellation Price  
to the Scheme Shareholders under the Scheme;  
and (2) the Share Option Offer Price  
to Share Option Holders who have  
accepted the Share Option Offer (*Note 9*) . . . . .on or before Thursday,  
18 January 2024

*Notes:*

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the SGM and no transfer of Shares will be registered during such period. This book closure period is not for determining entitlement under the Scheme.
2. Duly completed and signed forms of proxy should be deposited at the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China, as soon as possible, but in any event no later than the respective times and dates specified in them respectively.

If the **PINK** form of proxy in respect of the Court Meeting is not so deposited, it may alternatively be handed to the chairman of the Court Meeting (who will have absolute discretion on whether or not to accept it) at the Court Meeting. If the **WHITE** form of proxy in respect of the SGM is not so deposited, it will not be valid. The completion and return of a form of proxy for the Court Meeting or the SGM will not preclude a Scheme Shareholder or a Shareholder, respectively, from attending and voting in person at the relevant meeting or any adjournment thereof and in such event, the relevant form of proxy will be revoked by operation of law.

3. The Court Meeting and the SGM will be held at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China at the times and dates specified above. Please refer to the notice of the Court Meeting and the notice of the SGM as set out in pages IV-1 to IV-3 and pages V-1 to V-2, respectively, of this Scheme Document for details.
4. The Form of Acceptance, duly completed and executed in accordance with the instructions on it, and the relevant documents must be lodged with the Company at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China, for the attention of the Company Secretariat and marked “Haitong International – Share Option Offer” by no later than 4:30 p.m. (Hong Kong, China time) on Thursday, 4 January 2024 (or such later date and time as may be notified to you by the Offeror and the Company).
5. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders under the Scheme and no transfer of Shares will be registered during such period.
6. Pursuant to the terms of the Share Option Scheme, the outstanding Share Options can be exercised up to the earlier of the end of two calendar months after the date of the letter to the Share Option Holders and the date on which the Scheme is sanctioned by the Court.

7. The Proposal and the Scheme will become effective upon all the Conditions to the Proposal and the Scheme as set out in the section headed “4. *Conditions of the Proposal and the Scheme*” in the Explanatory Statement having been fulfilled or waived (as applicable).
8. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 9:00 a.m. on Thursday, 11 January 2024.
9. Cheques for payment of the Cancellation Price will be despatched no later than seven business days (as defined in the Takeovers Code) after the Effective Date, by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective registered addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.

Cheques for payment of the Share Option Offer Price for acceptances under the Share Option Offer in respect of the outstanding Share Options in issue as at the Scheme Record Date will be despatched or made no later than seven business days (as defined in the Takeovers Code) after the Effective Date and (if made by way of cheques) shall be despatched by ordinary post in pre-paid envelopes addressed to the Share Option Holders at their respective last known addresses as notified by the Share Option Holders to the Group.

### **EFFECT OF BAD WEATHER ON THE LATEST DATE FOR DESPATCH OF CHEQUES**

If a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, or “extreme conditions” caused by a super typhoon as announced by the Government of Hong Kong, China is/are in force, in Hong Kong, China:

- (a) at any time before 12:00 noon but no longer in force at or after 12:00 noon on latest date for despatch of cheques for the amounts due under the Scheme and the Share Option Offer in respect of valid acceptances (as the case may be), the latest date for despatch of cheques will remain on the same Business Day; or
- (b) at any time between 12:00 noon and 4:00 p.m. on the latest date for despatch of cheques for the amounts due under the Scheme and the Share Option Offer in respect of valid acceptances (as the case may be), the latest date for despatch of cheques will be rescheduled to the following Business Day.

**HAITONG INTERNATIONAL SECURITIES GROUP LIMITED****海通國際證券集團有限公司***(incorporated in Bermuda with limited liability)***(Stock Code: 665)****Executive directors:**Mr. Lin Yong (*Deputy Chairman and Chief Executive Officer*)

Mr. Sun Jianfeng

Mr. Sun Tong

**Non-executive directors:**Mr. Li Jun (*Chairman*)

Mr. Cheng Chi Ming Brian

Mr. Zhang Xinjun

**Independent non-executive directors:**

Mr. Wan Kam To

Mr. Liu Swee Long Michael

Mr. Zhang Huaqiao

Ms. Lee Man Yuen Margaret

**Registered office:**Clarendon House,  
2 Church Street,  
Hamilton, HM11, Bermuda**Principal place of business in  
Hong Kong, China:**22nd Floor  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong, China

22 November 2023

*To the Shareholders and Share Option Holders*

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF  
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED  
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT;  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF HAITONG  
INTERNATIONAL SECURITIES GROUP LIMITED**

**1. INTRODUCTION**

On 26 September 2023, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the withdrawal of listing of the Shares on the Stock Exchange. On 15 November 2023, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

If the Proposal is approved and implemented, under the Scheme, all Scheme Shares will be cancelled on the Effective Date. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 100% by the Offeror, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme and the Share Option Offer, and to give you notices of the Court Meeting and the SGM, together with the forms of proxy in relation thereto. Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

## **2. TERMS OF THE PROPOSAL**

Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled.....HK\$1.52 in cash

**The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

Your attention is drawn to the section headed “2. *Terms of the Proposal*” in the Explanatory Statement of this Scheme Document.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Proposal and the Scheme 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 Scheme Shareholder.

**Highest and lowest prices**

Your attention is drawn to the section headed “2. *Terms of the Proposal – Highest and lowest prices*” in the Explanatory Statement of this Scheme Document.

**3. PRE-CONDITION TO THE PROPOSAL AND THE SCHEME**

The making of the Proposal and the implementation of the Scheme was subject to the satisfaction of the Pre-Condition set out in the section headed “3. *Pre-Condition to the Proposal and the Scheme*” in the Explanatory Statement of this Scheme Document on or prior to the Pre-Condition Long Stop Date.

On 15 November 2023, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

**4. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The Proposal and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the Conditions set out in the section headed “4. *Conditions of the Proposal and the Scheme*” in the Explanatory Statement of this Scheme Document.

If the Conditions are satisfied or validly waived (as applicable), the Proposal and the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM. As at the Latest Practicable Date, none of the Conditions had been satisfied or waived (where applicable).

**WARNINGS: Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that the implementation of the Proposal, the Scheme and the Share Option Offer is subject to the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal and the Share Option Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, Share Option Holders, Share Award Holders, holders of other securities of the Company and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

**5. SHARE OPTION OFFER**

Your attention is drawn to the section headed “5. *Share Option Offer*” in the Explanatory Statement of this Scheme Document.

**The Share Option Offer will be conditional on the Scheme becoming effective. If any of the Conditions is not satisfied or waived (where applicable) on or before the Long Stop Date and the Proposal and the Scheme lapse, the Share Option Offer will also lapse.**

**6. IMPACT ON THE TRUSTEE HELD SHARES UNDER THE SHARE AWARD SCHEME**

Your attention is drawn to the section headed “6. *Impact on the Trustee Held Shares under the Share Award Scheme*” in the Explanatory Statement of this Scheme Document.

**7. IRREVOCABLE UNDERTAKINGS**

Your attention is draw to the section headed “7. *Irrevocable Undertakings*” in the Explanatory Statement of this Scheme Document.

**8. CONFIRMATION OF FINANCIAL RESOURCES**

The Offeror has appointed Somerley Capital as its financial adviser in connection with the Proposal and the Share Option Offer.

Your attention is drawn to the section headed “8. *Confirmation of Financial Resources*” in the Explanatory Statement of this Scheme Document.

**9. SHAREHOLDING STRUCTURE OF THE COMPANY**

Your attention is drawn to the section headed “9. *Shareholding Structure of the Company and Effect of the Proposal*” in the Explanatory Statement of this Scheme Document.

**10. INFORMATION ON THE GROUP**

Your attention is drawn to the section headed “10. *Information on the Group*” in the Explanatory Statement of this Scheme Document.

**11. INFORMATION ON THE OFFEROR**

Your attention is drawn to the section headed “11. *Information on the Offeror*” in the Explanatory Statement of this Scheme Document.

**12. INTENTION OF THE OFFEROR ON THE COMPANY**

Your attention is drawn to the section headed “13. *The Offeror’s Intention regarding the Group*” in the Explanatory Statement of this Scheme Document.

As at the Latest Practicable Date, the Offeror intends to withdraw the listing of Shares from the Stock Exchange upon the Scheme becoming effective and intends for the Group to continue carrying on its existing businesses following the implementation of the Proposal and the Share Option Offer and does not have any plan to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business of the Group). The Offeror will conduct a strategic review of the Group’s assets,

corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal and the Share Option Offer with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

The Board is aware and welcomes the Offeror's intention in respect of the Group and its employees as set out above and in the section headed "13. *The Offeror's Intention regarding the Group*" in the Explanatory Statement of this Scheme Document.

### **13. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Board has established the Independent Board Committee, comprising Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders.

Mr. LI Jun (being a non-executive Director) is the chairman and a director of the Offeror. Accordingly, Mr. LI Jun is not a member of the Independent Board Committee.

Mr. ZHANG Xinjun (being a non-executive Director) is a director of the Offeror. Accordingly, Mr. ZHANG Xinjun is not a member of the Independent Board Committee.

Mr. CHENG Chi Ming Brian (being a non-executive Director) is not a member of the Independent Board Committee due to his indirect interests in the Proposal and the Scheme as an executive director of the holding company of an IU Shareholder, NWS Financial Management Services Limited, who has given the Irrevocable Undertaking to, among other things, support the Proposal and the Scheme.

The Board, with the approval of the Independent Board Committee, has appointed Altus Capital as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Share Option Offer pursuant to Rule 2.1 of the Takeovers Code.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal, the Scheme and the Share Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Share Option Holders are respectively concerned, and accordingly, it advises the Independent Board Committee to

recommend to (a) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme; and (b) the Share Option Holders to accept the Share Option Offer.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal, the Scheme and the Share Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Share Option Holders are respectively concerned.

Accordingly, the Independent Board Committee recommends (a) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the SGM to approve and implement the Proposal and the Scheme; and (b) the Share Option Holders to accept the Share Option Offer.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Share Option Offer is set out in Part V of this Scheme Document.

#### **14. REASONS FOR AND BENEFITS OF THE PROPOSAL**

Your attention is drawn to the section headed “*12. Reasons for and Benefits of the Proposal*” in the Explanatory Statement of this Scheme Document.

#### **15. ACTIONS TO BE TAKEN**

Your attention is drawn to Part II – Actions to be Taken of this Scheme Document.

#### **16. COURT MEETING AND SGM**

For the purpose of exercising your right to vote at the Court Meeting and/or the SGM, you are requested to read carefully the section headed “*17. Court Meeting and SGM*” in the Explanatory Statement of this Scheme Document, Part II – Actions to be Taken, and the notices of the Court Meeting and the SGM on pages IV-1 to IV-3 and pages V-1 to V-2, respectively, of this Scheme Document.

#### **17. WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being contemporaneously issued and credited as fully paid to the Offeror) and the share certificates relating to the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company has applied to the Stock Exchange



for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, subject to the Scheme becoming effective and with effect from 9:00 a.m. on Thursday, 11 January 2024.

The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in Part III – Expected Timetable of this Scheme Document.

#### **18. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

Subject to the requirements of the Takeovers Code (including Note 2 to Rule 30.1), the Proposal and the Scheme will lapse if any of the Conditions has not been fulfilled or waived (where applicable) on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and, as the Share Option Offer is conditional upon the Scheme becoming effective, the Share Option Offer will lapse.

If the Scheme is not approved or the Proposal otherwise lapses, pursuant to the Takeovers Code, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

#### **19. OVERSEAS HOLDERS OF THE SCHEME SHARE AND OVERSEAS SHARE OPTION HOLDERS**

Your attention is drawn to the section headed “*24. Overseas Holders of Scheme Shares and Overseas Share Option Holders*” in the Explanatory Statement of this Scheme Document.

#### **20. TAXATION ADVICE**

Your attention is drawn to the section headed “*25. Taxation Advice*” in the Explanatory Statement of this Scheme Document.

#### **21. COSTS OF THE SCHEME**

Your attention is drawn to the section headed “*26. Costs of the Scheme*” in the Explanatory Statement of this Scheme Document.

**22. REGISTRATION AND PAYMENT**

Your attention is drawn to the section headed “27. *Registration and Payment*” in the Explanatory Statement of this Scheme Document.

**23. GENERAL**

Mr. LI Jun, Mr. LIN Yong, Mr. ZHANG Xinjun and Mr. SUN Tong have abstained from voting on the board resolutions of the Company in connection with the Proposal, the Scheme and the Share Option Offer because of having a material interest as a director of, or due to his position as a senior manager, of the Offeror (as the case may be).

Mr. CHENG Chi Ming Brian, has voluntarily abstained from voting on the board resolutions of the Company in connection with the Proposal, the Scheme and the Share Option Offer for good corporate governance due to his role as an executive director of the holding company of an IU Shareholder, NWS Financial Management Services Limited, who has given the Irrevocable Undertaking to support the Proposal and the Scheme.

The Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in Part V of this Scheme Document), having been so advised, considers that the terms of the Proposal, the Scheme and the Share Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Share Option Holders are respectively concerned.

**24. RECOMMENDATIONS**

Your attention is drawn to the recommendation of the Independent Board Committee in respect of the Proposal, the Scheme and the Share Option Offer as set out in the letter from the Independent Board Committee to the Disinterested Shareholders and the Share Option Holders in Part V of this Scheme Document.

Your attention is also drawn to the recommendations of the Independent Financial Adviser in respect of the Proposal, the Scheme and the Share Option Offer as set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal, the Scheme or the Share Option Offer.

**25. FURTHER INFORMATION**

You are urged to read carefully:

- (a) the letter from the Independent Board Committee to the Disinterested Shareholders and the Share Option Holders set out in Part V of this Scheme Document;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee set out in Part VI of this Scheme Document;

- (c) the Explanatory Statement set out in Part VII of this Scheme Document;
- (d) the appendices to this Scheme Document, including the Scheme set out in Appendix III to this Scheme Document;
- (e) the notice of Court Meeting set out in Appendix IV to this Scheme Document; and
- (f) the notice of SGM set out in Appendix V to this Scheme Document.

In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the SGM are enclosed with this Scheme Document.

If you are a Share Option Holder, you are also urged to read carefully the letter to the Share Option Holders, substantially in the form set out in Appendix VI to this Scheme Document, and the enclosed Form of Acceptance.

Yours faithfully  
By order of the Board  
**LIN Yong**  
*Deputy Chairman and Chief  
Executive Officer*

**HAITONG INTERNATIONAL SECURITIES GROUP LIMITED****海通國際證券集團有限公司***(incorporated in Bermuda with limited liability)***(Stock Code: 665)**

22 November 2023

*To the Disinterested Shareholders and Share Option Holders*

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF  
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED  
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT;  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF HAITONG  
INTERNATIONAL SECURITIES GROUP LIMITED**

We refer to the scheme document (the “**Scheme Document**”) dated 22 November 2023 jointly issued by the Company and the Offeror in relation to the Proposal, the Scheme and the Share Option Offer, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meaning as defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (as applicable): (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders.

Altus Capital Limited, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us in respect of the Proposal, the Scheme and the Share Option Offer.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

We, having considered the terms of the Proposal, the Scheme and the Share Option Offer, and having taken into account the advice and recommendation of the Independent Financial Adviser to us, and in particular the factors, reasons and recommendations as set out in the Independent Financial Adviser's letter, consider that the terms of the Proposal, the Scheme and the Share Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Share Option Holders are respectively concerned.

Accordingly, we recommend:

- (1) at the Court Meeting, the Disinterested Shareholders to vote in favour of the Scheme;
- (2) at the SGM, the Shareholders to vote in favour of:
  - (a) the special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
  - (b) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares; and
- (3) the Share Option Holders to accept the Share Option Offer.

Yours faithfully,  
Independent Board Committee

**Mr. Wan Kam To**  
*Independent  
Non-executive  
Director*

**Mr. Liu Swee Long**  
**Michael**  
*Independent  
Non-executive  
Director*

**Mr. Zhang Huaqiao**  
*Independent  
Non-executive  
Director*

**Ms. Lee Man Yuen**  
**Margaret**  
*Independent  
Non-executive  
Director*

*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Option Offer for the purpose of inclusion in the Scheme Document.*

**ALTUS** .

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong, China

22 November 2023

*To the Independent Board Committee*

**Haitong International Securities Group Limited**

22nd Floor  
Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong, China

Dear Sir or Madam,

**(1) CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF  
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED  
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 99 OF THE COMPANIES ACT;  
AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF  
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Share Option Offer. Details of the Proposal, the Scheme and the Share Option Offer are set out in “Part IV – Letter from the Board” as contained in the Scheme Document dated 22 November 2023, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Offeror and the Company jointly announced that, on 26 September 2023, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled; and (ii) the withdrawal of listing of the Shares on the Stock Exchange. On 15 November 2023, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

If the Proposal is approved and implemented, under the Scheme, all Scheme Shares will be cancelled on the Effective Date. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 100% by the Offeror, and the listing of the Shares will be withdrawn from the Stock Exchange.

The Proposal and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the Conditions. Details of the conditions are set out in the section headed "4. Conditions of the Proposal and the Scheme" of "Part VII – Explanatory Statement" in the Scheme Document.

As at the Latest Practicable Date, none of the Conditions had been satisfied or waived. If the Conditions are satisfied or validly waived (as applicable), the Scheme will be binding on all the Shareholders, irrespective of whether or not they attended or voted at the Scheme Meeting or the SGM.

The Offeror is making an appropriate offer to the Share Option Holders in accordance with Rule 13 of the Takeovers Code, subject to and conditional upon the Scheme becoming effective. Under the Share Option Offer, the Offeror is offering the Share Option Holders the Share Option Offer Price (which is the "see-through" price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option they hold) in cash for the cancellation of each outstanding Share Option they hold. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the "see-through" price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option will be made.

**THE INDEPENDENT BOARD COMMITTEE**

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee shall comprise all the non-executive Directors who have no direct or indirect interest in the Proposal and the Share Option Offer other than as holders of the Scheme Shares and/or Share Options.

Mr. LI Jun (being a non-executive Director) is the chairman and a director of the Offeror. Accordingly, Mr. LI Jun is not a member of the Independent Board Committee.

Mr. CHENG Chi Ming Brian (being a non-executive Director) is not a member of the Independent Board Committee due to his indirect interests in the Proposal and the Scheme as an executive director of the holding company of an IU Shareholder, NWS Financial Management Services Limited, who has given the Irrevocable Undertaking to, among other things, support the Proposal and the Scheme.

The Board has established the Independent Board Committee, comprising Mr. WAN Kam To, Mr. LIU Swee Long, Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen, Margaret, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (i) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (ii) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (iii) acceptance of the Share Option Offer by the Share Option Holders.

**THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser with respect to the Proposal, the Scheme and the Share Option Offer, our role is to advise the Independent Board Committee as to (i) whether the terms of the Proposal, the Scheme and the Share Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Share Option Holders are respectively concerned; (ii) whether the Disinterested Shareholders should vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (iii) whether the Share Option Holders should accept the Share Option Offer.

We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal, the Scheme and the Share Option Offer is at market level and not conditional upon the outcome of the Proposal, the Scheme and the Share Option Offer; (ii) no arrangement exists whereby we shall receive any



fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and is approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Option Offer.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others (i) the Scheme Document; (ii) the annual reports of the Company for the years ended 31 December 2021 and 2022 (respectively, the “**2021 Annual Report**” and the “**2022 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (iv) the rules of a share option scheme adopted by the Shareholders at a general meeting held on 8 June 2015 (the “**2015 Share Option Scheme**”); and (v) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Shareholders and the Share Option Holders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders and the Share Option Holders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Shareholders and the Share Option Holders arising from acceptance or non-acceptance of the Proposal and the Scheme or the Share Option Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Shareholders or the Share Option Holders as a result of the Proposal and the Scheme or the Share Option Offer. In particular, Shareholders and the Share Option Holders who are subject to Hong Kong, China or overseas taxation on dealings in securities are urged to seek advice from their own professional advisers on tax matters.

In arriving at our recommendation set out in the section headed “**Recommendations**” below, we have considered and analysed, among other things,

- background and financials of the Group, including its dividend history and outlook – see section headed “**1. Background and financial information of the Group**”;
- rationale of the Proposal from the perspectives of the Offeror, the Company and the Disinterested Shareholders – see section headed “**3. Rationale of the Proposal from perspectives of the Offeror, the Company and the Disinterested Shareholders**”;
- comparison of the Cancellation Price to the closing price as quoted on the Stock Exchange on the Last Trading Day; and to the average closing prices as quoted on the Stock Exchange for a number of periods up to and including the Latest Practicable Date – see section headed “**4. The Cancellation Price**”;
- historical price performance of the Shares – see section “**4.1 Historical price performance of the Shares**”;
- trading liquidity of the Shares – see section “**4.2 Trading liquidity of the Shares**”;
- comparables analysis, including, at the Cancellation Price, the implied P/B Ratio of the Company – see section “**4.3 Comparable analysis**”;
- the privatisation precedent transactions during the one-year period commencing from 27 September 2022 and up to and including the Last Trading Day and with successful outcome as at the Latest Practicable Date – see section “**5. Privatisation precedents**”; and
- the analysis for the Share Option Offer – see section “**6. The Share Option Offer**”.

Our consideration and analysis are detailed below.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our advice for the Proposal, the Scheme and the Share Option Offer, we have considered the following principal factors and reasons:

### **1. Background and financial information of the Group**

#### ***1.1 Background of the Group***

The Company is an investment holding company. Its established financial services platform provides a full spectrum of financial offerings including Wealth Management, Corporate Finance, Asset Management, Global Markets and Investment businesses. It has a global financial servicing network covering the world's major capital markets including Hong Kong, China, Singapore, New York, London, Tokyo, Mumbai and Sydney.

The Wealth Management segment provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a range of products and services including securities, futures and options contracts, over-the-counter products, funds, discretionary account management services, securities custodian services, and securities margin financing.

In FY2022, the private wealth management team was again awarded the High Net Worth Individual (Service/Product) Excellence Award by Bloomberg Businessweek. During 1H FY2023, the Private Wealth Management segment has continued to strengthen collaboration with other business segments to implement the “One Haitong” philosophy. Haitong International Securities Company Limited, a wholly-owned subsidiary of the Company, is an Exchange Participant. According to the Exchange Participant Data, as at 31 October 2023, there were a total of 648 Stock Exchange Participants, of which 575 Trading Participants and 73 non-Trading Participants. During the past 12 months between October 2022 to September 2023, total turnover of the market amounts to approximately HK\$24,355 billion, with monthly average turnover of approximately HK\$2,029 billion, as shown in the latest Stock Exchange Participants' Market Share Report.

The Corporate Finance segment engages in provision of sponsoring and underwriting services to corporate clients for their fundraising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these assets in secondary market.

The investment banking team completed 7 equity financing projects (including IPOs, secondary placings, and rights issues) in Hong Kong, China during 1H FY2023. Up to 30 June 2023, there were 33 newly listed companies, fund raised by IPOs amounted to approximately HK\$18 billion and total equity fund raised including IPOs amounted to approximately HK\$74 billion, as shown in the HKEx Monthly Market Highlights.

According to Bloomberg's China Risk G3 + CNY Bond League Table, the Company had completed a total of 48 bond issuances out of 382 offerings as of 30 June 2023. The debt capital markets team had also upheld the idea of ESG and sustainable finance by completing 3 green and sustainable bond issuances during 1H FY2023, raising US\$572 million in total. The team has further developed its financial advisory business in response to growing market demand, and completed 6 debt restructuring projects in 1H FY2023, ranked top in Bloomberg's APAC Liability Management Bonds League Table.

The Asset Management segment engages in provision of investment management services on investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients.

During 1H FY2023, the asset management team successfully launched a new fund and is in the process of preparing for the Strategic Fund for Investment-level Asian Bonds (亞洲投資級債券策略基金) and the ESG Thematic Funds for Low-carbon Pioneering Shares (低碳先鋒股票ESG主題基金) to meet the investment demand of high-net-worth clients, and also promoted cross-selling activities with the private wealth management segment. During the same period, Haitong International Asset Management received a number of mid-to-long term fund performance awards, such as the Lipper Fund Awards Hong Kong, and Professional Investment Awards by Insights & Mandate. As at 30 June 2023, total net asset value of Hong Kong-domiciled authorised funds amounted to approximately US\$171 billion and total net asset value of non-Hong Kong-domiciled authorised funds amounted to approximately US\$1,509 billion, as shown in the Quarterly Report April – June 2023 issued by the SFC.

The Global Markets segment provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. This segment is supported by the equity research team that specialises in listed equities in Asian financial markets.

In 1H FY2023, under the impact of complex and volatile macroeconomic, geopolitical and market environments, the average daily turnover of the Hong Kong, China equity market fell by 16% year-on-year. On the basis of clients' increasing demand for diversifying investments globally, the global markets segment insisted to be customer-oriented, continuing to provide institutional clients worldwide with efficient and professional trading, research and sales services. The equity research team has continuously consolidated its competitive edge in China and cross-border research capabilities. As of the end of June 2023, the team covered 1,748 equities.

The Investment segment invests in various instruments and holds majority of investment securities (measured at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, alternative investments (such as real estate investments through investment funds and subsidiaries) and private equities. This segment aims at acquiring investments that generates a reasonable yield while maintaining a robust risk management mechanism.

**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Considering the volatile global economic and political environment, weak market performances, and the impact of interest rate hikes, since 2022, the Group has been proactively reducing the size of its investments and adopting a more prudent investment strategy, focusing on high-liquidity and high-quality assets to minimize its exposure to market risks.

**1.2 Historical financial performance of the Group**

Set out below is a summary of the audited consolidated financial information of the Group for the financial years ended 31 December 2020 (“**FY2020**”), 2021 (“**FY2021**”) and 2022 (“**FY2022**”) respectively, which has been extracted from the 2021 Annual Report and the 2022 Annual Report; and the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 (“**1H FY2022**”) and 2023 (“**1H FY2023**”) respectively, which has been extracted from the 2023 Interim Report.

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>1H FY2022</b>	<b>1H FY2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Commission and fee income	2,864,575	3,257,464	1,542,901	774,632	532,256
Interest income	2,464,585	1,741,000	1,787,537	627,278	772,839
Net trading and investment income	3,000,587	253,720	(4,720,892)	(1,283,150)	588,730
Revenue	8,329,747	5,252,184	(1,390,454)	118,760	1,893,825
Other income and gains or losses	158,697	35,166	193,487	(28,653)	(105,856)
Total of revenue & other income and gains or losses	8,488,444	5,287,350	(1,196,967)	90,107	1,787,969
Total costs	5,201,737	3,763,684	3,504,682	1,505,717	2,038,036
– Finance cost	2,144,511	1,106,837	1,349,102	471,143	1,158,340
(Losses)/profit before impairment charges and tax	3,286,707	1,523,666	(4,701,649)	(1,415,610)	(250,067)
Impairment charges, net of reversal	(986,115)	(800,521)	(1,587,839)	(243,612)	(440,070)
(Losses)/profit before tax	2,300,592	723,145	(6,289,488)	(1,659,222)	(690,137)
(Losses)/profit for the year/period attributable to owners of the Company	1,932,877	300,826	(6,540,510)	(1,681,222)	(780,943)

**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

	As at 31 December			As at
	2020	2021	2022	30 June
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)
Total assets	146,442,516	104,991,595	89,097,202	89,942,131
Non-current assets	22,423,003	12,389,690	17,039,769	17,014,022
– goodwill and other intangible assets (Note 1)	480,148	451,260	431,308	416,887
Total liabilities	118,125,347	77,465,150	68,408,394	67,203,895
Net assets	28,317,169	27,526,445	20,688,808	22,738,236
– subordinated perpetual securities and distributions relating thereto (Note 2)	Nil	Nil	Nil	1,599,179
Net assets (adjusted)	28,317,169	27,526,445	20,688,808	21,139,057 (Note 2)
Net tangible assets (Note 3)	27,837,021	27,075,185	20,257,500	20,722,170
Net asset value per Share (HK\$) (Note 4)	4.691	4.559	3.115	2.505
Net tangible asset value per Share (HK\$) (Note 4)	4.612	4.484	3.050	2.456

*Notes:*

- Goodwill of the Group mainly arose from acquisition through business combinations in prior years (please refer to note 27 – Goodwill – (b) – to the consolidated financial statements of the 2022 Annual Report). Other intangible assets of the Group mainly relate to trading rights and licenses, system infrastructure and customer relationship (please refer to note 27- other intangible assets – to the consolidated financial statements of the 2022 Annual Report).
- Net assets of the Group as at 30 June 2023 is adjusted for and calculated by excluding the perpetual securities and distribution relating thereto from the net assets of the Group.  
  
On 21 March 2023, the Company issued a batch of subordinated perpetual securities in a principal amount of US\$200 million (equivalent to HK\$1,569.7 million). During the six months ended 30 June 2023, the Group incurred HK\$29.5 million of distribution relating to perpetual securities.
- Net tangible assets of the Group as at the respective date is calculated by deducting goodwill and other intangible assets from the net assets of the Group.
- Net asset value per Share and net tangible asset value per Share as at the respective dates are calculated by dividing the net asset value of the Group or the net tangible asset value of the Group as at the respective dates by the number of Shares in issue as at the respective dates.

**FY2021 vs FY2020**

The Group recorded a decrease in revenue of approximately 37% to approximately HK\$5,252 million in FY2021 compared with approximately HK\$8,330 million in FY2020. The Group recorded historical high commission and fee income of approximately HK\$3,257 million in FY2021, being approximately 14% higher than in FY2020, due mainly to stronger underwriting and placing income from the active equity capital markets in Hong Kong, China, a notable increase in financial advisory and consultancy fee income mainly driven by deal structuring income generated from the Loan Capital Markets team, as well as higher fee income from other types of financial advisory services. Notwithstanding this, they were offset by (i) lower interest income of approximately HK\$1,741 million in FY2021, a decrease of approximately 29% from FY2020, which corresponded to declining interest bearing assets; and (ii) lower net trading and investment income of approximately HK\$254 million in FY2021, a decrease of approximately 92% from FY2020, mainly driven by the acute fluctuations of the stock and bond markets in Mainland China and Hong Kong, China during the second half of FY2021.

The Group's total costs were primarily consisted of staff costs, finance costs and operating expenses for regular business activities. Total costs for FY2021 were approximately HK\$3,764 million, which was approximately 28% less than the total costs of approximately HK\$5,202 million in FY2020. During FY2021, all major cost types decreased with the Group's effort in cost control to improve cost efficiencies yet supporting business developments that are fundamental for future growth.

Impairment charges included provision for credit losses on advances to customers, investment securities measured at amortised cost, and accounts receivables and others under the impairment framework and methodology established by the Group in accordance to HKFRS 9 "Financial Instruments". Overall impairment charges were approximately HK\$801 million in FY2021, which decreased by approximately 19% versus HK\$986 million recorded in FY2020, mainly attributable to a lower non-margin loan financing impairment charge (an approximately 64% decrease from FY2020) despite a higher margin loan financing impairment charge (an approximately 69% increase from FY2020).

The Group recorded a decrease in profit attributable to owners of the Company by approximately 84% to approximately HK\$301 million in FY2021 from approximately HK\$1,933 million in FY2020 mainly due to the substantial decrease in revenue as mentioned above.

Total assets of the Group mainly include (i) cash and cash equivalents, (ii) cash held on behalf of customers, (iii) financial assets held for trading and market making activities, (iv) investment securities, (v) assets acquired for financial products issued, (vi) advances to customers, (vii) cash collateral on securities borrowed and reverse repurchase agreements, (viii) accounts receivable, and (ix) other operating assets. Other operating assets comprise tax recoverable, prepayments, deposits and other receivables, goodwill and intangible assets, other assets, investment property, property and equipment and deferred tax assets.



Total assets of the Group as of 31 December 2021 were approximately HK\$105 billion, a decrease of approximately 28% or approximately HK\$41 billion from approximately HK\$146 billion as at 31 December 2020, with decreases ranging from approximately 25% to approximately 69% of the amounts recorded in FY2020 being observed across the major categories of financial assets as mentioned above. This was consistent with the Group's initiative to refine its balance sheet through reducing the size of its assets portfolio. Goodwill and other intangible assets of the Group were approximately HK\$451 million as at 31 December 2021, representing a decrease of approximately 6% from approximately HK\$480 million recorded as at 31 December 2020.

Total liabilities of the Group mainly include (i) financial liabilities held for trading and market making activities, (ii) financial products issued at fair value, (iii) cash collateral on securities lent and repurchase agreements, (iv) accounts payable, (v) bank borrowings and debt securities in issue, and (vi) other operating liabilities. Other operating liabilities comprise tax payable, other payables, accruals and other liabilities, and deferred tax liabilities.

Total liabilities as at 31 December 2021 were approximately HK\$78 billion, representing a decrease of approximately 34% or approximately HK\$40 billion from approximately HK\$118 billion as at 31 December 2020, in which most types of liabilities reported decreases.

Net assets of the Group and net tangible assets of the Group remained relatively stable at approximately HK\$27,526 million as at 31 December 2021 and approximately HK\$28,317 million as at 31 December 2020. Net tangible assets of the Group (which was calculated by deducting the goodwill and other intangible assets of the Group from net assets of the Group) were approximately HK\$27,075 million as at 31 December 2021 and approximately HK\$27,837 million as at 31 December 2020.

#### **FY2022 vs FY2021**

The Group recorded a decrease in revenue to approximately negative HK\$1,390 million in FY2022 from approximately HK\$5,252 million in FY2021. The substantial decrease was the combined effects of: (i) a 53% decrease in commission and fee income to approximately HK\$1,543 million in FY2022 from approximately HK\$3,257 million in FY2021, mainly attributed to overall weak capital markets in Hong Kong, China during FY2022; (ii) a slight 3% increase in interest income in FY2022 to approximately HK\$1,788 million from approximately HK\$1,741 million in FY2021 (although market interest rates rose rapidly in the last quarter of FY2022, the Group was able to effectively pass on such increased finance cost to its customers, and at the same time, the Group had exercised stringent control over credit risks to enhance asset quality which resulted in average interest bearing assets recording a year-on-year decrease which offset the increase in interest cost); and (iii) substantial net trading and investment loss of approximately HK\$4,721 million in FY2022, mainly attributable to unrealised losses and impairment on assets of varying degree resulted from lower market prices and valuations of the Group's investment as a consequence of stock and bond market fluctuations in Mainland China and Hong Kong, China.



Total costs decreased year-on-year by 7% from approximately HK\$3,764 million in FY2021 to HK\$3,505 million in FY2022 due to the Group's effective measures to control various major expenses and the decrease in financial performance-linked bonus and incentives.

Finance costs stood at approximately HK\$1,349 million in FY2022, increasing by approximately 22% when compared to approximately HK\$1,107 million in FY2021. This was mainly attributable to rising market interest rates and hence, a surge in finance cost in particular during the fourth quarter in FY2022.

Impairment charges were approximately HK\$1,588 million in FY2022, an increase of approximately 98% compared with approximately HK\$801 million in FY2021, mainly attributable to the declining market prices or valuations of collaterals which led to increase of credit losses.

The Group recorded a loss attributable to owners of the Company of HK\$6,541 million in FY2022, a significant deterioration from a similar loss of HK\$301 million in FY2021 mainly due to the substantial decrease in revenue and the increase in impairment charges as mentioned above.

Total assets as of 31 December 2022 were approximately HK\$89 billion, decreasing by approximately 15% or approximately HK\$16 billion from HK\$105 billion as at 31 December 2021, attributable to the decrease in assets acquired for financial products issued, financial assets held for trading and market making activities, accounts receivable and cash collateral on securities borrowed and reverse repurchase agreements. Goodwill and other intangible assets of the Group were approximately HK\$431 million as at 31 December 2022, representing a decrease of approximately 6% from approximately HK\$451 million recorded as at 31 December 2021.

Total liabilities as of 31 December 2022 were approximately HK\$68 billion, decreasing by approximately 12% or approximately HK\$9 billion from HK\$77 billion as at 31 December 2021, in which accounts payable and financial products issued at fair value decreased.

Net assets of the Group and net tangible assets of the Group respectively decreased from approximately HK\$27,526 million and approximately HK\$27,075 million as at 31 December 2021 to approximately HK\$20,689 million and approximately HK\$20,258 million as at 31 December 2022 due mainly to the aforesaid losses recorded by the Company in FY2022.

### **1H FY2023 vs 1H FY2022**

The Group recorded a substantial increase in revenue from approximately HK\$119 million in 1H FY2022 to approximately HK\$1,894 million in 1H FY2023. During 1H FY2023, commission and fee income recorded an approximately 31% year-on-year decline to approximately HK\$532 million mainly due to unfavourable market conditions where, for example, the average daily turnover of the Hong Kong, China stock market experienced a year-on-year decrease of approximately 16.4%, and IPO fundraising amount in the Hong Kong, China stock market recording a year-on-year decline of approximately 35.3%. These led to lower commission income from brokerage, and underwriting and placing.

Total revenue was however boosted by higher interest income of approximately HK\$773 million, up approximately 23% from that of approximately HK\$627 million in 1H FY2022 as higher interest rates increased the Group's income from interest-bearing assets and effective capital management tripled the Group's interest income from bank deposits and others over the same period last year. Importantly, the Group recorded net trading and investment income of approximately HK\$589 million in 1H FY2023 versus a loss of approximately HK\$1,283 million for 1H FY2022 (mainly attributable to unrealised losses and impairment on assets in varying degree resulted from decreasing market prices and valuations of the Group's investment as a consequence of stock and bond markets fluctuation in Mainland China and Hong Kong, China).

Total costs rose approximately 35% year-on-year to approximately HK\$2,038 million in 1H FY2023, mainly due to the drastic surge of the Group's finance costs from approximately HK\$471 million in 1H FY2022 to approximately HK\$1,158 million in 1H FY2023 as a result of the rising market interest rates.

Impairment charges were approximately HK\$440 million in 1H FY2023, a year-on-year increase of approximately 81% as compared to approximately HK\$243 million recorded in 1H FY2022. This was primarily due to the increase in provision for underlying credit assets by the Group based on the principles of prudence and transparency, in response to the downward adjustment to the market prices or valuations of customers' collaterals in the persistently volatile global markets.

The Group recorded a reduction in loss attributable to owners of the Company from approximately HK\$1,681 million in 1H FY2022 to approximately HK\$781 million in 1H FY2023 mainly due to the increase in revenue as mentioned above.

Total assets as of 30 June 2023 of approximately HK\$89.9 billion were approximately 1% or approximately HK\$800 million higher than that as of 31 December 2022, which was mainly attributable to the decrease in investment securities and advances to customers notwithstanding the increase in assets and cash and cash equivalents and assets acquired for financial products issued.

Total liabilities as of 30 June 2023 of approximately HK\$67 billion were approximately 2% or approximately HK\$1 billion lower than that as of 31 December 2022, which was primarily attributable to the decrease in bank borrowings and debt securities in issue as well as cash collateral on securities lent and repurchase agreements.

On 21 March 2023, the Company issued a batch of subordinated perpetual securities in a principal amount of US\$200 million (equivalent to approximately HK\$1,570 million). During the six months ended 30 June 2023, the Group incurred HK\$30 million of distribution relating to perpetual securities.

On 21 June 2023, the Company announced the results of the rights issue. Under the rights issue, the Company raised net proceeds of approximately HK\$1 billion.

Net assets of the Group (excluding the perpetual securities and distribution relating thereto) and net tangible assets of the Group have increased from approximately HK\$20,689 million and approximately HK\$20,258 million as at 31 December 2022 to approximately HK\$21,139 million and approximately HK\$20,722 million as at 30 June 2023 following completion of the rights issue in June 2023.

### **1.3 Dividends**

We noted that the Company has adopted a dividend policy whereby the Board will take into account an array of factors for determining the dividend payout. As mentioned in the section headed “2.1 The Offeror and its controlling shareholder” below, HSCL Group took control of the Group from 20 November 2009 and hence, we set out below the history of dividends declared and paid by the Company to the Shareholders after November 2009.

	<b>18 months results ended 31 December</b>	<b>Total dividend of the year/period per Share</b>	<b>Dividend payout ratio (Note 1)</b>	<b>Remarks</b>
0	2010 <b>Financial year ended/ending 31 December</b>	HK24 cents	50%	
1	2011	HK8 cents	41%	
2	2012	HK13 cents	41%	
3	2013	HK19 cents	46%	
4	2014	HK23.5 cents	42%	
5	2015	HK24 cents	39%	
6	2016	HK15.5 cents	49%	
7	2017	HK28 cents	50%	
8	2018	HK9 cents	49%	
9	2019	HK13.3 cents	50%	
10	2020	HK16.1 cents	49%	
11	2021	HK9 cents	176%	In lieu of a second interim dividend, the Company proposed a bonus issue of shares – please refer to an announcement of the Company dated 28 March 2022.
12	2022	Nil	NA	
13	2023	Nil ( <i>Note 2</i> )	NA	

*Notes:*

1. Dividend pay-out ratio is calculated by dividing the total dividend per Share of the respective year/period by the basic earnings per Share of the respective year/period.
2. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date.

As shown in the table above, the Company had maintained stable dividend payment and pay-out ratio from 2010 to 2021. It has however not declared any dividend since then which we believe was in light of the losses the Company recorded in recent years and period. More specifically, the Company did not declare any second interim and final dividend for FY2021 nor any dividend for FY2022 and 1H FY2023.

Based on this dividend trend and the Group's near term business outlook as elaborated below, we note that there is no indication of when dividend payment will resume.

#### ***1.4 Outlook***

The Company stated in the 2023 Interim Report that it expects various risks will remain during the second half of year 2023 while with opportunities emerging, for the Hong Kong, China and overseas financial markets. The Company also highlighted that the risks of fluctuations in asset prices should not be underestimated. The Company's strategy is therefore to (i) prevent risk by lowering leverage; (ii) reduce the scale of risk assets and improve asset structure; and (iii) adopt a stable business model to prudently respond to market changes and challenges.

We noted that the risks associated with the Company such as a slowing world and PRC economies, tightening of monetary policies and weak stock market sentiment have continued to plague its businesses. In particular, commission and fee income from each of the corporate finance business, brokerage business and asset management had continued to decline by over 30% during 1H FY2023 while finance cost increased drastically by over 140% in 1H FY2023 compared with 1H FY2022. These risks appear to persist where in October 2023 the International Monetary Fund projected growth of advanced economies to fall from 2.6% in 2022 to 1.5% in 2023 and 1.4% in 2024. Monetary policies of major economies meanwhile continued to be tight; for example, the United States' Federal Funds rate remained at its 22-year high of 5.55% at the November 2023 meeting of the Federal Open Market Committee with the United States' Federal Reserves indicating it is not yet considering rate reductions. In respect of the Hong Kong, China stock market since beginning of year 2023, the Hang Seng Index currently hovered at below 17,500 levels, substantially below the high point of around 22,600 level in January 2023. The PRC economy is also facing headwind where the International Monetary Fund in October 2023 projected its growth to slow down to 5% for 2023 and 4.2% for 2024, while its real estate sector continues to grapple with pressures on debt repayment, home sales and investment.

We have considered the aforesaid stated strategies of the Company. To lower its leverage, save for improvements in the value of its assets, which is uncertain, the Company will have to enhance its equity base. We noted that this is in line with the statement made by the Group where it anticipates further equity fund raising would be required to strengthen its equity base in the future as well as the rights issue conducted by the Company during the first half of 2023. We are of the view that the de-risking and de-leveraging of the Group's various businesses will reduce its risk-reward profile, affecting its underlying profitability growth prospects in the near term. Meanwhile, fluctuations in asset prices pose near-term uncertainty to the Group's profit and loss situation if impairment charges are necessary as with during FY2022 and 1H FY2023.

**2. Background information of the Offeror**

***2.1 The Offeror and its controlling shareholder***

The Offeror is a company incorporated in Hong Kong, China with limited liability which is wholly-owned by HSCL. The Offeror is engaged in investment holding.

HSCL is a joint stock limited company incorporated in China with limited liability, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600837) and H shares are listed on the Main Board of the Stock Exchange (stock code: 6837). HSCL is principally engaged in securities brokerage, proprietary securities activities, securities underwriting and sponsorship, securities investment advisory, financial consultancy related to securities trading and investment activities, direct equity investments, securities investment fund distribution, introducing brokerage business for futures companies, margin financing and securities lending, agency sale of financial products and stock option market-making.

HSCL Group has controlled the Group since 20 November 2009 and as at the Latest Practicable Date, the Offeror is directly interested in 6,193,865,946 Shares, representing approximately 73.40% of the total issued Shares.

***2.2 The Offeror's intention in relation to the Company***

As at the Latest Practicable Date, the Offeror intends to withdraw the listing of Shares from the Stock Exchange upon the Scheme becoming effective and intends for the Group to continue carrying on its existing businesses following the implementation of the Proposal and the Share Option Offer and does not have any plan to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business of the Group). The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal and the Share Option Offer with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

**3. Rationale of the Proposal from perspectives of the Offeror, the Company and the Disinterested Shareholders**

We have considered the rationale of the Proposal from the perspective of Disinterested Shareholders as well as from the perspectives of the Offeror and the Company and our analysis is as follows.

**3.1 From the perspective of Disinterested Shareholders**

*Uncertainties on business outlook and possible future fund-raising by the Company*

The Company stated the uncertainties on its business outlook as elaborated in the section “1.4 Outlook” above, highlighting the Group’s declining financial performance since 2021 and losses recorded in 2022 and the first half of 2023. To address market concerns about its financial position and prospects, the Group has, among others, sought support from its controlling shareholder in strengthening its financial position such as provision of credit enhancement and operational resources. It was pointed out that in a recent rights issue undertaken by the Company in June 2023, while the controlling shareholder took up all its entitlements and further made excess applications, the participation from the other shareholders of Company was lukewarm.

We are of the view that subject to ongoing development of the global and PRC economies and interest rate environment, the Group may have to conduct further equity capital fund-raising exercises which may call for participation from shareholders of the Company. For Disinterested Shareholders who hold uncertain views on the Group’s outlook and hence their further equity participation in the Company, the Proposal represents an opportunity to exit their investments in the Company.

*Opportunity to sell Shares at premium to prevailing market price*

The Cancellation Price is at substantial premium to recent market trading price of Shares as analysed in the section headed “4.1 Historical price performance of the Shares” below. Per our analysis on historical price trend, it is noted that Share price has not reached the level of the Cancellation Price during the entire Review Period (as defined below) and as a matter of fact, a price level of HK\$1.52 has not been seen since the start of a declining trend from mid-March 2022 triggered by a profit warning announcement of the Company in respect of its financial results for FY2021.

Given the fundamental changes in business environment, such as high interest rate levels and slow growth in PRC economy unseen for over 20 years that the Group is experiencing, and deterioration of the quality of its assets as evidenced impairment charges made over FY2022 and 1H FY2023, we are of the view that future uncertainty of performance of Share price will be high and concur that the Proposal offers Disinterested Shareholders a reasonable opportunity to sell their Shares at a premium to prevailing market price.

*Opportunity to sell Shares regardless of shareholding size*

The Company pointed out that trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years as further described in the section headed “4.2 Trading liquidity of the Shares” below, making it difficult for Disinterested Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. In this respect, we concur that the Proposal represents an opportunity for the Disinterested Shareholders to realise their investments in the Company with the certainty of selling price.

### ***3.2 For the Offeror and the Company***

*Flexibility in formulating long-term development strategies and avoid the costs associated with maintaining a listing platform*

The Offeror and the Company noted that over the past decade, the Company had conducted several rights issues to fund the Group's business expansions and they were fully subscribed for. This was however not the case for a rights issue conducted in the first half of 2023 where the Company only received applications from less than 20% of the total rights shares being offered to other shareholders. This resulted in the shareholding of the Offeror (and the directors of the Company), after having made excess application for the rights issue, to increase to nearly 73.60%, resulting in a headroom of only approximately 1.40% before the minimum public float requirement under the Listing Rules is reached.

We concur that the above has constrained the ability of the Offeror to further make equity contributions to the Company. While it is possible that equity fund raising be conducted by, for example, placing new shares to third party investors, we believe in such cases, placing prices will be at depressed levels and be highly dilutive. Hence, the Company's ability to raise funds from the equity market as a listed company is indeed restricted, and the Proposal will also avoid the need of having to conduct further fund-raising activities which are potentially dilutive to Disinterested Shareholders' shareholdings. Given the primary objective of a listed platform is public equity fund raising; with such ability curtailed, the costs associated with the maintenance of the listing status of the Company may no longer be justifiable.

Upon completion of the Proposal, the Company will become a wholly owned subsidiary of the Offeror, whose parent company is also a listed company. We understand the parent company enjoys a higher credit standing than the Company and the Offeror therefore expects the Group to be able to benefit from the parent company's strong financial performance and reputation, which will in turn help reduce the Company's financing costs. The Offeror believes, and we concur that from the Offeror's perspective, this will provide it with more flexibility and higher efficiency in supporting the long-term development of the Group while retaining its ability to secure financing on an ongoing basis.

### ***3.3 Section summary***

In summary, the Proposal (i) on one hand provides the opportunity for the Disinterested Shareholders to monetise their Shares at a reasonable price with certainty amidst low trading liquidity of the Shares and depressed Share price level, and the opportunity for Disinterested Shareholders to redeploy the proceeds towards other investment opportunities, as well as to avoid the possibility of having to make further equity contribution to retain their percentage shareholdings; and (ii) on the other hand, completion of the Proposal will provide the Offeror and the Company with the flexibility to formulate long-term development strategies and avoid costs of maintaining a listing status which has lost its primary function as fund-raising platform.



In effect, the Proposal can be viewed as a trade-off by the Offeror to Disinterested Shareholders to free the Company from pressure of short term profitability, market and Share price performance expectations; in return for payment by the Offeror to the Disinterested Shareholders of the Cancellation Price which is at a premium to the prevailing market price of the Shares.

We also wish to draw the Disinterested Shareholders' attention on the differences between the Proposal and general offers:

It should be noted that unlike a general offer to acquire all or part of a listed company's shares, the Proposal regarding the proposed privatisation by the Offeror is conducted by way of the Scheme. Disinterested Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in the Company. Rather, the Proposal will be effective and binding on the Company and all its Shareholders if all the Conditions have been fulfilled or waived (as applicable). Even if the Disinterested Shareholders have voted against the resolution(s) to approve the Scheme, in the event that the relevant resolutions have been duly passed at the Court Meeting and the SGM and all the Conditions have been fulfilled or waived (as applicable), all the Scheme Shares will still be cancelled. As such, Disinterested Shareholders will either have to accept the Proposal at the Cancellation Price for their entire shareholding interests or not accept the Proposal at all. If the Scheme is not effective or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any Offeror Concert Parties in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

#### **4. The Cancellation Price**

The Cancellation Price of HK\$1.52 per Scheme Share represents:

- (a) a premium of approximately 114.08% over the closing price of HK\$0.710 per Shares as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 111.11% over the average closing price of HK\$0.720 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 108.22% over the average closing price of HK\$0.730 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 126.53% over the average closing price of HK\$0.671 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;



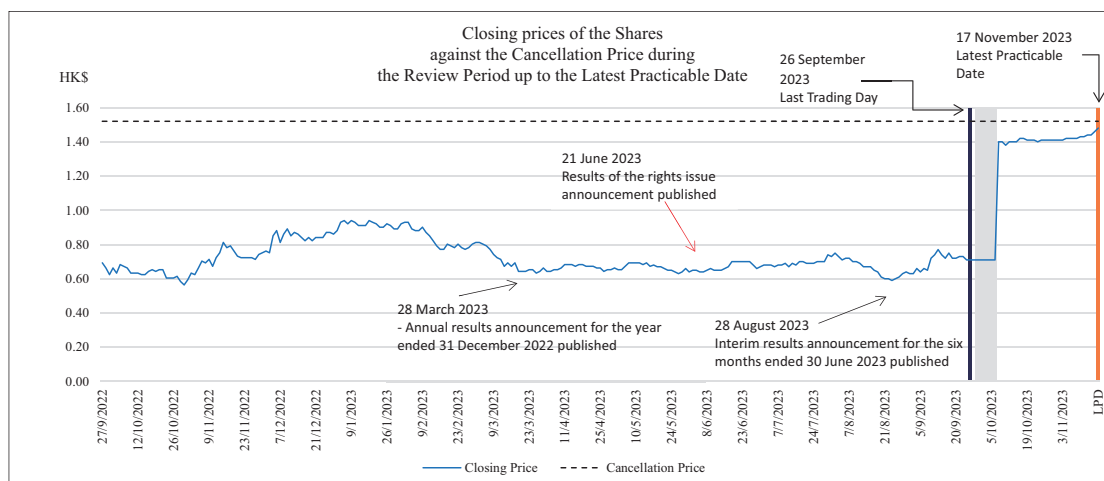
- (e) a premium of approximately 122.22% over the average closing price of HK\$0.684 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 125.19% over the average closing price of HK\$0.675 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 110.53% over the average closing price of HK\$0.722 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 2.70% to the closing price of HK\$1.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (i) a discount of approximately 51.20% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$3.115 as at 31 December 2022; and
- (j) a discount of approximately 39.32% to the unaudited consolidated net asset value (adjusted for by excluding the perpetual securities and distribution relating thereto) attributable to Shareholders per Share of approximately HK\$2.505 as at 30 June 2023.

We understand from the Management that the Cancellation Price has been determined on an arm's length commercial basis after taking into account the financial information of the Group, the historical prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong, China in recent years.

The discount of the Cancellation Price to the aforesaid (i) and (j) consolidated net asset values is in itself unfavourable to the Disinterested Shareholders. This phenomenon however appears common for issuers in the industry which the Group operates in and under current financial market environment, as we note that such trading discounts are also observed among eight out of nine Comparables as elaborated in the section headed "4.3 Comparable analysis" below.

#### ***4.1 Historical price performance of the Shares***

Set out below is a chart illustrating the historical closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 27 September 2022 to the Last Trading Day ("**Pre-Announcement Period**"), and subsequently up to and including the Latest Practicable Date ("**Post-Announcement Period**") (collectively, the "**Review Period**"). We consider a period of approximately one year is adequate and representative to illustrate the recent price movements of the Shares which reflect (i) market and investors' reaction towards the latest developments of the Group, including its financial performance and position, outlook and prospects as well as stated strategies; and (ii) prevailing market sentiment. We are of the view this allows us to conduct a meaningful comparison between these closing prices of the Shares and the Cancellation Price.



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Pre-Announcement Period, the lowest and highest closing prices of the Shares were HK\$0.564 per Share recorded on 31 October 2022 and HK\$0.940 per Share recorded on 5 and 16 January 2023 respectively. The Cancellation Price, being HK\$1.52 per Scheme Share, is higher than the daily closing prices of the Shares throughout the entire Pre-Announcement Period.

As illustrated in the graph above, the closing prices of Shares showed a downward trend from HK\$0.693 per Share on 27 September 2022 to HK\$0.564 per Share on 31 October 2022, then rebounded gradually to reach the highest price of HK\$0.94 per Share on 5 and 16 January 2023. Closing prices then trending downward to HK\$0.643 per Share on 28 March 2023 (which was the date when (i) the annual results for FY2022; and (ii) a proposed rights issue at the subscription price of HK\$0.65 per share, were announced after market closed). Since then, the closing prices of Shares traded within a narrow band of HK\$0.630 to HK\$0.770 for a prolonged period till the Last Trading Day.

From 27 September 2023 to 6 October 2023, trading in the Shares was suspended pending the publication of the joint announcement of the Offeror and the Company (the “**Joint Announcement**”). When trading resumed on 9 October 2023, the price of Shares closed at HK\$1.40 on that day. The price of the Shares has been traded higher than the closing price on the Last Trading Day between HK\$1.38 and HK\$1.48, but below the Cancellation Price since 9 October 2023 up to the Latest Practicable Date.

In summary, (i) the closing price of Shares had consistently traded below the Cancellation Price throughout the Pre-Announcement Period; and (ii) the closing price of Shares has continued to trade below the Cancellation Price during the Post-Announcement Period, from the perspective of historical trading performance of Share price. We also believe the relatively higher level of Share price during the Post-Announcement Period is, in a large part, due to the Proposal and hence, the price of Shares may or may not sustain at this level if the Scheme is not approved or the Proposal otherwise lapses.

**4.2 Trading liquidity of the Shares**

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the Disinterested Shareholders during the Review Period.

<b>Month</b>	<b>Average daily trading volume (number of Shares)</b>	<b>Average daily trading volume as a percentage to the total number of issued Shares<sup>(1)</sup></b>	<b>Average daily trading volume as a percentage to the total number of issued Shares held by the Disinterested Shareholders<sup>(2)</sup></b>
<b>2022</b>			
September (from 27 September)	14,839,625	0.223%	0.661%
October	10,479,980	0.158%	0.481%
November	9,290,345	0.140%	0.426%
December	9,759,870	0.147%	0.460%
<b>2023</b>			
January	6,572,517	0.099%	0.310%
February	7,221,345	0.109%	0.341%
March	12,077,017	0.182%	0.570%
April	11,063,071	0.167%	0.522%
May	10,760,529	0.162%	0.508%
June	5,493,752	0.065%	0.246%
July	4,114,765	0.049%	0.184%
August	12,484,022	0.148%	0.559%
September (up to the Last Trading Day)	15,311,094	0.181%	0.686%
October (from 9 to 31 October)	53,904,194	0.639%	2.512%
November (up to and including the Latest Practicable Date)	12,464,015	0.148%	0.581%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- (1) The calculation is based on the average daily trading volume divided by total number of issued Shares as at the end of each relevant month.
- (2) The calculation is based on the average daily trading volume divided by total number of issued Shares held by the Disinterested Shareholders as at the end of each relevant month.
- (3) The suspension period of trading (from 27 September 2023 to 6 October 2023) is excluded for the calculation of the average daily trading volume of the Shares.

As illustrated in the above table, the average daily trading volume of the Shares during the Pre-Announcement Period was approximately 9,603,527 Shares, representing approximately 0.114% of the total number of issued Shares and approximately 0.447% of the total number of Shares held by Disinterested Shareholders as at the Last Trading Day. During each month under the Pre-Announcement Period, the percentage of average daily trading volume to (i) the total number of issued Shares ranged from approximately 0.049% to approximately 0.223%; and (ii) the total number of Shares held by Disinterested Shareholders ranged from approximately 0.184% to approximately 0.661%. Trading volume of Shares increased immediately after the publication of the Joint Announcement where between 9 October 2023 and the Latest Practicable Date, average daily trading volume of Shares amounted to approximately 35,327,562 Shares, representing approximately 1.646% of the total number of Shares held by the Disinterested Shareholders.

It can be concluded that, without the Proposal, trading activities in Shares were generally illiquid and the higher level of trading volume during the Post-Announcement Period was, in large part, underpinned by the Proposal.

In the absence of the Scheme, Disinterested Shareholders will only be able to dispose of their Shares on-market and considering the thin trading volume of Shares during the Pre-Announcement Period, Disinterested Shareholders may experience difficulty in disposing of their Shares, and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of Shares.

#### **4.3 Comparable analysis**

Comparable analysis involves determining the relative value of a company by comparing it to other companies in the similar industries and of similar scale. In this case by conducting a comparable analysis, we aim to compare the fairness and reasonableness of the valuation accorded to the Company based on the Cancellation Price with the valuation of the Comparables (defined below) based on their prevailing market prices. Whilst we wish to perform analysis on the price-to-earnings ratio (the “**P/E Ratio(s)**”), being a common parameter in assessing a company’s value, of companies which are listed on the Stock Exchange and are engaged in similar businesses to those of the Group for comparison purpose (“**Comparable(s)**”); as the Group recorded a loss attributable to owners of the Company for FY2022 and 5 out of 9 Comparables also recorded losses for the year ended 31 December 2022 or 31 March 2023 (as shown in the table below), we are therefore not able to assess the Cancellation Price by analysing P/E Ratios. To augment our comparable analysis, we have compiled the price-to-book ratio (the “**P/B Ratio(s)**”), being another common parameter in assessing a company’s value, of the Comparables to assess the fairness and reasonableness of the Cancellation Price.

**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

On the basis (i) that the majority (i.e. over 90%) of the revenue of the Group is derived from providing a full range of financial services including wealth management, corporate finance, asset management and global markets and investment; and (ii) the Group had net tangible assets of over HK\$20,000 million as at 30 June 2023, we have set the following selection criteria for the purpose of identifying Comparables:

- (i) the shares of which are listed on the Main Board of the Stock Exchange;
- (ii) over 50% of its revenue is derived from providing a full range of financial services in similar markets as the Group in their respective latest financial years; and
- (iii) having net tangible assets of over HK\$1,500 million according to the latest published annual report as at the Latest Practicable Date.

Based on the above criteria, we have identified nine Comparables, which are exhaustive based on the selection criteria set out above. Despite the fact that there exists no listed company which is of exactly the same business model, scale of operations, trading prospects, target market, product mix and capital structure as the Group, we are of the view that the sample size serves as a fair and representative sample for drawing a meaningful comparison to the Cancellation Price. Details of the Comparables are summarised below:

Stock code	Company name	Principal businesses	Market capitalisation <sup>(1)</sup> (HK\$ million)	Net profit <sup>(2)</sup> (HK\$ million)	P/E Ratio <sup>(3)</sup> (times)	Net tangible asset value <sup>(4)</sup> (HK\$ million)	P/B Ratio <sup>(5)</sup> (times)
64	Get Nice Holdings Limited	(i) Money lending; (ii) property development and holding and investment in financial instruments; (iii) real estate agency; and (iv) the provision of financial services, including securities dealing and broking, futures and options broking, securities margin financing and corporate finance services	1,411	184	7.68	6,982	0.20
218	Shenwan HongYuan (H.K.) Limited	(i) Brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and loans business; and (v) investment and other business	554	(880)	N/A	2,960	0.19
952	Quam Plus International Financial Limited, formerly China Tonghai International Financial Limited	Corporate finance and general advisory, asset management, brokerage, money lending, investing and trading of various investment products, financial media services and others	1,115	(1,584)	N/A	1,994	0.56

**PART VI LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Stock code	Company name	Principal businesses	Market capitalisation <sup>(1)</sup> (HK\$ million)	Net profit <sup>(2)</sup> (HK\$ million)	P/E Ratio <sup>(3)</sup> (times)	Net tangible asset value <sup>(4)</sup> (HK\$ million)	P/B Ratio <sup>(5)</sup> (times)
1141	CMBC Capital Holdings Limited, formerly Skyway Securities Group Limited	(i) Provision of brokerage services, securities margin financing services and securities underwriting/placing; (ii) fixed-income direct investment; (iii) other investment and provision of loan financing services, (iv) asset management services; (v) provision of sponsorship, financial advisory and financial arrangement services; and (vi) others	392	(437)	N/A	1,582	0.25
1428	Bright Smart Securities & Commodities Group Limited	Provision of financial services, including securities broking, margin financing, commodities & futures broking, bullion trading and leveraged foreign exchange trading	2,410	621	3.88	1,729	1.39
1469	Get Nice Financial Group Limited	Provision of financial services, including securities dealing and broking, futures and options broking, underwriting and placements, securities margin financing, corporate finance services and asset management services	1,700	150	11.35	4,327	0.39
1788	Guotai Junan International Holdings Limited	Wealth management, brokerage, corporate finance, asset management, loans and financing, financial products and market making and investments	6,306	80	78.45	14,913	0.42
3329	BOCOM International Holdings Company Limited	Securities brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses	984	(2,984)	N/A	2,670	0.37
6058	China Industrial Securities International Financial Group Ltd	Brokerage, margin financing, corporate finance, asset management, financial products and investments and others	600	(297)	N/A	3,983	0.15
		<b>Maximum<sup>(6)</sup></b>			74.88		1.38
		<b>Minimum<sup>(6)</sup></b>			7.68		0.15
		<b>Mean<sup>(6)</sup></b>			32.49		0.44
		<b>Median<sup>(6)</sup></b>			11.35		0.37
665	<b>The Company<sup>(7)</sup></b>	Wealth management, corporate finance, asset management, global markets and investment	12,826	(6,541)	N/A	20,258	0.63

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

- (1) Market capitalisation is calculated based on the share closing price of the respective companies times the total number of shares in issue as at the Latest Practicable Date.
- (2) The net profit attributable to shareholders of the Comparables are extracted from their respective latest published annual reports prior to the Latest Practicable Date.
- (3) P/E Ratios of the Comparables are calculated based on their respective market capitalisation as described in note 1 above and divided by the net profit attributable to shareholders as described in note 2 above.
- (4) Net tangible asset value of the Comparables refer to their respective net tangible assets (calculated based on their respective net assets minus goodwill and/or intangible assets) extracted from their respective latest published annual reports as at the Latest Practicable Date.
- (5) P/B Ratio is calculated based on the market capitalisation as described in note 1 above divided by net tangible asset value as described in note 4 above.
- (6) Excluding loss-making companies for statistical calculation of P/E ratio.
- (7) The implied market capitalisation, P/E Ratio and P/B Ratio of the Company are calculated based on the Cancellation Price and 8,438,191,598 issued Shares.

As shown in the table above, five out of nine Comparables are loss making and given that the Group is also loss making, we are not able to conduct meaningful P/E Ratios analysis. Conducting our analysis using P/B Ratios, we noted that eight out of nine Comparables are currently trading at a discount to their net asset values with the remaining Comparable currently trading at a premium of 1.38 times over its net asset values. The P/B Ratios of the Comparables range from approximately 0.15 times to 1.38 times, with mean and median of approximately 0.44 times and 0.37 times respectively. The implied P/B Ratio (based on the Cancellation Price) of the Company of approximately 0.63 times is (i) within the range of the Comparables; (ii) higher than the mean and median of the Comparables; and (iii) lower than only one of the Comparables.

From the perspective of market comparable analysis based on the commonly adopted and practicably available reference (i.e. P/B Ratio), it can be shown that the Cancellation Price accorded the Company a valuation which is generally higher than the Comparables.

## 5. Privatisation precedents

As disclosed in the “Explanatory Statement” as contained in the Scheme Document, we noted that the Cancellation Price has been determined taking into account other privatisation transactions relating to companies listed on the Stock Exchange in the recent years. In this regard, we have conducted research on privatisation transactions announced during the one-year period commencing from 27 September 2022 and up to and including the Last Trading Day (the “**Reference Period**”) and with successful outcome as at the Latest Practicable Date (the “**Privatisation Precedents**”). Based on the above selection criteria, we identified an exhaustive list of seven Privatisation Precedents which details are summarised below:

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation <sup>(1)</sup> (HK\$ million)	Revenue <sup>(2)</sup> (HK\$ million)	Net profit <sup>(3)</sup> (HK\$ million)	Net tangible asset value <sup>(4)</sup> (HK\$ million)	Premium of the offer/cancellation price over closing price per share on the last trading day prior to the publication of the initial announcement
1031	Kingston Financial Group Limited (“ <b>Kingston Financial</b> ”)	Engaged in the provision of a full range of financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory services and futures brokerage services in Hong Kong, China and hotel and gaming businesses in Macau, China.	24 Oct 2022	4,084	1,973	45	9,652	47.8%



Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation <sup>(1)</sup> (HK\$ million)	Revenue <sup>(2)</sup> (HK\$ million)	Net profit <sup>(3)</sup> (HK\$ million)	Net tangible asset value <sup>(4)</sup> (HK\$ million)	Premium of the offer/cancellation price over closing price per share on the last trading day prior to the publication of the initial announcement
8075	Media Asia Group Holdings Limited	Engaged in (i) film production and distribution; organisation, management and production of concerts and live performances; (ii) artiste management; production and distribution of television programs; (iii) music production and publishing; licensing of media contents; (iv) provision of consultancy services in planning and management of cultural, entertainment and live performance projects.	10 Nov 2022	1,075	222	N/A	257	7.5%
2686	AAG Energy Holdings Limited	Engaged in exploration, development and production of coalbed methane in the PRC.	17 Feb 2023	6,281	2,746	1,515	8,092	10.1%
1366	Jiangnan Group Limited	Engaged in the manufacturing of and trading in wires and cables.	21 Feb 2023	2,447	20,492	147	6,400	12.7%
3948	Inner Mongolia Yitai Coal Co., Ltd.	Engaged in coal production and operation, supported by rail transportation and coal chemical industries.	9 May 2023	5,705	64,892	11,744	57,847	9.0%

Stock code	Company name	Principal businesses	Date of initial announcement of the privatisation proposal	Market capitalisation <sup>(1)</sup> (HK\$ million)	Revenue <sup>(2)</sup> (HK\$ million)	Net profit <sup>(3)</sup> (HK\$ million)	Net tangible asset value <sup>(4)</sup> (HK\$ million)	Premium of the offer/cancellation price over closing price per share on the last trading day prior to the publication of the initial announcement
3308	Golden Eagle Retail Group Limited	Engaged in the development and operations of lifestyle centre and stylish department store chain, property development and hotel operation in the PRC.	28 May 2023	11,422	5,705	801	10,011	40.4%
3799	Dali Foods Group Company Limited	Engaged in the manufacturing and sale of food and beverage in the PRC.	27 Jun 2023	51,352	21,354	3,199	20,002	37.9%
<b>665</b>	<b>The Company</b>	Engaged in the wealth management, corporate finance, asset management, global markets and investment.	6 Oct 2023	12,826	(1,390)	N/A	20,258	114.1%

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

- (1) Market capitalisation is calculated based on the offer/cancellation price of the respective companies times the total number of shares in issue as at the latest practicable date.
- (2) Revenue is extracted from their respective latest published annual reports prior to the latest practicable date.
- (3) The net profit attributable to shareholders are extracted from their respective latest published annual reports prior to the latest practicable date.
- (4) Net tangible asset value refers to their respective net tangible assets (calculated based on their respective net assets minus goodwill and/or intangible assets) extracted from their respective latest published annual reports as at the latest practicable date.

From the above table, we noted that the Privatisation Precedents involved companies from different industries ranging from provision of financial services, software and services, manufacturing of consumer and industrial products to industrial transportation and engineering, property development, department stores and hotel operations and management. The size and scale of the Privatisation Precedents as indicated by their market capitalisations also varied vastly ranging from approximately HK\$1.1 billion to HK\$51.4 billion. The Privatisation Precedents also occurred during different market cycles where during the period, the Hang Seng Index (which we believe can be used as a proxy of the trading sentiments on the Stock Exchange) had ranged between 14,800 and 22,700. Overall, we observed that the Privatisation Precedents are in different industries (except Kingston Financial) and operate in different markets which fundamentals and prospects could be different from that of the Group at this moment. There are also variations in terms of scale of operations, financial performance and position as well as trading prospects and hence, difference in risk premiums afforded by the market.

For comparison with Kingston Financial's privatisation, we note that its cancellation price of HK\$0.30 per share represented a premium of approximately 47.8% to the closing price per share on the last trading day prior to the publication of the initial announcement in relation to its privatisation proposal. For the Proposal, the Cancellation Price of HK\$1.52 per Share represents a higher premium of approximately 114.1% to the closing price per Share on the Last Trading Day. In respect of implied P/B Ratio analysis, the cancellation price of HK\$0.30 per share of Kingston Financial resulted in an implied price-to-book ratio of approximately 0.42 times which is lower than the implied P/B Ratio of the Company of approximately 0.63 times (based on the Cancellation Price) as mentioned in the section headed "4.3 Comparable analysis" above.

Whilst we note that the Offeror made reference to other privatisation transactions relating to companies listed on the Stock Exchange as one of the factors when they determine the Cancellation Price, we are of the view that analysis of Privatisation Precedents is not particular relevant for assessing the fairness and reasonableness of the Cancellation Price due to the reasons mentioned in the paragraph above as well as the fact that they were conducted at periods of different economic and financial market cycles; and depending on the outlook at that point in time, will result in different considerations for their shareholders. Accordingly, we consider the analysis in the other sections above to be more appropriate for the Disinterested Shareholders to make an informed assessment on the fairness and reasonableness of the Cancellation Price.

**6. The Share Option Offer**

As at the Latest Practicable Date, there are 28,722,435 Share Options granted and outstanding under the Share Option Scheme and all of such Share Options are exercisable, each giving the Share Option Holder the right to subscribe for one new Share per Share Option. The relevant exercise price applicable to each outstanding Share Option ranges from HK\$0.928 to HK\$2.304 per Share Option. Details of the outstanding Share Options are set out in the “Explanatory Statement” as contained in the Scheme Document. The exercise of all outstanding Share Options in full would result in the issue of 28,722,435 new Shares, representing approximately 0.34% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.34% of the enlarged issued share capital of the Company (assuming all the outstanding Share Options had been exercised).

The Offeror is making an appropriate offer to the Share Option Holders in accordance with Rule 13 of the Takeovers Code.

Under the Share Option Offer, the Offeror is to offer the Share Option Holders the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option, for the cancellation of each outstanding Share Option they hold in accordance with Rule 13 of the Takeovers Code.

For those Share Options having the exercise price of the outstanding Share Option that is equal to or greater than the Cancellation Price (such that, the “see-through” price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option is made. For those Share Options having the exercise price of the outstanding Share Option that is below the Cancellation Price (in this case HK\$0.928, the “see-through” price is HK\$0.592), such amount is offered to those Share Option Holders. On the basis of our analysis that the Cancellation Price is fair and reasonable, we consider the Share Option Offer at the “see-through” price to be fair and reasonable so far as the Share Option Holders are concerned.

Share Option Holders are requested to note that:

If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme before the Meeting Record Date, and the corresponding Shares are issued to such Share Option Holder(s) prior to the Meeting Record Date, any such Shares shall form part of the Scheme Shares and may be voted at the Court Meeting and the SGM. Please see the section headed “17. Court Meeting and SGM” of the “Part VII – Explanatory Statement” and “Part II – Actions to be Taken” of the Scheme Document for further details.

If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme after the Meeting Record Date and on or before the date that is the earlier of the end of two calendar months after the date of the letter to the Share Option Holders and the date on which the Scheme is sanctioned by the Court, and the corresponding Shares are issued to such Share Option Holder(s), any such Shares shall form part of the Scheme Shares.

In the event that (i) any outstanding Share Option has not been so exercised; and (ii) the Share Option Holders do not accept the Share Option Offer in respect of such outstanding Share Option, such Share Option shall lapse upon the scheme of arrangement becoming effective according to the terms of the Share Option Scheme.

During the offer period, the Company does not intend to grant any new Share Options under the Share Option Scheme.

**The Share Option Offer will be conditional on the Scheme becoming effective. If any of the Conditions is not satisfied or waived (where applicable) on or before the Long Stop Date and the Proposal and the Scheme lapse, the Share Option Offer will also lapse.**

## **RECOMMENDATIONS**

### **1. The Proposal and the Scheme**

In summary, having considered the following principal factors and reasons:

- (i) the financial performance of the Group had deteriorated in FY2022 and 1H FY2023, while outlook of its businesses continues to be marred by uncertainties of slowing world economies, high interest rate environment and weak stock market sentiments;
- (ii) stable dividend pay-out had been halted since FY2022 and there is no indication of when dividend payment will resume;
- (iii) the Company anticipates further equity fund raising would be required to strengthen its equity base and from the point of view of Disinterested Shareholders; they may have to participate in such exercises in future if they are to maintain their percentage shareholding in the Company;
- (iv) from the Disinterested Shareholders' perspective, the Scheme enables them to receive immediate cash proceeds at a fixed Cancellation Price amidst low trading liquidity of Shares for their entire shareholding in the Company; and they can potentially redeploy the proceeds towards other investment opportunities;

- (v) the Cancellation Price represents premiums over the closing prices of the Shares during the entire Review Period;
- (vi) while the Cancellation Price represents a discount to its consolidated net asset value which is in itself unfavourable, this phenomenon however appears common for issuers in the industry which the Group operates in and under current financial market environment, as observed in the market comparable analysis;
- (vii) the trading volume of the Shares had been generally thin during the Review Period and the Scheme provides an opportunity for Disinterested Shareholders to realise their investments in the Company for cash at the fixed Cancellation Price regardless of the number of Shares they hold without exerting downward pressure on the market price of the Shares; and
- (viii) in terms of market comparable analysis, the implied P/B Ratio of the Company is
  - (i) within the range of the Comparables; (ii) higher than the mean and median of the Comparables; and (iii) lower than only one of the Comparables, augmenting the reasonableness of the Company's valuation accorded by the Cancellation Price relative to the Comparables in general,

we consider that the terms of the Proposal and the Scheme are fair and reasonable and accordingly, we recommend the Independent Board Committee to advise (i) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and (ii) the Shareholders to vote in favour of the special resolution in connection with the implementation of the Proposal at the SGM.

**As different Shareholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Shareholders who may require advice in relation to any aspect of the Scheme 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.**

**Disinterested Shareholders are reminded to make their decisions to dispose or retain their investments or exercise their rights in the Shares with regard to their own circumstances and investment objectives, and are reminded to closely observe and monitor the market price and liquidity of the Shares during the offer period (in particular, when the closing price of the Shares are trading quite close to the Cancellation Price) and to consider selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Scheme.**

**2. Share Option Offer**

On the basis of our analysis that the Cancellation Price is fair and reasonable, we consider the Share Option Offer at the “see-through” price to be fair and reasonable so far as the Share Option Holders are concerned. Accordingly, we recommend the Independent Board Committee to recommend the Share Option Holders to accept the Share Option Offer.

**As different Share Option Holders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Share Option Holders who may require advice in relation to any aspect of the Share Option Offer set out in the Scheme 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.**

**Share Option Holders are reminded to make their decisions to exercise their rights in the Share Options with regard to their own circumstances and investment objectives, and are reminded to closely monitor the market price and liquidity of the Shares during the offer period and consider exercising their Share Options and in turn selling their Shares in the open market, where possible, if the net proceeds (after deducting all transaction costs) exceed the net amount to be received under the Scheme.**

Yours faithfully,  
For and behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Responsible Officer*

**Chang Sean Pey**  
*Responsible Officer*

Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

*This Explanatory Statement constitutes the statement required under section 100 of the Companies Act.*

**SCHEME OF ARRANGEMENT  
(UNDER SECTION 99 OF THE COMPANIES ACT)**

**1. INTRODUCTION**

On 26 September 2023, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the withdrawal of listing of the Shares on the Stock Exchange. On 15 November 2023, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

If the Proposal is approved and implemented, under the Scheme, all Scheme Shares will be cancelled on the Effective Date. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 100% by the Offeror, and the listing of the Shares will be withdrawn from the Stock Exchange.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal (in particular the Scheme) and the Share Option Offer and to provide the Scheme Shareholders and the Share Option Holders with further information in relation to the Proposal and the Share Option Offer.

Particular attention is also drawn to (i) the letter from the Board set out in Part IV of this Scheme Document; (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (iii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III headed "*The Scheme*" to this Scheme Document, and (if applicable) the Form of Acceptance and the letter to the Share Option Holder.



## 2. TERMS OF THE PROPOSAL

Subject to the satisfaction or waiver (where applicable) of the Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled . . . . . HK\$1.52 in cash

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in the Announcement, this Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. As at the Latest Practicable Date, the Company has not declared any dividend which remains unpaid. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date.

**The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.**

The Cancellation Price of HK\$1.52 represents:

- (a) a premium of approximately 2.70% over the closing price of HK\$1.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 114.08% over the closing price of HK\$0.710 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 111.11% over the average closing price of HK\$0.720 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 108.22% over the average closing price of HK\$0.730 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 126.53% over the average closing price of HK\$0.671 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- (f) a premium of approximately 122.22% over the average closing price of HK\$0.684 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 125.19% over the average closing price of HK\$0.675 per Share as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 110.53% over the average closing price of HK\$0.722 per Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (i) a discount of approximately 51.20% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$3.115 as at 31 December 2022; and
- (j) a discount of approximately 39.32% to the unaudited consolidated net asset value (excluding the perpetual securities and distribution relating thereto) attributable to Shareholders per Share of approximately HK\$2.505 as at 30 June 2023.

The Cancellation Price has been determined on an arm's length commercial basis after taking into account the financial information of the Group, the historical prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong, China in recent years.

### **Highest and lowest prices**

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.480 on 17 November 2023, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.590 on 23 August 2023.

### **3. PRE-CONDITION TO THE PROPOSAL AND THE SCHEME**

The making of the Proposal and the implementation of the Scheme was subject to the satisfaction of the Pre-Condition that the Approvals from Shanghai SASAC, CSRC, NDRC and the Shanghai Branch of the PBOC and all other Approvals which are required in connection with the Proposal by Applicable Laws in Mainland China and Hong Kong, China having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation on or prior to the Pre-Condition Long Stop Date.

On 15 November 2023, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

**4. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The Proposal and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (c) the passing by the Shareholders at the SGM of (i) the special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance, to the extent necessary, with the applicable requirements of section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (f) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the Scheme void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the Scheme);

- (g) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory or administrative requirements expressly provided for, in the Applicable Laws in connection with the Proposal or the Scheme, in each case up to and as at the Effective Date;
- (h) since the Announcement Date, there having been no material adverse change to the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group, each taken as a whole;
- (i) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange, to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (j) there having been no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise), and no such proceedings having been threatened in writing against any such member (and no investigation by any Authority in respect of any such member or the business carried on by any such member having been threatened in writing, announced or instituted), in each case which is material and adverse in the context of the Group, the Proposal or the Scheme;
- (k) all Approvals which are required in connection with the Proposal by Applicable Laws having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation; and
- (l) all Approvals which are required in connection with the Proposal under (i) the Relevant Borrowings; and (ii) the Material Contracts, having been obtained and remaining in full force and effect without modification or variation.

The Conditions in paragraphs (a) to (e) (inclusive) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraph (f) to (l) (inclusive), to the extent permissible by Applicable Laws, the Listing Rules and the Takeovers Code, either in whole or in part, either generally or in respect of any particular matter.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

All of the Conditions must be satisfied or waived (where applicable) on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

As at the Latest Practicable Date and based on the information available to the Offeror and the Company, other than those set out as the Pre-Condition and Conditions above and the application for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective, the Offeror and the Company are not aware of any circumstances which may result in any of Conditions (f), (g), (i) or (j) above not being satisfied.

As at the Latest Practicable Date, none of the Conditions had been satisfied or waived.

If the Conditions are satisfied or validly waived (as applicable), the Proposal and the Scheme will be binding on all of the Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the SGM.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the SGM on Friday, 15 December 2023 by no later than 7:00 p.m. and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of Shares from the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

**WARNINGS: Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that the implementation of the Proposal, the Scheme and the Share Option Offer is subject to the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal and the Share Option Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, Share Option Holders, Share Award Holders, holders of other securities of the Company and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **5. SHARE OPTION OFFER**

As at the Latest Practicable Date, there are 28,722,435 Share Options granted and outstanding under the Share Option Scheme and all of such Share Options are exercisable, each giving the Share Option Holder the right to subscribe for one new Share per Share Option. The relevant exercise price applicable to each outstanding Share Option ranges from HK\$0.928 to HK\$2.304 per Share Option. The exercise of all outstanding Share Options in full would result in the issue of 28,722,435 new Shares, representing 0.34% of the issued share capital of the Company as at the Latest Practicable Date and 0.34% of the enlarged issued share capital of the Company.

Under the Share Option Offer, the Offeror will, in accordance with Rule 13 of the Takeovers Code, offer the Share Option Holders the Share Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash for the cancellation of each outstanding Share

Option they hold as at the Scheme Record Date. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option will be made.

The table below sets out the exercise price and the corresponding “see-through” price for the outstanding Share Options under the Share Option Offer as at the Latest Practicable Date:

Date of grant	Exercise period of outstanding Share Options	Exercise price (HK\$)	Share Option Offer Price/ “See-through” price (HK\$)	Number of outstanding Share Options not yet exercisable	Number of outstanding Share Options that are now exercisable
31 May 2019	27 December 2019 – 30 May 2024	2.304	0.00001	–	5,556,436
29 May 2020	25 December 2020 – 28 May 2025	1.558	0.00001	–	6,369,735
21 July 2021	17 February 2022 – 20 July 2026	2.163	0.00001	–	7,872,073
6 September 2022	3 April 2023 – 5 September 2027	0.928	0.592	–	8,924,191
<b>Total</b>				–	<b>28,722,435</b>

If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme before the Meeting Record Date, and the corresponding Shares are issued to such Share Option Holder(s) prior to the Meeting Record Date, any such Shares shall form part of the Scheme Shares and may be voted at the Court Meeting and the SGM. Please see the section head “17. Court Meeting and SGM” below, Part II – Actions to be Taken and the notices of Court Meeting and the SGM on pages IV-1 to V-2 of this Scheme Document for further details.

If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme after the Meeting Record Date and on or before the date that is the earlier of the end of two calendar months after the date of the letter to the Share Option Holders and the date on which the Scheme is sanctioned by the Court, and the corresponding Shares are issued to such Share Option Holder(s) prior to the Scheme Record Date, any such Shares shall form part of the Scheme Shares.

In the event that (i) any outstanding Share Option has not been so exercised; and (ii) the Share Option Holders do not accept the Share Option Offer in respect of such outstanding Share Option, such Share Options shall lapse upon the scheme of arrangement becoming effective according to the terms of the Share Option Scheme.

During the offer period, the Company does not intend to grant any new Share Options under the Share Option Scheme.

**The Share Option Offer will be conditional on the Scheme becoming effective. If any of the Conditions is not satisfied or waived (where applicable) on or before the Long Stop Date and the Proposal and the Scheme lapse, the Share Option Offer will also lapse.**

Further information on the Share Option Offer is set out in the form of the Letter to the Share Option Holders in Appendix VI, which will be despatched at or around the same time as the despatch of this Scheme Document.

#### **6. IMPACT ON THE TRUSTEE HELD SHARES UNDER THE SHARE AWARD SCHEME**

As at the Latest Practicable Date, there were a total of 96,505,933 Trustee Held Shares held by the Share Award Trustee pursuant to the Share Award Scheme, of which:

- (a) 938,571 Shares were held as Trustee Held Awarded Shares which are granted but yet to be vested (or vested but not yet transferred) with the designated Share Award Holders; and
- (b) 95,567,362 Shares were held as Trustee Held Pool Shares that are unutilised under the Share Award Scheme.

If any Trustee Held Awarded Shares are vested and the corresponding Shares are transferred by the Share Award Trustee to the relevant Share Award Holder prior to the Meeting Record Date, any such Shares shall form part of the Scheme Shares and may be voted at the Court Meeting and the SGM. Your attention is drawn to the section headed “17. Court Meeting and SGM” below, Part II – Actions to be Taken and the notices of Court Meeting and the SGM on pages IV-1 to V-2 of this Scheme Document.

If any Trustee Held Awarded Shares are vested and the corresponding Shares are transferred by the Share Award Trustee to the relevant Share Award Holder after the Meeting Record Date but on or prior to the Scheme Record Date, any such Trustee Held Awarded Shares shall form part of the Scheme Shares.

All of the Trustee Held Shares which are still held by the Share Award Trustee as of the Scheme Record Date shall also form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay to the Share Award Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Shares, which:

- (a) for the amount which corresponds to the Trustee Held Awarded Shares, shall be held on trust by the Share Award Trustee for the relevant Share Award Holder and shall be payable by the Share Award Trustee to such Share Award Holder on the vesting date(s) of the respective Trustee Held Awarded Shares; and
- (b) for the amount which corresponds to the Trustee Held Pool Shares, shall be paid by the Share Award Trustee to the Company after the Share Award Trustee receives such amount from the Offeror under the Scheme and upon the termination of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Share Award Holders shall have no voting rights in respect of any Trustee Held Awarded Shares which are granted but yet to be vested and the Share Award Trustee shall not exercise the voting rights attached to the Trustee Held Shares held by it under the relevant trust. Accordingly, all of the Trustee Held Shares will not be voted at the Court Meeting and the SGM notwithstanding that such Shares form part of the Scheme Shares.

During the offer period, the Company does not intend to grant any further Awarded Shares and therefore the Share Award Trustee will not further acquire Shares on market for the purpose of making grants under the Share Award Scheme.

## **7. IRREVOCABLE UNDERTAKINGS**

On 5 October 2023, each of the IU Shareholders has given an Irrevocable Undertaking in favour of the Offeror, pursuant to which, among other things:

- (a) it will exercise or procure the exercise of all voting rights attached to:
  - (i) the IU Shares owned by it as at the date of the Irrevocable Undertakings; and
  - (ii) any other Shares in which it come to have interests after the date of the Irrevocable Undertakings,

to vote in favour of any resolutions relating to the Proposal and the Scheme to be proposed at any meeting of Shareholders (including the Court Meeting and the SGM); and

- (b) for the period from the date of the Irrevocable Undertakings until the Effective Date, it shall not dispose of or otherwise transfer any interest in any of the IU Shares.



The IU Shareholders hold 139,697,073 Shares in aggregate as at the date of the Irrevocable Undertakings, representing approximately 1.66% of the total issued share capital of the Company, and approximately 6.51% of the Disinterested Scheme Shares, as at the Latest Practicable Date.

The Irrevocable Undertakings will be terminated if the Scheme: (a) is not effective by the Long Stop Date; (b) is not approved at the Court Meeting or the SGM; or (c) is not sanctioned by the Court.

As at the Latest Practicable Date, other than the Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal.

## **8. CONFIRMATION OF FINANCIAL RESOURCES**

As at the Latest Practicable Date, there are (a) 2,244,325,652 Scheme Shares in issue; and (b) 28,722,435 outstanding Share Options, entitling the Share Option Holders to subscribe for a total of 28,722,435 new Shares (representing approximately 0.34% of the issued share capital of the Company as at the Latest Practicable Date).

Assuming that (i) no new Shares will be issued and no new Share Options will be granted up to the Scheme Record Date; and (ii) no outstanding Share Options will be exercised on or before the Scheme Record Date, the Proposal and the Share Option Offer will involve making an offer to cancel:

- (a) 2,244,325,652 Scheme Shares in exchange for the Cancellation Price of HK\$1.52 per Scheme Share;
- (b) 28,722,435 outstanding Share Options, of which:
  - (i) 8,924,191 Share Options with an exercise price of HK\$0.928, in exchange for the Share Option Offer Price of HK\$0.592 per Share Option; and
  - (ii) 19,798,244 Share Options with an exercise price equal to or greater than the Cancellation Price, in exchange for the Share Option Offer Price of HK\$0.00001 per Share Option,

with the maximum cash consideration payable by the Offeror under the Proposal and the Share Option Offer being approximately HK\$3,416,658,310.09.

Assuming that (i) no new Shares will be issued and no new Share Options will be granted up to the Scheme Record Date; and (ii) all outstanding Share Options will be exercised on or before the Scheme Record Date, the Proposal and the Share Option Offer will involve making an offer to cancel 2,273,048,087 Scheme Shares in exchange for the Cancellation Price of HK\$1.52 per Scheme Share, with the maximum cash consideration payable by the Offeror under the Proposal and the Share Option Offer being approximately HK\$3,455,033,092.24.

The Offeror proposes to finance the cash consideration payable under the Proposal and the Share Option Offer in full through the External Financing.

Somerley Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration payable under the Proposal and the Share Option Offer.

## 9. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Shares and the issued share capital of the Company is HK\$843,819,159.8 divided into 8,438,191,598 Shares. There are no other classes of shares of the Company in issue.

### Shareholding Structure of the Company as at the Latest Practicable Date

The table below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date, and (b) as at the Latest Practicable Date and assuming all the Share Options had been exercised on or before the Latest Practicable Date:

Shareholders	As at the		As at the Latest Practicable Date and assuming all the Share Options had been exercised on or before the Latest Practicable Date	
	Latest Practicable Date		Latest Practicable Date	
	<i>Approximately</i> <i>Number of</i> <i>Shares</i>	<i>% of total</i> <i>issued Shares</i>	<i>Approximately</i> <i>Number of</i> <i>Shares</i>	<i>% of total</i> <i>issued Shares</i>
<b>(A) Offeror (not subject to the Scheme)<sup>(1)</sup></b>	6,193,865,946	73.40%	6,193,865,946	73.15%
<b>(B) Offeror Concert Parties (subject to the Scheme):</b>				
Group <sup>(2)</sup>	327	0.00%	327	0.00%
Mr. Li Jun <sup>(3)</sup>	–	–	201,590	0.00%
Mr. Lin Yong <sup>(4)</sup>	10,471,986	0.12%	13,871,063	0.16%
Mr. Zhang Xinjun <sup>(5)</sup>	956,762	0.01%	1,935,235	0.02%
Shanghai Guosheng Group <sup>(6)</sup>	18,168,150	0.22%	18,168,150	0.22%
<b>Sub-total</b>	<u>29,597,225</u>	<u>0.35%</u>	<u>34,176,365</u>	<u>0.40%</u>
<b>(C) Offeror and Offeror Concert Parties (A) + (B)</b>	<u>6,223,463,171</u>	<u>73.75%</u>	<u>6,228,042,311</u>	<u>73.55%</u>

Shareholders	As at the Latest Practicable Date		As at the Latest Practicable Date and assuming all the Share Options had been exercised on or before the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>
<b>(D) Other holders of Scheme</b>				
<b>Shares that are not Disinterested Scheme Shares<sup>(7)</sup></b>	68,450,945	0.81%	68,450,945	0.81%
<b>(E) Disinterested</b>				
<b>Shareholders:</b>				
Mr. Sun Jianfeng <sup>(8)</sup>	3,292,313	0.04%	5,692,756	0.07%
Mr. Sun Tong <sup>(9)</sup>	2,915,655	0.03%	5,204,970	0.06%
Mr. Cheng Chi Ming Brian <sup>(10)</sup>	–	–	756,342	0.01%
Mr. Wan Kam To <sup>(11)</sup>	–	–	700,905	0.01%
Mr. Liu Swee Long Michael <sup>(12)</sup>	–	–	367,902	0.00%
Mr. Zhang Huaqiao <sup>(13)</sup>	–	–	367,902	0.00%
Ms. Lee Man Yuen Margaret <sup>(14)</sup>	–	–	201,590	0.00%
Share Award Trustee <sup>(15)</sup>	96,505,933	1.14%	96,505,933	1.14%
<b>Other Disinterested</b>				
Shareholders	2,043,563,581	24.23%	2,060,622,477	24.35%
<b>Sub-total</b>	<u>2,146,277,482</u>	<u>25.44%</u>	<u>2,170,420,777</u>	<u>25.64%</u>
<b>Total number of Scheme</b>				
<b>Shares<sup>(16)</sup></b>	2,244,325,652	26.60%	2,273,048,087	26.85%
<b>Total number of Shares</b>				
<b>(C) + (D) + (E)</b>	<u>8,438,191,598</u>	<u>100.00%</u>	<u>8,466,914,033</u>	<u>100.00%</u>

*Notes:*

- As at the Latest Practicable Date, the Offeror directly owned 6,193,865,946 Shares. Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
- As at the Latest Practicable Date, Haitong International Securities Company Limited held 327 Shares. Haitong International Securities Company Limited is a wholly-owned subsidiary of the Company and an indirect subsidiary of the Offeror. Accordingly, Haitong International Securities Company Limited is presumed to be acting in concert with the Offeror in relation to the Company under class 1 of the definition of “acting in concert” under the Takeovers Code.
- As at the Latest Practicable Date, Mr. Li Jun held 201,590 outstanding Share Options. Mr. Li Jun is (a) the chairman and non-executive Director; (b) the chairman and director of the Offeror; and (c) the executive director and general manager of HSCL, which directly owns 100% shareholding of the Offeror. Mr. Li Jun is therefore presumed to be acting in concert with the Offeror in relation to the Company under class 2 of the definition of “acting in concert” under the Takeovers Code.

4. As at the Latest Practicable Date, Mr. Lin Yong held 10,471,986 Shares and 3,399,077 outstanding Share Options. Mr. Lin Yong is (a) the deputy chairman, chief executive officer and executive Director; and (b) a director of the Offeror. Mr. Lin Yong is therefore presumed to be acting in concert with the Offeror in relation to the Company under class 2 of the definition of “acting in concert” under the Takeovers Code.
5. As at the Latest Practicable Date, Mr. Zhang Xinjun held 956,762 Shares and 978,473 outstanding Share Options. Mr. Zhang Xinjun is (a) a non-executive Director; and (b) a director of the Offeror. Mr. Zhang Xinjun is therefore presumed to be acting in concert with the Offeror in relation to the Company under class 2 of the definition of “acting in concert” under the Takeovers Code.
6. As at the Latest Practicable Date and based on publicly available information:
  - (a) Guosheng Hong Kong, a wholly-owned subsidiary of Shanghai Guosheng Group, held 0.22% of the total issued Shares.
  - (b) Shanghai Guosheng Group, along with certain shareholders of HSCL which were directly or indirectly wholly-owned by Shanghai SASAC or whose 30% or more of the voting rights were held by Shanghai SASAC, in aggregate held over 20% (but less than 50%) of the total issued shares of HSCL.

Therefore, Shanghai Guosheng Group (and hence Guosheng Hong Kong) is presumed to be acting in concert with the Offeror under class (1) of the definition of “acting in concert” under the Takeovers Code. In the interest of time and to proceed with the Proposal as soon as practicable, as at the Latest Practicable Date, the Offeror had decided not to make any formal application to rebut such presumption.

7. As at the Latest Practicable Date, 68,450,945 Shares were subject to a security interest in favour of Haitong International Securities Company Limited, a wholly-owned subsidiary of the Company, and which Haitong International Securities Company Limited had the right to exercise the voting rights of such Shares.
8. As at the Latest Practicable Date, Mr. Sun Jianfeng held 3,292,313 Shares and 2,400,443 outstanding Share Options. Mr. Sun Jianfeng is an executive Director. As there is no agreement, arrangement or understanding between Mr. Sun Jianfeng on the one hand, and the Offeror on the other, Mr. Sun Jianfeng is not regarded as acting in concert with the Offeror and the Shares held by him will form part of the Scheme Shares held by the Disinterested Shareholders.
9. As at the Latest Practicable Date, Mr. Sun Tong held 2,915,655 Shares and 2,289,315 outstanding Share Options. Mr. Sun Tong is (a) an executive Director; and (b) a senior management member of the Offeror. As there is no agreement, arrangement or understanding between Mr. Sun Tong on the one hand, and the Offeror on the other, Mr. Sun Tong is not regarded as acting in concert with the Offeror and the Shares held by him will form part of the Scheme Shares held by the Disinterested Shareholders.
10. As at the Latest Practicable Date, Mr. Cheng Chi Ming Brian held 756,342 outstanding Share Options. Mr. Cheng Chi Ming Brian is (a) a non-executive Director; and (b) an executive director of the holding company for an IU Shareholder, NWS Financial Management Services Limited. As there is no agreement, arrangement or understanding between Mr. Cheng Chi Ming Brian on the one hand, and the Offeror on the other, Mr. Cheng Chi Ming Brian is not regarded as acting in concert with the Offeror.
11. As at the Latest Practicable Date, Mr. Wan Kam To held 700,905 outstanding Share Options. Mr. Wan Kam To is an independent non-executive Director. As there is no agreement, arrangement or understanding between Mr. Wan Kam To on the one hand, and the Offeror on the other, Mr. Wan Kam To is not regarded as acting in concert with the Offeror.
12. As at the Latest Practicable Date, Mr. Liu Swee Long Michael held 367,902 outstanding Share Options. Mr. Liu Swee Long Michael is an independent non-executive Director. As there is no agreement, arrangement or understanding between Mr. Liu Swee Long Michael on the one hand, and the Offeror on the other, Mr. Liu Swee Long Michael is not regarded as acting in concert with the Offeror.
13. As at the Latest Practicable Date, Mr. Zhang Huaqiao held 367,902 outstanding Share Options. Mr. Zhang Huaqiao is an independent non-executive Director. As there is no agreement, arrangement or understanding between Mr. Zhang Huaqiao on the one hand, and the Offeror on the other, Mr. Zhang Huaqiao is not regarded as acting in concert with the Offeror.

14. As at the Latest Practicable Date, Ms. Lee Man Yuen Margaret held 201,590 outstanding Share Options. Ms. Lee Man Yuen Margaret is an independent non-executive Director. As there is no agreement, arrangement or understanding between Ms. Lee Man Yuen Margaret on the one hand, and the Offeror on the other, Ms. Lee Man Yuen Margaret is not regarded as acting in concert with the Offeror.
15. As at the Latest Practicable Date, the Share Award Trustee held 96,505,933 Trustee Held Shares (representing approximately 1.14% of the total issued Shares) pursuant to the Share Award Scheme which comprises (a) 938,571 Trustee Held Awarded Shares; and (b) 95,567,362 Trustee Held Pool Shares. As set out in the section headed “6. Impact on the Trustee Held Shares under the Share Award Scheme” above, the Trustee will not exercise the voting rights attached to the Trustee Held Shares held by it. Accordingly, all the Trustee Held Shares held by the Trustee will not be voted on the Scheme at the Court Meeting nor at the SGM notwithstanding that such Shares will form part of the Scheme Shares.
16. The Scheme Shares include the Shares held by all the Shareholders other than those held by the Offeror.
17. The percentages are subject to rounding adjustments and may not add up to 100%.

### Shareholding Structure of the Company immediately upon completion of the Proposal and Share Option Offer

The table below sets out the shareholding structure of the Company immediately upon the completion of the Proposal and the Share Option Offer, assuming that: (a) there will be no change in the shareholding structure of the Company (whether by way of exercise of any Share Options or otherwise) before the Scheme Record Date (“**Scenario 1**”); and (b) all Share Options will be exercised before the Scheme Record Date and there will be no other change in the shareholding of the Company before the Effective Date (“**Scenario 2**”).

Shareholders	Immediately after completion of the Proposal and Share Option Offer			
	Scenario 1		Scenario 2	
	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>
<b>(A) Offeror (not subject to the Scheme)<sup>(1)</sup></b>	8,438,191,598	100.00%	8,466,914,033	100.00%
<b>(B) Offeror Concert Parties (subject to the Scheme):</b>				
Group <sup>(2)</sup>	–	–	–	–
Mr. Li Jun <sup>(3)</sup>	–	–	–	–
Mr. Lin Yong <sup>(4)</sup>	–	–	–	–
Mr. Zhang Xinjun <sup>(5)</sup>	–	–	–	–
Shanghai Guosheng Group <sup>(6)</sup>	–	–	–	–
<b>Sub-total</b>	–	–	–	–
<b>(C) Offeror and Offeror Concert Parties (A) + (B)</b>	<u>8,438,191,598</u>	<u>100.00%</u>	<u>8,466,914,033</u>	<u>100.00%</u>

Shareholders	Immediately after completion of the Proposal and Share Option Offer			
	Scenario 1		Scenario 2	
	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>
<b>(D) Other holders of Scheme Shares that are not Disinterested Scheme Shares<sup>(7)</sup></b>	—	—	—	—
<b>(E) Disinterested Shareholders:</b>				
Mr. Sun Jianfeng <sup>(8)</sup>	—	—	—	—
Mr. Sun Tong <sup>(9)</sup>	—	—	—	—
Mr. Cheng Chi Ming Brian <sup>(10)</sup>	—	—	—	—
Mr. Wan Kam To <sup>(11)</sup>	—	—	—	—
Mr. Liu Swee Long Michael <sup>(12)</sup>	—	—	—	—
Mr. Zhang Huaqiao <sup>(13)</sup>	—	—	—	—
Ms. Lee Man Yuen Margaret <sup>(14)</sup>	—	—	—	—
Share Award Trustee <sup>(15)</sup>	—	—	—	—
Other Disinterested Shareholders	—	—	—	—
<b>Sub-total</b>	—	—	—	—
<b>Total number of Scheme Shares<sup>(16)</sup></b>	—	—	—	—
<b>Total number of Shares (C) + (D) + (E)</b>	8,438,191,598	100.00%	8,466,914,033	100.00%

*Note:* Please refer to the notes to the shareholding table under the “Shareholding Structure of the Company as at the Latest Practicable Date”.

## 10. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 665). The Group is principally engaged in wealth management, corporate finance, asset management, global markets and investment.

Your attention is drawn to Appendix I headed “*Financial Information of the Group*” and Appendix II headed “*General Information*” to this Scheme Document.

**11. INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in Hong Kong, China with limited liability which is wholly-owned by HSCL. The Offeror is engaged in investment holding.

HSCL is a joint stock limited company incorporated in China with limited liability, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600837) and H shares are listed on the Main Board of the Stock Exchange (stock code: 6837). HSCL is principally engaged in securities brokerage, proprietary securities activities, securities underwriting and sponsorship, securities investment advisory, financial consultancy related to securities trading and investment activities, direct equity investments, securities investment fund distribution, introducing brokerage business for futures companies, margin financing and securities lending, agency sale of financial products and stock option market-making.

As at the Latest Practicable Date, the Offeror is directly interested in 6,193,865,946 Shares, representing approximately 73.40% of the total issued Shares.

**12. REASONS FOR AND BENEFITS OF THE PROPOSAL****For Disinterested Shareholders*****(a) Uncertainties on business outlook***

The Company is an investment holding company and the subsidiaries of the Company are primarily engaged in wealth management, corporate finance, asset management, global markets and investment. Since 2021, the global economy has experienced significant slowdown due to the on-going Russia-Ukraine war and the U.S. Federal Reserve accelerating its pace of raising interest rate to curb inflation. In 2023, with interest rate remaining at high level and the U.S. and Europe's banking sector in turmoil, investors remained concerned about the prospects of the financial sector. The tightening of credit limits by commercial banks has further exacerbated investors' concerns about global economic recession.

Affected by the aforementioned macroeconomic environment, the performance of the Group has been declining since 2021, with a net loss recorded in 2022. The Group had suffered a net trading and investment loss of approximately HK\$4.72 billion in 2022 and the commission and fee income of the Group had decreased by approximately 52.76% from approximately HK\$3.26 billion to approximately HK\$1.54 billion, compared with 2021. The Group also recorded a net loss of approximately HK\$6.54 billion for the first time since 2009. The Group continued to incur a net loss of approximately HK\$780.94 million in the first half of 2023. Following these losses in 2022, the market has expressed concern about the Group's financial position and prospects. In response to the above concerns, the Group has prudently managed its business and sought support from its controlling shareholder in strengthening its financial position such as provision of credit enhancement and operational resources. In June 2023, the Company's controlling shareholder subscribed for excess applications in the recent rights issue fundraising undertaken by the Company, whilst the support from the other



shareholders of Company was lukewarm. Embracing the “One Haitong” philosophy, however, the Company’s controlling shareholder will continue to provide support to the Company through other means as and when necessary. While alternatives exist for the controlling shareholder to provide the required financial support, in light of the current shareholding level of the Company’s controlling shareholder at 73.40% as at the Latest Practicable Date, there will be limited opportunities for further equity injection from the controlling shareholder given the public float requirement under the Listing Rules, which may affect the necessity of maintaining the listing platform.

***(b) An opportunity to sell the Shares at a premium to current market price***

With the global economic slowdown and a subdued market sentiment in Hong Kong, China, apart from the challenges faced by the Group’s business operations, the Share price has been declining in recent years. In the past year prior to the Last Trading Day, the Share price reached its lowest point of HK\$0.564 per Share at the end of October 2022, gradually rose to HK\$0.940 per Share in January 2023, and then declined again. The average Share price over the past three months up to and including the Last Trading Day was HK\$0.684 per Share. Over the past year prior to the Last Trading Day, the Shares have been trading at a discount to its unaudited consolidated net asset value attributable to owners of the Company per Share as at 30 June 2023 (excluding the perpetual securities and distribution relating thereto), ranging from approximately 62.48% to approximately 77.49%.

The Offeror believes that the Proposal offers Disinterested Shareholders an opportunity to sell their Shares at a premium over the current market price. The Cancellation Price is higher than the closing Share price in the 12-month period up to and including the Last Trading Day, representing a premium of approximately 169.50% over the lowest closing price of HK\$0.564 per Share and a premium of approximately 61.70% over the highest closing price of HK\$0.940 per Share.

***(c) An opportunity for full monetisation of investment in the Company***

In Hong Kong, China, the stock market experienced an obvious downward trend after reaching a peak in 2021, due to multiple uncertainties ahead. The Hang Seng Index hit a low at approximately 14,700 points on 31 October 2022, marking a 13-year low. The Hang Seng Index then rebounded and reached approximately 22,700 points in January 2023, but followed by a gradual correction to approximately 17,500 points as at the Last Trading Day. The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of the Shares for the three-month period, six-month period and 12-month period up to and including the Last Trading Day were approximately 9.95 million Shares, 9.81 million Shares and 9.60 million Shares, representing only approximately 0.12%, 0.12% and 0.11%, respectively, of the total number of issued Shares as at the Last Trading Day. The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to exit and fully realise their investments in cash and redeploy the proceeds from



accepting the Scheme into other investment opportunities. The Offeror believes that this represents a good opportunity for Disinterested Shareholders to achieve full monetisation of investment in the Company, especially given the backdrop of market volatilities over the recent periods.

### **For the Offeror and the Company**

#### ***The Proposal enhances the flexibility in formulating long-term development strategies and avoid the costs associated with maintaining a listing platform***

Over the past decade, the Company had raised funds through a number of rights issues to expand its businesses. The Offeror and the Offeror Concert Parties had demonstrated their commitment and support to the Company by subscribing to their entitlements of the rights shares. The rights issues in 2013, 2014, and 2015 were fully subscribed for, which had enhanced the Group's equity base and supported its business development.

In the first half of 2023, the Company conducted a rights issue to enhance the equity base of the Group. Other than the Offeror who fully took up their entitlement of rights shares, the Company only received applications from less than 20% of the total rights shares being offered to other shareholders. Taking into account the Offeror's excess application, the rights issue has led to an increase in the aggregate shareholding of the Offeror and the Directors to nearly 73.61%, resulting in a headroom of only approximately 1.39% before the minimum public float requirement under the Listing Rules is reached. In March 2023, the Company issued subordinated perpetual securities in the principal amount of US\$200 million to the Offeror and an investee entity of HSCL, and the Group anticipates further equity fund raising would be required to strengthen its equity base in the future. Further equity fundraising can also provide the Company with flexibility in formulating financing strategy by replacing part of its debt financing with equity financing to reduce interest expenses. Owing to the constraints of the aforesaid minimum public float, the Company will unlikely be able to conduct further substantial share placements to the Offeror and the Offeror Concert Parties. In other words, the Company's ability to raise funds from the equity market as a listed company is now restricted, and the current listed platform is no longer a viable fundraising channel for the Group's business operations and long-term development. Considering (i) the significant discount of the current Share price as at the Last Trading Day to its unaudited consolidated net asset value attributable to owners of the Company per Share as at 30 June 2023 (excluding the perpetual securities and distribution relating thereto) of approximately 71.66%; and (ii) the level of subscription by public shareholders in the recent rights issue and the relatively low public float which is close to the minimum public float requirement, it is expected that the Company's room for future equity financing will be restricted, hindering its long term business development.

At the same time, as an independent listed company, the finance costs of the Group, relying on its own credit rating, may face a continuous upward pressure due to macroeconomic market factors such as the U.S. Federal Reserve's ongoing interest rate hikes and the impact of substantial losses by the Group. Considering the limited ability for equity fundraising mentioned above, it would no longer be justifiable to continue incurring costs associated with

regulatory compliance, disclosure and publication of financial statements to maintain the listing status of the Company. Upon completion of the Proposal, the Company will become a wholly-owned subsidiary of the Offeror. As the parent company of the Offeror is also a listed company, it is expected that the Group would be able to benefit from the Company's controlling shareholder's strong financial performance and reputation, which will help reduce financing costs and save on costs associated with the compliance matters and maintaining the Company's listing status. The management of the Group would also be able to reallocate resources originally utilised for corporate administration, compliance and other listing-related matters to the Group's business operations. The Offeror considers that the Proposal, if successful, will provide the Offeror with more flexibility and higher efficiency in supporting the long-term development of the Group, free from any potential dilution to Disinterested Shareholders arising from equity fundraising exercises, short-term profitability expectation, pressure of market expectations, share price fluctuations and compliance requirements associated with maintaining the listing status of the Company. Given that the Offeror and the Offeror Concert Parties hold approximately 73.75% of the issued share capital of the Company as at the Latest Practicable Date and the Offeror has indicated that it holds such Shares as a long-term investment, it will be difficult for any third party to present or implement any other proposal for the Shares held by the Scheme Shareholders without the support of the Offeror.

### **13. THE OFFEROR'S INTENTION REGARDING THE GROUP**

As at the Latest Practicable Date, the Offeror intends to withdraw the listing of Shares from the Stock Exchange upon the Scheme becoming effective and intends for the Group to continue carrying on its existing businesses following the implementation of the Proposal and the Share Option Offer and does not have any plan to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business of the Group). The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal and the Share Option Offer with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

### **14. FINANCIAL ADVISER**

The Offeror has appointed Somerley Capital as its financial adviser in connection with the Proposal.

### **15. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Board has established the Independent Board Committee, comprising Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (a) whether the terms of the Proposal, the

Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders.

Mr. LI Jun (being a non-executive Director) is the chairman and a director of the Offeror. Accordingly, Mr. LI Jun is not a member of the Independent Board Committee.

Mr. ZHANG Xinjun (being a non-executive Director) is a director of the Offeror. Accordingly, Mr. ZHANG Xinjun is not a member of the Independent Board Committee.

Mr. CHENG Chi Ming Brian (being a non-executive Director) is not a member of the Independent Board Committee due to his indirect interests in the Proposal and the Scheme as an executive director of the holding company of an IU Shareholder, NWS Financial Management Services Limited, who has given the Irrevocable Undertaking to, among other things, support the Proposal and the Scheme.

The Board, with the approval of the Independent Board Committee, has appointed Altus Capital as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Share Option Offer pursuant to Rule 2.1 of the Takeovers Code. The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

## **16. ACTIONS TO BE TAKEN**

The summary of actions to be taken by the Shareholders can be found in Part II – Actions to be Taken of this Scheme Document.

## **17. COURT MEETING AND SGM**

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting to approve the Scheme, provided that only the votes of the Disinterested Shareholders will be taken into account in determining whether the Condition in paragraph (b) of the section headed “4. *Conditions of the Proposal and the Scheme*” above is satisfied.

Only Scheme Shareholders whose Scheme Shares are registered in their own names in the register of members of the Company as at the Meeting Record Date will be counted as members of the Company for the purposes of calculating whether or not a majority in number of Scheme Shareholders have approved the Scheme at the Court Meeting under section 99 of the Companies Act at the Court Meeting. In accordance with the direction from the Court, HKSCC Nominees will be counted as one Scheme Shareholder and may vote for or against the Scheme

according to the majority of voting instructions it receives. Beneficial Owners who wish to individually vote or be counted for such purposes should make arrangements to be registered as a member of the Company in their own name prior to the Meeting Record Date.

As at the Latest Practicable Date, the Offeror held 6,193,865,946 Shares, representing 73.40% of the total issued Shares. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting.

As at the Latest Practicable Date, the Offeror Concert Parties held in aggregate 29,597,225 Shares, representing 0.35% of the total issued Shares.

As the Share Award Trustee is not acting in concert with the Offeror, therefore the Shares held by the Share Award Trustee form part of the Disinterested Scheme Shares and are entitled to be voted at the Court Meeting and the SGM. However, pursuant to Rule 17.05A of the Listing Rules and the rules of the Share Award Scheme, the Trustee will not exercise any voting rights attached to the Shares held by it pursuant to the Share Award Scheme.

Notice of the Court Meeting is set out on pages IV-1 to IV-3 of this Scheme Document. The Court Meeting will be held on Friday, 15 December 2023 at the time and place specified in the notice.

Immediately after the conclusion or adjournment of the Court Meeting, the SGM will be held for the purpose of considering and, if thought fit, approving (a) the special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (b) the ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Shares.

All Shareholders as at the Meeting Record Date will be entitled to attend the SGM and vote on the special resolution to approve any reduction of issued capital associated with the cancellation of the Scheme Shares and the ordinary resolution to maintain the issued share capital of the Company (as described in the Condition in paragraph (c) of the section headed “4. *Conditions of the Proposal and the Scheme*” above).

Notice of the SGM is set out on pages V-1 to V-2 of this Scheme Document. The SGM will be held at the same place and on the same date at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting).

As at the Latest Practicable Date, other than the Irrevocable Undertakings, neither the Offeror nor any party acting in concert with it had received any irrevocable commitment to vote for or against the Proposal.

**Closure of the register of members of the Company**

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023 (both days inclusive) and during such period, no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the Court Meeting and the SGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China before 4:30 p.m. on Monday, 11 December 2023. A subsequent purchaser of Shares will need to obtain the **PINK** form of proxy in respect of the Court Meeting and/or the **WHITE** form of proxy in respect of the SGM from the transferor if he or she wishes to attend or vote at the Court Meeting and/or the SGM.

**18. VOTING REQUIREMENTS UNDER SECTION 99 OF THE COMPANIES ACT**

Pursuant to section 99 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or of any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is expressly provided in section 99 of the Companies Act that if a majority in number representing not less than three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting (convened as directed by the Court as aforesaid), agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on the members or class of members, as the case may be, and also on the company.

**19. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarised above, other than with the consent of the Executive, a scheme of arrangement used to privatise a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at a duly convened meeting of the shareholders; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

As at the Latest Practicable Date, the Disinterested Shareholders legally or beneficially owned, controlled or had direction over a total of 2,146,277,482 Shares and 10% of the votes attached to all Scheme Shares held by the Disinterested Shareholders was approximately 214,627,748 Shares.

**20. BINDING EFFECT OF THE SCHEME**

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the SGM.

**21. INDICATIONS AS TO VOTING AND ACCEPTANCE OF THE SHARE OPTION OFFER**

As at the Latest Practicable Date, each Director who holds or is beneficially interested in the Shares (see section 4.1 headed “Interests of Directors in shares of the Company and the Associated Corporations” in Appendix II of this Scheme Document for further details), have indicated that those Shares held by them will be voted in favour of (a) the resolution to approve the Scheme at the Court Meeting; and (b) the resolutions to be proposed at the SGM to implement the Proposal and the Scheme, including the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled to maintain the issued share capital of the Company.

As at the Latest Practicable Date, each Share Option Holder who is a Director, has indicated that he/she intends to accept the Share Option Offer in respect of the outstanding Share Options held by him/her (see section 4.1 headed “Interests of Directors in shares of the Company and the Associated Corporations” in Appendix II of this Scheme Document for further details) and, to the extent that such Director exercises his/her Share Options on or before the applicable latest time in order to become entitled to attend and vote at the Court Meeting and the SGM, he/she intends to vote in favour of (a) the resolution to approve the Scheme at the Court Meeting; and (b) the resolutions to be proposed at the SGM to implement the Proposal and the Scheme, including the allotment and issue to the Offeror of such number of new Shares (credited as fully paid) as is equal to the number of the Scheme Shares cancelled to maintain the issued share capital of the Company.

**22. WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being contemporaneously issued and credited as fully paid to the Offeror) and the share certificates relating to the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company has applied to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, subject to the Scheme becoming effective and with effect from 9:00 a.m. on Thursday, 11 January 2024.

The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative expected timetable in relation to the Proposal is included in Part III – Expected Timetable of this Scheme Document.



**23. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

Subject to the requirements of the Takeovers Code (including Note 2 to Rule 30.1), the Proposal and the Scheme will lapse if any of the Conditions has not been fulfilled or waived (where applicable) on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and, as the Share Option Offer is conditional upon the Scheme becoming effective, the Share Option Offer will lapse.

If the Scheme is not approved or the Proposal otherwise lapses, pursuant to the Takeovers Code, neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

**24. OVERSEAS HOLDERS OF SCHEME SHARES AND OVERSEAS SHARE OPTION HOLDERS****General**

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, China and Bermuda, the Takeovers Code and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of any other jurisdictions.

This Scheme Document is not intended to, and does not, constitute an offer to buy or sell, or subscribe for any securities or the solicitation of an offer to buy or subscribe for the securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The availability of the Proposal and Share Option Offer to persons who are not resident in Hong Kong, China may be affected by the Applicable Laws of the relevant jurisdictions in which they are located or resident or which they are citizens. Such Scheme Shareholders and Share Option Holders should inform themselves about and observe any applicable legal, tax or regulatory requirements in their respective jurisdictions and, where necessary, seek their own legal advice. HSCL, the Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by HSCL, the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong, China) where action for that purpose is required. Accordingly, it is prohibited to

(i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction and (ii) disclose its content or (iii) use information contained therein for any purpose other than assessment of the Proposal, the Scheme and the Share Option Offer, unless the information is already publicly available in another form.

It is the responsibility of any overseas Scheme Shareholders and Share Option Holders wishing to take any action in relation to the Proposal, the Scheme and/or the Share Option Offer to satisfy themselves 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 which may be required, compliance with the necessary formalities and the payment of any issue, transfer or other taxes due from such shareholder in such jurisdiction. HSCL, the Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

As at the Latest Practicable Date, there were 20 Shareholders whose registered addresses as shown in the register of members of the Company were outside Hong Kong, China and 27 Share Option Holders whose addresses as shown in the list of Share Option Holders were outside Hong Kong, China, which held in aggregate 196,714 Shares (representing approximately 0.002% of the issued share capital of the Company) and 2,396,963 Share Options (representing approximately 8.35% of the total number of Share Options) respectively. The directors of the Offeror and the Directors had been advised by the local counsel in such jurisdictions at which the registered addresses of the aforementioned Shareholders and/or Share Option Holders are situated that there is no restriction under the respective laws or regulations of such jurisdictions against extending the Scheme automatically or despatching this Scheme Document (and in the case of the overseas Share Option Holders, the letter to the Share Option Holders) to those overseas Shareholders and overseas Share Option Holders (as the case may be). Accordingly, the Scheme will be extended and this Scheme Document (and in the case of the overseas Share Option Holders, the letter to the Share Option Holders) will be despatched to those overseas Shareholders and overseas Share Option Holders (as the case may be).

## **25. TAXATION ADVICE**

As the Scheme does not involve the sale and purchase of Hong Kong, China stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong, China) on the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders, Share Option Holders and Share Award Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal, the Scheme or the Share Option Offer. It is emphasised that none of HSCL, the Offeror, the Company, Somerley Capital and Independent Financial Advisers or any of their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates, affiliates and any other person involved in the Proposal, the Scheme or the Share Option Offer accepts any responsibility for any taxation effects on, or liabilities of, any



persons as a result of the Proposal, the Scheme or the Share Option Offer. All Scheme Shareholders, Beneficial Owners, Share Award Holders and Share Option Holders shall be solely responsible for their liabilities (including tax liabilities) in relation to the Proposal, the Scheme and the Share Option Offer.

## **26. COSTS OF THE SCHEME**

If either the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, the Scheme or the Share Option Offer, and the Scheme is not approved, all costs and expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

## **27. REGISTRATION AND PAYMENT**

### **Latest time for lodging transfers of Shares**

Assuming that the Scheme Record Date falls on Tuesday, 9 January 2024, it is proposed that the register of members of the Company will be closed from Friday, 5 January 2024 onwards (or such other date as the Shareholders may be notified by way of an announcement), during such period no transfer of Shares will be registered, in order to establish entitlements under the Scheme.

In order to qualify for entitlements under the Scheme, Shareholders should ensure that the transfers of Shares are lodged with the Registrar for registration in their names or in the names of their nominees before 4:30 p.m. on Thursday, 4 January 2024. The Registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China.

### **Payment of the Cancellation Price to the Scheme Shareholders**

Subject to the Scheme becoming effective, cheques in respect of the Cancellation Price will be sent to the Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date as soon as possible but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date. On the basis that the Scheme becomes effective on Tuesday, 9 January 2024 (Bermuda time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Thursday, 18 January 2024.

Cheques for payment of the Cancellation Price will be despatched by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective registered addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques shall be posted at the risk of the addressees and none of HSCL, the Offeror,

the Company, Somerley Capital, the Independent Financial Adviser and the Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal or the Scheme shall be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the date of posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong, China selected by the Offeror.

The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be Tuesday, 9 January 2024 (Bermuda time).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal and the Scheme 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 Scheme Shareholder.

#### **Payment to Share Option Holders under the Share Option Offer**

Subject to the Scheme becoming effective, payment of the applicable cash entitlements to Share Option Holders under the Share Option Offer are expected to be despatched or made as soon as possible but in any event no later than seven business days (as defined in the Takeovers

Code) after the Effective Date. On the basis that the Scheme becomes effective on Tuesday, 9 January 2024 (Bermuda time), the cheques for the payment of the Share Option Offer Price under the Share Option Offer is expected to be despatched on or before Thursday, 18 January 2024.

Payment will be made by way of cheques by ordinary post in pre-paid envelopes addressed to the Share Option Holders at their respective last known addresses as notified by the Share Option Holders to the Group.

All such cheques shall be posted at the risk of the addressees and none of HSCL, the Offeror, the Company, Somerley Capital, the Independent Financial Adviser and the Registrar, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal, the Scheme and the Share Option Offer shall be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cause the cancel or countermand payment of any cheque which has not been cashed or has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong, China selected by the Offeror.

The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme and the Share Option Offer to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme and the Share Option Offer, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and Share Option Offer and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Settlement of cash payments to which any Share Option Holder is entitled under the Share Option Offer will be implemented in full in accordance with the terms of the Share Option Offer 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 Share Option Holder.

**28. RECOMMENDATION**

Your attention is drawn to the following:

- (a) the paragraph headed “*Recommendation*” in the letter from the Board in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee in Part V of this Scheme Document; and
- (c) the letter from the Independent Financial Adviser in Part VI of this Scheme Document.

**29. FURTHER INFORMATION**

Further information in relation to the Proposal, the Scheme and Share Option Offer is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders, Scheme Shareholders, Share Option Holders and Share Award Holders should rely only on the information contained in this Scheme Document and the accompanying forms of proxy and (if applicable) Form of Acceptance and letter to the Share Option Holder. None of HSCL, the Company, the Offeror, Somerley Capital, the Independent Financial Adviser and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal and Share Option Offer have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

**30. LANGUAGE**

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table is a summary of the financial information of the Group for the three financial years ended 31 December 2020, 2021 and 2022, and the financial information for the six months ended 30 June 2022 and the six months ended 30 June 2023, as extracted from the annual reports of the Group for the years ended 31 December 2020, 2021 and 2022 and the interim reports of the Group for the six months ended 30 June 2022 and the six months ended 30 June 2023, respectively.

	For the year ended 31 December			For the six months ended 30 June	
	2022 (audited)	2021 (audited)	2020 (audited)	2023 (unaudited)	2022 (unaudited)
<i>(In HK\$'000, except otherwise indicated)</i>					
Revenue	(1,390,454)	5,252,184	8,329,747	1,893,825	118,760
Commission and fee income	1,542,901	3,257,464	2,864,575	532,256	774,632
Interest income	1,787,537	1,741,000	2,464,585	772,839	627,278
Net trading and investment income	(4,720,892)	253,720	3,000,587	588,730	(1,283,150)
Other income and gains or losses	193,487	35,166	158,697	(105,856)	(28,653)
Staff costs	(1,156,425)	(1,316,396)	(1,564,995)	(399,580)	(545,943)
Commission expenses	(11,305)	(107,562)	(257,958)	(8,582)	(3,173)
Amortisation and depreciation	(234,199)	(284,080)	(252,091)	(95,699)	(117,234)
Operating expenses	(753,651)	(948,809)	(982,182)	(375,835)	(368,224)
Finance costs	(1,349,102)	(1,106,837)	(2,144,511)	(1,158,340)	(471,143)
Profit/(loss) before impairment charges and tax	(4,701,649)	1,523,666	3,286,707	(250,067)	(1,415,610)
Impairment charges, net of reversal	(1,587,839)	(800,521)	(986,115)	(440,070)	(243,612)
Profit/(loss) before tax	(6,289,488)	723,145	2,300,592	(690,137)	(1,659,222)
Income tax expense	(251,022)	(422,319)	(367,715)	(90,806)	(22,000)
Profit/(loss) attributable to owners of the Company	(6,540,510)	300,826	1,932,877	(780,943)	(1,681,222)
Profit/(loss) attributable to non-controlling interests	–	–	–	–	–
Other comprehensive income/(expenses)	(320,307)	21,782	(112,451)	91,478	(193,669)
Total comprehensive income/(expenses) attributable to owners of the Company	(6,860,817)	322,608	1,820,426	(689,465)	(1,874,891)
Total comprehensive income/(expenses) attributable to non-controlling interests	–	–	–	–	–
Dividends	–	543,401	971,802	–	–
Dividends per Share (HK\$ cents per share)	–	9.00 <sup>(1)</sup>	16.10 <sup>(2)</sup>	–	–
Earnings/(loss) per share attributable to owners of the Company (HK\$ cents per share) <sup>(3)</sup>					
Basic	(99.63)	4.60	29.74	(11.55)	(25.62)
Diluted	(99.63)	4.59	29.63	(11.55)	(25.62)

*Notes:*

1. The dividend per share of HK9.00 cents for the financial year ended 31 December 2021 comprises the interim dividend of HK9.00 cents per Share in cash for the six months ended 30 June 2021 which was declared by the Board on 25 August 2021. In addition to the cash dividend of HK9.00 cent per Share, a bonus issue of shares on the basis of one bonus share for every ten existing shares held by qualifying shareholders in respect of the year ended 31 December 2021 was also declared by the Board on 28 March 2022 (the “Bonus Issue”).
2. The dividend per share of HK16.10 cents for the financial year ended 31 December 2020 comprises the interim dividend of HK4.40 cents per Share in cash for the six months ended 30 June 2020 which was declared by the Board on 21 August 2020, and the second interim dividend of HK11.70 cents per Share in cash for the year ended 31 December 2020 which was declared by the Board on 24 March 2021.
3. The earnings (loss) per share are restated considering effects mainly including the Rights Issue and the Bonus Issue.

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial statements of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022, and the unaudited consolidated financial results for the six months ended 30 June 2022 and the six months ended 30 June 2023.

The consolidated financial statements of the Group for the three financial years ended 31 December 2020, 2021 and 2022 were audited by Deloitte Touche Tohmatsu, the auditors of the Group. No qualified or modified opinion, nor any emphasis of matter or material uncertainty related to going concern was given by Deloitte Touche Tohmatsu in respect of the Group’s audited consolidated financial statements for each of the three financial years ended 31 December 2020, 2021 and 2022.

## **2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022**

The Company is required to set out or refer to in this Scheme Document the consolidated statement of profit or loss, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes of equity and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out on pages 89 to 230 in the 2020 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042101218.pdf>

The 2021 Financial Statements are set out on pages 136 to 282 in the 2021 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042602578.pdf>

The 2022 Financial Statements are set out on pages 113 to 277 in the 2022 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042705236.pdf>

The 2020 Financial Statements, 2021 Financial Statements and the 2022 Financial Statements (but not any other part of the 2020 Annual Report, 2021 Annual Report or 2022 Annual Report) are incorporated by reference into the Scheme Document and form part of the Scheme Document.

### **3. UNAUDITED CONDENSED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Company is required to set out or refer to in this document the condensed statement of profit or loss and the condensed statement of financial position as shown in the unaudited financial results of the Group for the six months ended 30 June 2023 (the “**2023 Interim Financial Statements**”), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2023 Interim Financial Statements are set out on pages 33 to 98 in the 2023 Interim Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0918/2023091800453.pdf>

#### 4. INDEBTEDNESS

As at the close of business on 30 September 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the details of the Group's outstanding borrowings were set out as follows:

	<b>HK\$'000</b>
Non-convertible bonds – unsecured and unguaranteed	10,942,119
Non-convertible notes – unsecured and unguaranteed	610,044
Bank loans – unsecured and unguaranteed	29,322,807
Bank loans – secured and unguaranteed	152,815
Lease liabilities – secured and unguaranteed	235,020
	<hr/>
<b>Total</b>	<b>41,262,805</b>
	<hr/> <hr/>

In addition to the issued non-convertible notes above, as at 30 September 2023, the Group has outstanding authorised but unissued non-convertible notes of approximately US\$4,612 million.

For the bank loans of HK\$152,815,000, HK\$32,462,000 are secured by the buildings held by the Group and HK\$120,353,000 are secured by the listed shares held by the Group as security for advances to customers in margin financing with the customers' consent.

As at 30 September 2023, the Group, as a lessee, has outstanding lease liabilities amounting to HK\$235,020,000 in aggregate. All lease payments are secured by rental deposits and unguaranteed.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, as at the close of business on 30 September 2023, the Group did not have any outstanding loan capital or debt securities or non-convertible notes issued or authorized or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases or lease commitments, guarantees or material contingent liabilities.

#### 5. MATERIAL CHANGE

The Directors confirm that there has 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**

As at the Latest Practicable Date, the directors of the Offeror were Mr. LI Jun, Mr. SONG Shihao, Mr. ZHANG Xinjun and Mr. LIN Yong, and the board of directors of HSCL comprised of Mr. ZHOU Jie, Mr. LI Jun, Mr. ZHAO Yonggang, Mr. TU Xuanxuan, Mr. SHI Lei, Ms. XIAO Hehua, Mr. XU Jianguo, Mr. ZHOU Yu, Mr. FAN Ren Da Anthony, Mr. MAO Fugen and Mr. MAO Huigang.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The directors of HSCL jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than information relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

As at the Latest Practicable Date, the Board comprised of three executive Directors, namely Mr. LIN Yong, Mr. SUN Jianfeng, Mr. SUN Tong, three non-executive Directors, namely Mr. LI Jun, Mr. CHENG Chi Ming Brian, Mr. ZHANG Xinjun, and four independent non-executive Directors, namely Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror or HSCL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

**2. SHARE CAPITAL OF THE COMPANY**

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$2,000,000,000 divided into 20,000,000,000 Shares;

- (b) the issued and paid-up share capital of the Company was HK\$843,819,159.8 divided into 8,438,191,598 Shares;
- (c) all of the Shares currently in issue were fully paid or credited as fully paid and ranked *pari passu* in all respects including as to return of capital, dividends and voting;
- (d) 1,796,628,004 Shares had been issued by the Company since 31 December 2022 (being the end of the last financial year of the Company up to and including the Latest Practicable Date);
- (e) the Share Option Holders in aggregate held 28,722,435 outstanding Share Options and the Share Award Trustee in aggregate held 96,505,933 Trustee Held Shares; and
- (f) save for the 8,438,191,598 Shares in issue (which includes the 96,505,933 Trustee Held Shares) and the 28,722,435 outstanding Share Options, the Company did not have any outstanding shares, options, warrants, convertible securities or other relevant securities in issue.

### 3. MARKET PRICE

- (a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) at the end of each month during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date:

	<b>Closing price per Share (HK\$)</b>
28 April 2023	0.653
31 May 2023	0.660
30 June 2023	0.670
31 July 2023	0.730
31 August 2023	0.630
26 September 2023 (being the Last Trading Day)	0.710
31 October 2023	1.410
17 November 2023 (being the Latest Practicable Date)	1.480

- (b) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.480 per Share on 17 November 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.590 on 23 August 2023.

#### 4. DISCLOSURE OF INTERESTS

For the purpose of section 4 of this Appendix II, “interested” has the same meaning ascribed to that term in Part XV of the SFO.

##### 4.1. Interests of Directors in shares of the Company and the Associated Corporations

As at the Latest Practicable Date, save as disclosed in the section headed “9. Shareholding Structure of the Company and Effect of the Proposal” in the Explanatory Statement and below, no Director had any interests or short positions in the shares, underlying shares and debentures of the Company (including any convertible securities, warrants, options and derivatives in respect of the Shares) or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”); or (d) to be disclosed under the Takeovers Code.

##### *Shares and Share Options*

Director	Capacity	Number of Shares held	Number of Share Options <sup>(1)</sup>	Total number of Shares assuming all the Share Options had been exercised on or before the Latest Practicable Date	Approximate percentage of the total issued Shares as at the Latest Practicable Date
Mr. Li Jun	Beneficial owner	–	201,590	201,590	0.00%
Mr. Lin Yong	Beneficial owner	10,471,986	3,399,077	13,871,063	0.16%
Mr. Zhang Xinjun	Beneficial owner	956,762	978,473	1,935,235	0.02%
Mr. Sun Jianfeng	Beneficial owner	3,292,313	2,400,443	5,692,756	0.07%
Mr. Sun Tong	Beneficial owner	2,915,655	2,289,315	5,204,970	0.06%
Mr. Cheng Chi					
Ming Brian	Beneficial owner	–	756,342	756,342	0.01%
Mr. Wan Kam To	Beneficial owner	–	700,905	700,905	0.01%
Mr. Liu Swee					
Long Michael	Beneficial owner	–	367,902	367,902	0.00%
Mr. Zhang Huaqiao	Beneficial owner	–	367,902	367,902	0.00%
Ms. Lee Man					
Yuen Margaret	Beneficial owner	–	201,590	201,590	0.00%

*Notes:*

1. As at the Latest Practicable Date, the number of outstanding Share Options and exercise price held by each Director were set out as follows:

<b>Director</b>	<b>Date of grant of Share Option<sup>(2)</sup></b>	<b>Number of outstanding Share Options</b>	<b>Exercise price per Share (HK\$)</b>
Mr. Li Jun	6 September 2022	201,590	0.928
Mr. Lin Yong	31 May 2019	1,000,157	2.304
	29 May 2020	997,870	1.558
	21 July 2021	997,870	2.163
	6 September 2022	403,180	0.928
Mr. Zhang Xinjun	31 May 2019	333,385	2.304
	29 May 2020	221,749	1.558
	21 July 2021	221,749	2.163
	6 September 2022	201,590	0.928
Mr. Sun Jianfeng	31 May 2019	666,770	2.304
	29 May 2020	665,247	1.558
	21 July 2021	665,246	2.163
	6 September 2022	403,180	0.928
Mr. Sun Tong	31 May 2019	555,642	2.304
	29 May 2020	665,247	1.558
	21 July 2021	665,246	2.163
	6 September 2022	403,180	0.928
Mr. Cheng Chi Ming Brian	31 May 2019	166,691	2.304
	29 May 2020	166,312	1.558
	21 July 2021	221,749	2.163
	6 September 2022	201,590	0.928
Mr. Wan Kam To	31 May 2019	166,691	2.304
	29 May 2020	166,312	1.558
	21 July 2021	166,312	2.163
	6 September 2022	201,590	0.928
Mr. Liu Swee Long Michael	21 July 2021	166,312	2.163
	6 September 2022	201,590	0.928
Mr. Zhang Huaqiao	21 July 2021	166,312	2.163
	6 September 2022	201,590	0.928
Ms. Lee Man Yuen Margaret	6 September 2022	201,590	0.928

2. Details of the exercise period are as follows:

<b>Date of grant</b>	<b>Exercise period of outstanding Share Options</b>
31 May 2019	27 December 2019 – 30 May 2024
29 May 2020	25 December 2020 – 28 May 2025
21 July 2021	17 February 2022 – 20 July 2026
6 September 2022	3 April 2023 – 5 September 2027

#### 4.2. Interests of Substantial Shareholders in the Shares

As at the Latest Practicable Date, save as disclosed below, there was no other person who had a substantial interest or short position in the Shares or underlying Shares of the Company, which were required to be recorded in the register of substantial shareholders kept by the Company pursuant to section 336 of Part XV of the SFO.

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date</b>
Offeror	Beneficial interest	6,193,865,946	73.40%
HSCL	Interest in controlled Corporation <sup>(1)</sup>	6,193,865,946	73.40%

*Note:*

- (1) As at the Latest Practicable Date, HSCL held the entire issued share capital of the Offeror, which in turn held 6,193,865,946 Shares. By virtue of the provisions of the SFO, HSCL is deemed to be interested in the Shares held by the Offeror.

#### 4.3. Interests of Offeror and Offeror Concert Parties in Shares

As at the Latest Practicable Date, save as disclosed in the section headed “9. Shareholding Structure of the Company and Effect of the Proposal” in the Explanatory Statement:

- (1) the Offeror did not own, control or have direction over any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of Shares;
- (2) no Offeror Director was interested in any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of Shares; and
- (3) no Offeror Concert Party owned or controlled any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of Shares (excluding Shares (or options, warrants or derivatives in respect of them) held for the account of non-discretionary investment clients of the HSCL Group).

#### 4.4. Interests of IU Shareholders in Shares

As at the Latest Practicable Date, the IU Shareholders hold 139,697,073 Shares in aggregate, representing approximately 1.66% of the total issued share capital of the Company and 6.51% of the Disinterested Scheme Shares.

#### 4.5. Dealings in the relevant securities of the Company

(a) During the Relevant Period:

- (i) save as disclosed in this section 4.5 and save for the Rights Issue and the dealings in the Shares by any member of the HSCL Group which were conducted for the account of non-discretionary investment clients, none of the Offeror and the Offeror Concert Parties (including the Offeror Directors) had dealt for value in any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) save for the transfer of 320,000 vested Awarded Shares to Mr. Lin Yong, 146,001 vested Awarded Shares to Mr. Sun Jianfeng and 146,001 vested Awarded Shares to Mr. Sun Tong on 20 October 2023, in each case by the Share Award Trustee for no consideration pursuant to the terms and conditions of the Share Award Scheme, none of the Directors had dealt for value in any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of Shares; and
- (iii) none of the IU Shareholders had dealt for value in any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of Shares.

(b) During the offer period and up to the Latest Practicable Date:

- (i) no subsidiaries of the Company, pension funds (if any) of any member of the Group, any 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 any associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding any exempt principal trader or exempt fund manager) had dealt for value in any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) other than the Irrevocable Undertakings, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code 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) or (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and any other person;

- (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with (A) 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 with any person 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 dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares, or (B) the Offeror or the Offeror Concert Parties, owned or controlled, or had any dealings in, any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares; and
- (iv) no fund managers connected with the Company who managed funds on a discretionary basis (other than exempt fund managers) had dealt for value in any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares.

#### **4.6. Interest and dealings in the securities of the Offeror**

- (a) As at the Latest Practicable Date, none of the Company or any of the Directors had any interest in the shares or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.
- (b) During the Relevant Period, none of the Company or any of the Directors dealt for value in the shares or convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

#### **4.7. Other interests**

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed “9. *Shareholding Structure of the Company and effect of the Proposal*” in the Explanatory Statement, no Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares were owned or controlled by a subsidiary of the Company, a pension fund (if any) of any member of the Group, 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 an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders and exempt fund managers);
- (b) save for the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between (i) any person; and (ii) either: (A) the Offeror or any Offeror Concert Parties; or (B) 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 any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (c) no Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares were managed on a discretionary basis by any fund managers connected with the Company (other than exempt fund managers); and
  - (d) none of the Company, the Directors, the Offeror or any of the Offeror Concert Parties had borrowed or lent any Shares, Share Options or convertible securities, warrants, options or derivatives in respect of the Shares, save for any which have been either on-lent or sold.

#### **4.8. Arrangements in connection with the Proposal**

As at the Latest Practicable Date:

- (a) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any Offeror Concert Parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Proposal;
- (b) save for the share charge in connection with the External Financing, the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other persons and had no agreement, arrangement or understanding with any third party to do so;
- (c) save for the External Financing, there were no agreement or arrangement to which the Offeror was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Condition;
- (d) save for the Irrevocable Undertakings, no irrevocable commitment to vote for or against the Scheme, or to accept or not accept the Share Option Offer, was received by the Offeror or the Offeror Concert Parties;
- (e) save for (i) the Cancellation Price; and (ii) the Share Option Offer Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or the Share Option Holders in connection with the Proposal, the Scheme or the Share Option Offer; and
- (f) there was no understanding, arrangement or agreement which constitutes a special deal (within the ambit of Rule 25 of the Takeovers Code) between (i) any Scheme Shareholder; and (ii) either (a) the Offeror or the Offeror Concert Parties; or (b) the Company or the Company’s subsidiaries or associated companies.



## 5. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against the Group.

## 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by the Group within two years before the offer period, up to and including the Latest Practicable Date and were or might be material:

- (a) the agency agreement dated 27 June 2022 entered into between the Company (as issuer) with The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) (as fiscal agent, transfer agent, calculation agent, paying agent, Central Moneymarkets Unit Service lodging agent and registrar) in relation to the issuance of up to US\$5,000,000,000 medium term note (the “**2022 Notes**”). Please refer to the Company’s offering circular dated 27 June 2022 for details;
- (b) the dealer agreement dated 27 June 2022 entered into between (i) the Company (as issuer); (ii) Haitong International Securities Company Limited (as arranger and dealer) and (iii) HSBC (as dealer) in relation to, among other things, the 2022 Notes; and
- (c) the placing agency and subscription agreement dated 17 March 2023 entered into between the Company (as issuer), an investee entity of HSCL and the Offeror (as investors) and Haitong International Securities Company Limited (as placing agent) in connection with the issuance of subordinated perpetual securities in the aggregate principal amount of US\$200,000,000. Please refer to the Company’s announcement dated 17 March 2023 for details.

## 7. ARRANGEMENTS IN CONNECTION WITH THE DIRECTORS

As at the Latest Practicable Date:

- (a) other than (i) the Cancellation Price; and (ii) the consideration to be provided pursuant to the Share Option Offer, none of the Directors had been or will be given any benefit as compensation for loss of office or otherwise in connection with the Proposal;

- (b) no agreement or arrangement exists between any Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

## 8. DIRECTORS' SERVICE CONTRACTS

Saved as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the offer period; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of the notice period:

Name of Director	Expiry date	Fixed remuneration payable under the contract	Variable remuneration payable under the contract
Mr. LIN Yong	22 December 2024	HK\$360,000 per month	An annual management bonus of a sum to be determined by the remuneration committee of the Company having regard to the operating results of the Group and performance of Mr. LIN Yong
Mr. SUN Jianfeng	31 December 2025	HK\$206,500 per month	An annual management bonus of a sum to be determined by the remuneration committee of the Company having regard to the operating results of the Group and performance of Mr. SUN Jianfeng

**9. CONSENTS AND QUALIFICATIONS OF EXPERTS**

The following are the qualifications of each of the experts who have been named in this Scheme Document or have given their opinion or advice which are contained in this Scheme Document:

<b>Name</b>	<b>Qualification</b>
Somerley Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of the experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion of its letter and advice (as the case may be) and the references to its name and/or opinions and/or letters in the form and context in which they are included.

**10. MISCELLANEOUS**

- (a) The Offeror is a company incorporated in Hong Kong, China with limited liability and is wholly-owned by HSCL.
- (b) As at the Latest Practicable Date, the directors of the Offeror were Mr. LI Jun, Mr. SONG Shihao, Mr. ZHANG Xinjun and Mr. LIN Yong.
- (c) The registered office of the Offeror is situated at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong, China.
- (d) The principal members of the Offeror Concert Parties include Mr. LI Jun, Mr. LIN Yong, Mr. ZHANG Xinjun and Haitong International Securities Company Limited.
- (e) The correspondence address of Mr. LI Jun, Mr. LIN Yong and Mr. ZHANG Xinjun is situated at 22nd Floor, Li Po Chun Chambers, 189 Dex Voeux Road Central, Hong Kong, China.
- (f) The registered office of Haitong International Securities Company Limited is situated at 22nd Floor, Li Po Chun Chambers, 189 Dex Voeux Road Central, Hong Kong, China.

- (g) HSCL is a joint stock limited company incorporated in China with limited liability, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600837) and H shares are listed on the Main Board of the Stock Exchange (stock code: 6837). The registered office of HSCL is at Haitong Securities Building, No. 689 Guangdong Road, Shanghai, China. The principal place of business of HSCL in Hong Kong, China is 15/F, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China.
- (h) As at the Latest Practicable Date, the directors of HSCL were Mr. ZHOU Jie, Mr. LI Jun, Mr. ZHAO Yonggang, Mr. TU Xuanxuan, Mr. SHI Lei, Ms. XIAO Hehua, Mr. XU Jianguo, Mr. ZHOU Yu, Mr. FAN Ren Da Anthony, Mr. MAO Fugen and Mr. MAO Huigang.
- (i) Somerley Capital is the financial adviser to the Offeror in relation to the Proposal, the Scheme and the Share Option Offer, and its registered address is at 20/F, China Building, 29 Queen's Road Central, Hong Kong, China.
- (j) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business in Hong Kong, China of the Company is at 22nd Floor, Li Po Chun Chambers, 189 Dex Voeux Road Central, Hong Kong, China.
- (k) The registered office of the Independent Financial Adviser, Altus Capital, is at 21 Wing Wo Street, Central, Hong Kong, China.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the website of the Company at [www.htisec.com](http://www.htisec.com) and the website of the SFC at [www.sfc.hk](http://www.sfc.hk) during the period from the date of this Scheme Document until (a) the Effective Date; or (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum of association and bye-laws of the Company;
- (iii) the annual reports of the Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022, respectively;
- (iv) the interim reports of the Company for the six months ended 30 June 2022 and 30 June 2023, respectively;
- (v) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;

- (vi) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (viii) the material contracts as set out in the section headed “6. *Material Contracts*” in this Appendix;
- (ix) the service contracts referred to in the section headed “8. *Directors’ Service Contracts*” in this Appendix;
- (x) the written consents issued by the Experts referred to in the section headed “9. *Consents and Qualifications of Experts*” in this Appendix;
- (xi) the Irrevocable Undertakings; and
- (xii) this Scheme Document.

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

COMMERCIAL COURT

2023: No. 357

IN THE MATTER OF HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

AND

IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981

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SCHEME OF ARRANGEMENT

BETWEEN

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

AND

THE SCHEME SHAREHOLDERS

(as defined below)

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(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“Board”	the board of Directors
“business day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	the cancellation price of HK\$1.52 per Scheme Share
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Haitong International Securities Group Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 665)

“ <b>Condition(s)</b> ”	the condition(s) to the implementation of the Proposal and the Scheme as set out in the section headed “4. Conditions of the Proposal and the Scheme” in the Explanatory Statement
“ <b>Court</b> ”	the Supreme Court of Bermuda
“ <b>Court Meeting</b> ”	a meeting of the Scheme Shareholders convened at the directions of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“ <b>Director(s)</b> ”	the director(s) of the Company
“ <b>Effective Date</b> ”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“ <b>Executive</b> ”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong, China or any delegate of the Executive Director
“ <b>Explanatory Statement</b> ”	the explanatory statement in relation to the Scheme as set out in the Scheme Document in compliance with section 100 of the Companies Act
“ <b>HK\$</b> ”	Hong Kong dollars, the lawful currency of Hong Kong, China
“ <b>Hong Kong, China</b> ”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ <b>HSCL</b> ”	Haitong Securities Co., Ltd. (海通證券股份有限公司), a joint stock limited company incorporated in the Mainland China with limited liability, which is the holding company of the Offeror and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600837) and the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6837)
“ <b>Latest Practicable Date</b> ”	17 November 2023, being the latest practicable date for the purpose of ascertaining certain information contained in the Scheme Document

<b>“Long Stop Date”</b>	31 March 2024 or such other date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct, and in all cases as permitted by the Executive
<b>“Offeror”</b>	Haitong International Holdings Limited, a company incorporated in Hong Kong, China with limited liability, which is a wholly-owned subsidiary of HSCL
<b>“Proposal”</b>	the conditional proposal for the privatisation of the Company by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
<b>“Registrar of Companies”</b>	the Registrar of Companies in Bermuda
<b>“Scheme”</b>	the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act with or subject to any modification, addition or condition which may be approved or imposed by the Court
<b>“Scheme Document”</b>	the composite scheme document of the Company and the Offeror dated 22 November 2023, containing, among other things, further details of the Proposal and the Scheme
<b>“Scheme Record Date”</b>	Tuesday, 9 January 2024, or such other date as may be announced to the Shareholders, being the record date for the purposes of determining the entitlement of the Scheme Shareholders to the Cancellation Price under the Scheme
<b>“Scheme Shareholder(s)”</b>	registered holder(s) of Scheme Share(s)
<b>“Scheme Share(s)”</b>	all of the Share(s) and such further Share(s) as may be issued prior to the Scheme Record Date, other than those held by the Offeror



“SGM”	the special general meeting of the Company convened for the purposes of considering and, if thought fit, approving all resolutions necessary for the implementation of the Proposal, or any adjournment thereof
“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong, China issued by the SFC in Hong Kong, China as amended from time to time

- (B) The Company is an exempted company with limited liability incorporated in Bermuda on 7 May 1996. As at the Latest Practicable Date, the Company had an authorised share capital of HK\$2,000,000,000 divided into 20,000,000,000 Shares of which 8,438,191,598 Shares had been issued fully paid or credited as fully paid.
- (C) The Offeror has agreed to appear by Conyers Dill & Pearman Limited at the hearing of the petition to sanction the Scheme and has undertaken to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme. The primary purpose of the Scheme is to cancel all of the Scheme Shares and to issue new Shares to the Offeror such that the Company will become wholly-owned by the Offeror.
- (E) As at the Latest Practicable Date, the Offeror directly holds 6,193,865,946 Shares, representing approximately 73.40% of the issued Shares.
- (F) The Offeror will procure that any Shares in respect of which it is legally or beneficially interested will not be represented nor voted at the Court Meeting.

**THE SCHEME****PART I****CANCELLATION OF THE SCHEME SHARES**

1. On the Effective Date:
  - (a) all of the Scheme Shares will be cancelled; and
  - (b) contemporaneously with the cancellation of the Scheme Shares, the Company will issue to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled such that the issued share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares. The reserve created in the books of accounts of the Company as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid.

**PART II****CONSIDERATION FOR CANCELLATION OF THE SCHEME SHARES**

2. In consideration of the cancellation of all Scheme Shares, each Scheme Shareholder shall be entitled to receive the Cancellation Price.

**PART III****GENERAL**

3. Cheques in respect of the Cancellation Price shall be sent to Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date as soon as possible but in any event no later than seven business days after the Effective Date.
4. Cheques for payment of the Cancellation Price will be despatched by ordinary post in pre-paid envelopes addressed to the Scheme Shareholders at their respective registered addresses as appearing on the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the registered address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques shall be posted at the risk of the addressees and none of HSCL, the Offeror, the Company, Somerley Capital Limited, the Independent Financial Adviser (as defined in the Scheme Document) and the Company's Hong Kong, China branch share registrar, Tricor Investor Services Limited, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal or the Scheme shall be responsible for any loss or delay in despatch.

5. On or after the day being six calendar months after the date of posting the cheques for the Cancellation Price, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented thereby in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong, China selected by the Offeror.
6. The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
7. On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred. This paragraph 7 shall take effect subject to any prohibition or condition imposed by law.
8. Share certificates relating to the Scheme Shares shall cease to be valid for any purpose on the Effective Date.
9. The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under section 99 of the Companies Act has been delivered to the Registrar of Companies for registration.
10. The Company and the Offeror may jointly consent for and on behalf of all Scheme Shareholders to any modification(s) of or addition(s) to the Scheme or to any condition(s) which the Court may see fit to approve or impose.
11. Unless the Scheme becomes effective on or before the Long Stop Date, the Scheme shall lapse.
12. All costs, charges and expenses shall be borne in the manner described in the Scheme Document.

Dated: 22 November 2023

**IN THE SUPREME COURT OF BERMUDA****CIVIL JURISDICTION****COMMERCIAL COURT****2023: No. 357****IN THE MATTER OF HAITONG INTERNATIONAL SECURITIES GROUP LIMITED****AND****IN THE MATTER OF SECTION 99 OF THE COMPANIES ACT 1981**

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**NOTICE OF COURT MEETING**

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**NOTICE IS HEREBY GIVEN** that, by an order (the “**Order**”) dated 16 November 2023 made in the above matter, the Supreme Court of Bermuda (the “**Court**”) has directed a meeting (the “**Court Meeting**”) of the Scheme Shareholders (as defined in the Scheme referred to below) to be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Haitong International Securities Group Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China on 15 December 2023 at 10:00 a.m. (Hong Kong, China time) at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of an explanatory statement required by section 100 of the Companies Act 1981 explaining, among other things, the effect of the Scheme are incorporated in the composite scheme document dated 22 November 2023 (the “**Scheme Document**”), of which this notice forms part. A copy of the Scheme Document may also be obtained by the Scheme Shareholders from the Hong Kong, China branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China during usual business hours.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the Scheme Document. The completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof if he/she so wishes and in such event, the **pink** form of proxy will be revoked by operation of law.

In the case of joint holders of a Scheme Share (as defined in the Scheme), any one of such joint holders may vote at the Court Meeting, either in person or by proxy, in respect of such Scheme Share registered in their joint names as if he/she was solely entitled thereto. However, if more than one of such joint holders is present at the Court Meeting in person or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding of the Scheme Share.

In the case of a Scheme Shareholder which is a corporation, the Scheme Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Court Meeting and exercise the same powers on behalf of the corporate Scheme Shareholder as if the corporate Scheme Shareholder was an individual Scheme Shareholder of the Company.

It is requested that the **pink** form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, be deposited at the Company's Hong Kong, China branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China no later than 10:00 a.m. on Wednesday, 13 December 2023, but if the **pink** form of proxy is not so lodged, it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion as to whether or not to accept it.

By the Order, the Court has appointed Mr. Wan Kam To, an independent non-executive director of the Company, or failing him/her, any other independent non-executive director of the Company or any officer of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the proceedings of and voting at the Court Meeting to the Court.

The Scheme is subject to the subsequent sanction of the Court.

Dated: 22 November 2023

By order of the Court  
**Conyers Dill & Pearman Limited**  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda  
Attorneys for the Company

*Notes:*

1. Voting at the Court Meeting will be determined by way of a poll.
2. Any Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder (as defined in the Scheme Document). A Scheme Shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. For the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the Court Meeting, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong, China branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China, for registration no later than 4:30 p.m. on Monday, 11 December 2023.

*As at the date of this notice, the board of directors of the Company comprises Mr. LI Jun (Chairman)\*, Mr. LIN Yong (Deputy Chairman and Chief Executive Officer), Mr. SUN Jianfeng, Mr. SUN Tong, Mr. CHENG Chi Ming Brian\*, Mr. ZHANG Xinjun\*, Mr. WAN Kam To\*\*, Mr. LIU Swee Long Michael\*\*, Mr. ZHANG Huaqiao\*\* and Ms. LEE Man Yuen Margaret\*\*.*

\* *Non-executive directors*

\*\* *Independent Non-executive directors*

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, 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 notice.*



## HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

海通國際證券集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 665)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Haitong International Securities Group Limited (the “**Company**”) will be held at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China on 15 December 2023 at 10:30 a.m. (Hong Kong, China time) (or immediately after the conclusion or adjournment of the Court Meeting), for the purpose of considering and, if thought fit, approving the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the composite scheme document of the Company dated 22 November 2023 (the “**Scheme Document**”), of which this notice forms part.

#### SPECIAL RESOLUTION

1. “**THAT** for the purpose of giving effect to the Scheme between the Company and the Scheme Shareholders as set out in the Scheme Document and subject to the approval of the Scheme by the Scheme Shareholders at the Court Meeting, on the Effective Date, any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares be and is hereby approved.”

#### ORDINARY RESOLUTION

2. “**THAT:**
  - (A) subject to and contemporaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained by the allotment and issue to the Offeror of such number of new shares of the Company (the “**New Shares**”), credited as fully paid, as is equal to the number of the Scheme Shares cancelled;
  - (B) the Company shall apply the reserve created in its books of account as a result of the cancellation of the Scheme Shares in paying up in full at par the New Shares; and

- (C) the directors of the Company be and are hereby authorised to do all acts and things considered by them to be necessary or desirable in connection with the implementation of the Proposal, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company from the Stock Exchange, subject to the Scheme taking effect; (ii) any reduction of the issued share capital of the Company; (iii) the allotment and issue of the New Shares to the Offeror referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme which the Court may see fit to impose.”

By order of the Board  
**Haitong International Securities Group Limited**  
**Li Jun**  
*Chairman*

Hong Kong, China, 22 November 2023

*Notes:*

1. Each of the resolutions set out above will be put to the vote by way of a poll.
2. Any Shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a Shareholder. A Shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A **white** form of proxy for use at the SGM (or any adjournment thereof) is enclosed with the Scheme Document. In order to be valid, the **white** form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Hong Kong, China branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the **white** form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM or any adjournment thereof and, in such event, the **white** form of proxy will be revoked by operation of law.
5. For the purpose of determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 12 December 2023 to Friday, 15 December 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the right to attend and vote at the SGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Hong Kong, China branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, China, for registration no later than 4:30 p.m. on Monday, 11 December 2023.

*As at the date of this notice, the board of directors of the Company comprises Mr. LI Jun (Chairman)\*, Mr. LIN Yong (Deputy Chairman and Chief Executive Officer), Mr. SUN Jianfeng, Mr. SUN Tong, Mr. CHENG Chi Ming Brian\*, Mr. ZHANG Xinjun\*, Mr. WAN Kam To\*\*, Mr. LIU Swee Long Michael\*\*, Mr. ZHANG Huaqiao\*\* and Ms. LEE Man Yuen Margaret\*\*.*

\* *Non-executive directors*

\*\* *Independent Non-executive directors*



*The following is a form of the letter to the Share Option Holders being sent in connection with the Share Option Offer.*



**HAITONG INTERNATIONAL HOLDINGS LIMITED**

**海通國際控股有限公司**

*(Incorporated in Hong Kong, China with limited liability)*

22 November 2023

*To the Share Option Holders*

Dear Sir or Madam

**SHARE OPTION OFFER  
IN RELATION TO THE CONDITIONAL PROPOSAL FOR  
THE PRIVATISATION OF  
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED  
BY HAITONG INTERNATIONAL HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 99 OF THE COMPANIES ACT OF BERMUDA)**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance (the “**Form of Acceptance**”) are provided to you together with this letter. Terms used but not defined in this letter shall have the same meanings as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

On 26 September 2023, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the withdrawal of listing of the Shares on the Stock Exchange. On 15 November 2023, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

As stated in the Scheme Document, the Offeror is making an appropriate offer to the Share Option Holders in accordance with Rule 13 of the Takeovers Code, subject to and conditional upon the Scheme becoming effective.

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## APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS

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This letter explains the terms of the Share Option Offer and the actions you may take in relation to any Share Option(s) held by you. You are advised to refer to the Scheme Document and the Form of Acceptance when considering such actions.

Your attention is also drawn to the terms and conditions of the documentation under which each of your Share Options was granted.

### TERMS OF THE SHARE OPTION OFFER

Under the Share Option Offer and in accordance with Rule 13 of the Takeovers Code, we offer to pay you the Share Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option), in cash for the cancellation of each outstanding Share Option that you may hold as at the Scheme Record Date. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option will be made.

The table below sets out the exercise price and the corresponding “see-through” price for the outstanding Share Options under the Share Option Offer:

<b>Date of grant</b>	<b>Exercise period of outstanding Share Options</b>	<b>Exercise price (HK\$)</b>	<b>Share Option Offer Price/ “See-through” price (HK\$)</b>
31 May 2019	27 December 2019 – 30 May 2024	2.304	0.00001
29 May 2020	25 December 2020 – 28 May 2025	1.558	0.00001
21 July 2021	17 February 2022 – 20 July 2026	2.163	0.00001
6 September 2022	3 April 2023 – 5 September 2027	0.928	0.592

If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme before the Meeting Record Date, and the corresponding Shares are issued to such Share Option Holder(s) prior to the Meeting Record Date, any such Shares shall form part of the Scheme Shares and may be voted at the Court Meeting and the SGM. Please see Part II – Actions to be Taken, the section headed “17. Court Meeting and SGM” in the Explanatory Statement and the notices of Court Meeting and the SGM on pages IV-1 to V-2 of the Scheme Document for further details.

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## APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS

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If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme after the Meeting Record Date and on or before the date that is the earlier of the end of two calendar months after the date of this letter and the date on which the Scheme is sanctioned by the Court, and the corresponding Shares are issued to such Share Option Holder(s) prior to the Scheme Record Date, any such Shares shall form part of the Scheme Shares.

In the event that (i) any outstanding Share Option has not been so exercised; and (ii) the Share Option Holders do not accept the Share Option Offer in respect of such outstanding Share Option, such Share Option shall lapse and be cancelled upon the scheme of arrangement becoming effective according to the terms of the Share Option Scheme.

The Share Option Offer is conditional upon the Scheme becoming effective. The Share Option Offer will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares from the Stock Exchange.

The Conditions of the Proposal and the Scheme are set out in the section headed “4. *Conditions of the Proposal and the Scheme*” in the Explanatory Statement.

You are further advised to refer to the sections headed “24. *Overseas Holders of Scheme Shares and Overseas Share Option Holders*”, “25. *Taxation Advice*” and “27. *Registration and Payment*” in the Explanatory Statement.

### COURSES OF ACTION AVAILABLE TO SHARE OPTION HOLDERS

In summary, the choices available to you in respect of your outstanding Share Options are:

#### **(A) Accept the Share Option Offer**

The Share Option Offer shall apply to each outstanding Share Option that you hold as at the Scheme Record Date.

You may choose to accept the Share Option Offer on the terms (including all declarations and undertakings) as set out in the Scheme Document, this letter and the enclosed Form of Acceptance, by ticking the “**Accept**” box on the Form of Acceptance and returning it in accordance with the instructions set out below. Such acceptance of the Share Option Offer will be in respect of all Share Options held by you on the Scheme Record Date.

#### **(B) Reject the Share Option Offer**

If you choose to reject the Share Option Offer, please tick the “**Reject**” box on the enclosed Form of Acceptance and return it in accordance with the instructions set out below. Such rejection of the Share Option Offer shall apply to all Share Options held by you as at the Scheme Record Date.

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## **APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS**

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If you reject the Share Option Offer, you will not be entitled to the cash consideration offered by the Offeror under the Share Option Offer in respect of any outstanding Share Options you may hold. All outstanding Share Options shall lapse upon the Scheme becoming effective according to the terms of the Share Option Scheme.

Following receipt of this letter, if you (i) choose to do nothing (including by not returning a Form of Acceptance) or (ii) fail to tick either the “Accept” or “Reject” box on a returned Form of Acceptance, and the Scheme becomes effective, you will be treated as having returned a duly executed Form of Acceptance with the “Reject” box ticked in respect of all outstanding Share Options held by you on the Scheme Record Date and your Share Options will lapse upon the Scheme becoming effective without any payment made to you.

### **(C) Become a Scheme Shareholder**

If any of the outstanding Share Options you hold is exercised at the relevant exercise price in accordance with the terms of Share Option Scheme (as applicable) on or before the date that is the earlier of the end of two calendar months after the date of this letter and the date on which the Scheme is sanctioned by the Court, and the corresponding Shares are issued to you prior to the Scheme Record Date, any such Shares will be Scheme Shares and will be cancelled if the Scheme becomes effective. Accordingly, you will be entitled to receive the Cancellation Price for the Scheme Shares held by you as at the Scheme Record Date.

Scheme Shareholders and Shareholders as at the Meeting Record Date will be entitled, subject to the Takeovers Code, to attend and vote at the Court Meeting and the SGM respectively, whereas a Share Option Holder will not have such right to attend and vote at the Court Meeting and/or the SGM. Please see Part II – Actions to be Taken of the Scheme Document, the section headed “17. Court Meeting and SGM” in the Explanatory Statement and the notices of Court Meeting and the SGM on pages IV-1 to V-2 of the Scheme Document for further details.

### **HOW TO RETURN THE FORM OF ACCEPTANCE**

You should complete and return the duly completed and executed Form of Acceptance together with the relevant certificate(s), document(s) of title or entitlement in respect of the Share Options and/or any other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) for your holding of the Share Options, so as to reach the Company at 15th Floor, One Island South, 2 Heung Yip Road, Wong Chuk Hang, Hong Kong, China, for the attention of the Company Secretariat and marked “Haitong International – Share Option Offer” as soon as possible by no later than 4:30 p.m. (Hong Kong, China time) on Thursday, 4 January 2024 (or such later date and time as may be notified to you by the Offeror and the Company).

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## **APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS**

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Before returning the Form of Acceptance to the Offeror, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other documents will be given.

### **PAYMENTS UNDER THE SHARE OPTION OFFER**

Subject to the Scheme becoming effective, payment by cheques of the applicable cash entitlements to Share Option Holders under the Share Option Offer are expected to be despatched or made as soon as possible but in any event no later than seven business days (as defined in the Takeovers Code) after the Effective Date. On the basis that the Scheme becomes effective on Tuesday, 9 January 2024 (Bermuda time), the cheques for the payment of the Share Option Offer Price under the Share Option Offer are expected to be despatched on or before Thursday, 18 January 2024.

Payment will be made by way of cheques by ordinary post in pre-paid envelopes addressed to the Share Option Holders at their respective last known addresses as notified by the Share Option Holders to the Group.

All such cheques shall be posted at the risk of the addressees and none of HSCL, the Offeror, the Company, Somerley Capital, the Independent Financial Adviser and the Registrar, and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal, the Scheme and the Share Option Offer shall be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any cheque which has not been cashed or which has been returned uncashed and shall place all monies represented by the cheque in a deposit or custodian account in the name of the Offeror with a licensed bank in Hong Kong, China selected by the Offeror.

The Offeror shall hold monies represented by uncashed cheques until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme and the Share Option Offer to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme and the Share Option Offer, and are subject to, if applicable, the deduction of interest, tax or any withholding tax or any other deduction required by law. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

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## **APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS**

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On the expiry of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme and the Share Option Offer and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit or custodian account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Settlement of cash payments to which any Share Option Holder is entitled under the Share Option Offer will be implemented in full in accordance with the terms of the Share Option Offer 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 Share Option Holder.

### **OUTSTANDING SHARE OPTIONS**

Information on the Share Options held by you can be obtained by contacting the Company Secretariat of the Company at +852 2213-8571.

### **LAPSED SHARE OPTIONS**

**Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Option which lapses, will lapse, or has already lapsed, under the terms of its applicable scheme or grant. You cannot accept the Share Option Offer in respect of a Share Option which has lapsed or will have lapsed by the Scheme Record Date.**

For an acceptance of the Share Option Offer to be valid, the Share Options for which the relevant Share Option Holder intends to accept the Share Option Offer must remain subsisting and have not lapsed as at the date of receipt of such acceptance by the Company (irrespective of the date of delivery of such acceptance).

### **RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE**

Your attention is drawn to the letter from the Independent Board Committee set out in Part V of the Scheme Document and the letter from the Independent Financial Adviser set out in Part VI of the Scheme Document which contain the recommendation of the Independent Board Committee and of the Independent Financial Advisor, respectively, in relation to the Proposal, the Scheme and the Share Option Offer.

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Share Option Offer are fair and reasonable so far as the Share Option Holders are concerned, and accordingly, it advises the Independent Board Committee to recommend to the Share Option Holders to accept the Share Option Offer.

The Independent Board Committee, having been so advised, considers that the terms of the Share Option Offer are fair and reasonable so far as the Share Option Holders are concerned. Accordingly, the Independent Board Committee recommends the Share Option Holders to accept the Share Option Offer.

### **PROFESSIONAL ADVICE**

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

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## APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS

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**If you are in any doubt as to any aspect of this letter, the Scheme Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.**

### DECLARATION

By signing and returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Share Option Offer (including without limitation those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received the Scheme Document, this letter and the Form of Acceptance;
- (b) confirm that all of the outstanding Share Options held by you in respect of which you accept the Share Option Offer are valid and subsisting, free from all liens, charges, mortgages, encumbrances and third party interests of any nature whatsoever;
- (c) confirm that you have observed and is permitted under all applicable laws and requirements to receive and accept the Share Option Offer and any revision thereof, and that you have obtained all requisite governmental, exchange control or other consents and made all registrations or filings required in compliance with all necessary formalities and regulatory or legal requirements, and have paid all issue, transfer or other taxes, duties or other required payments due from you in connection with such acceptance in any jurisdiction, and that you have not taken or omitted to take any action which will or may result in HSCL, the Offeror, the Company or their respective advisers, including the Somerley Capital, the Independent Financial Adviser and the Registrar, or any other person acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Share Option Offer or your acceptance thereof and such acceptance, surrender and/or cancellation shall be valid and binding in accordance with all applicable laws and regulations;
- (d) acknowledge that you shall cease to have any rights or entitlements in relation to your Share Options and that all rights and entitlements under your Share Options shall lapse, in each case on the Effective Date;
- (e) agree, in consideration for the Share Option Offer, to release and waive all present and future claims, demands, actions and/or proceedings (whether contractual, statutory or otherwise and whether such claims are known or could be known or are in your contemplation at the time of signing the Form of Acceptance and to the maximum extent not prohibited by law) against any party (including HSCL, the Offeror and the Company and their officers and respective advisers) arising out of or in connection with the Share Options and/or the Share Option Offer;
- (f) confirm that any acceptance of the Share Option Offer cannot be withdrawn or altered;



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## APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS

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- (g) authorise the Company and the Offeror, jointly and severally, or any director or officer of the Company or the Offeror or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to any acceptance by you of the Share Option Offer, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance (including but not limited to consenting to the Company, the Board or the Offeror, as applicable, exercising its rights to amend the terms of your Share Options to enable such outstanding Share Options to be cancelled in exchange for the payment by the Offeror of the cash considerations);
- (h) authorise the Company to transfer any personal data which may identify you (including, but not limited to your name, your date of birth, contact details, nationality, identity or passport number, tax residency, social security number (or equivalent), bank account details and details of your Share Options) to the Offeror and to authorise the Offeror to collect, use and process such personal data for all matters directly or indirectly connected with the implementation of the Share Option Offer. You agree to execute any further documents as may be required by the Company or the Offeror to give effect to such authorisation; and
- (i) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

### GENERAL

All communications, notices, Form of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Share Option Holders or their designated agents by post, shall be posted at their risk, and none of HSCL, the Offeror, the Company, Somerley Capital, the Independent Financial Adviser and the Registrar, and their respective ultimate beneficial owners, directors, employees, officers, agents, advisers, associates and affiliates and any other person involved in the Proposal, the Scheme or the Share Option Offer accepts any liability for any loss, delay or any other liabilities whatsoever which may arise as a result thereof. This letter shall be taken as having been received by you within two business days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms and conditions of the Share Option Offer.

The accidental omission to despatch the Scheme Document, the forms of proxy, the letter to Share Option Holders and/or Form of Acceptance or any of them to any person to whom the Share Option Offer is made will not invalidate the Share Option Offer in any way.



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## **APPENDIX VI FORM OF LETTER TO SHARE OPTION HOLDERS**

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The Share Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong, China. Execution of a Form of Acceptance by or on behalf of any person will constitute the agreement of such person that the courts of Hong Kong, China shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Option Offer.

Due execution of the Form of Acceptance in respect of the Share Option Offer will constitute an authority to the Offeror, and the Company, jointly and severally, or any director or officer of the Offeror or the Company or their respective agents (including the Registrar) or persons as any of them may direct to complete, amend and execute any document on behalf of the accepting Share Option Holder(s) and to do any other act, that may be necessary or desirable for the purpose of cancelling all outstanding Share Options which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter, including the date specified for receipt or the requirement for the Form of Acceptance to be witnessed.

By accepting the Share Option Offer in respect of your Share Options, you irrevocably and at your own risk elect to authorise the Offeror to send to you, or procure the sending to you of, any cash to which you are entitled.

Any acceptance of the Share Option Offer and the receipt of cash consideration under the Share Option Offer may trigger taxes subject to withholding obligations of the Offeror. Any cash consideration under the relevant Share Option Offer will be paid to you net of such applicable taxes, if any. All Share Option Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Share Option Offer.

Unless otherwise expressly stated in the Scheme Document, this letter and/or Form of Acceptance, none of the terms of the Share Option Offer or any terms contained in the aforementioned documents will be enforceable, under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong, China), by any person other than the Offeror and the accepting Share Option Holder(s).

The English language text of the Scheme Document and the accompanying forms of proxy, Form of Acceptance and this letter shall prevail over their respective Chinese language texts for the purpose of interpretation.

### **RESPONSIBILITY STATEMENTS**

The issue of this letter has been approved by the directors of the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

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## APPENDIX VI      FORM OF LETTER TO SHARE OPTION HOLDERS

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The issue of this letter has been approved by the directors of HSCL, who jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than opinions expressed by the Directors in their capacity as the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

The issue of this letter has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Offeror or HSCL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

Yours truly,  
For and on behalf of  
**Haitong International Holdings Limited**  
**Li Jun**  
*Chairman*