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## LETTER FROM CLSA LIMITED

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27 January 2023

*To Qualifying Shareholders*

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH PARTIAL OFFER BY CLSA LIMITED  
ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE A MAXIMUM OF  
80,000,000 OFFER SHARES OF XINGDA INTERNATIONAL HOLDINGS LIMITED  
FROM QUALIFYING SHAREHOLDERS**

**1. INTRODUCTION**

On 7 December 2022, the Joint Offerors and the Company jointly announced that CLSA Limited, on behalf of the Joint Offerors, would, subject to the satisfaction of the Pre-Condition, make a conditional voluntary cash partial offer to acquire a maximum of 80,000,000 Offer Shares from Qualifying Shareholders at the Offer Price of HK\$1.88 per Offer Share.

As disclosed in the announcement dated 12 December 2022 jointly issued by the Joint Offerors and the Company, the Pre-Condition was satisfied on 12 December 2022.

This letter forms part of this Composite Document and sets out, amongst other things, the principal terms and conditions of the Partial Offer. Further details of the terms and conditions of the Partial Offer are set out in Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance.

Qualifying Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Partial Offer.

**2. PRINCIPAL TERMS AND CONDITIONS OF THE PARTIAL OFFER**

CLSA Limited, on behalf of the Joint Offerors, hereby makes the Partial Offer to the Qualifying Shareholders to acquire a maximum of 80,000,000 Offer Shares at the Offer Price of HK\$1.88 per Offer Share.

As at the Latest Practicable Date, based on the total number of 1,662,445,199 Shares in issue (assuming there are no changes to the issued share capital of the Company after the Latest Practicable Date), and 758,132,457 Shares (representing approximately 45.60% of the total issued share capital of the Company) held by the Joint Offerors and parties acting in concert with them, the Partial Offer will be subject to valid acceptances being received (and not, where permitted, withdrawn) in respect

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of the Minimum Number of Offer Shares (i.e. 73,313,834 Offer Shares, representing approximately 4.41% of the total issued share capital of the Company) and which would result in the Joint Offerors and parties acting in concert with them holding the interest in not less than 50.01% of the Shares in issue; and the maximum number of Offer Shares to be purchased by the Joint Offerors from the Qualifying Shareholders is 80,000,000 Offer Shares, representing approximately 4.81% of the total issued share capital of the Company. Please refer to the sub-section headed “Conditions to the Partial Offer” below.

The Partial Offer is made on the following basis:

For each Offer Share . . . . . HK\$1.88 in cash

**The Offer Price will not be increased, and the Joint Offerors do not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Joint Offerors will not be allowed to increase the Offer Price.**

The Offer Shares to be acquired by the Joint Offerors from the Qualifying Shareholders shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions the record date of which falls on or after the Final Closing Date. The Company confirms that as at the Latest Practicable Date, it does not have any intention to make, declare or pay any further dividend or make other distributions from the Latest Practicable Date and up to and including the Final Closing Date.

If, after the Latest Practicable Date and up to the Final Closing Date, any dividend and distributions is declared in respect of the Offer Shares and the record date of which falls on or before the Final Closing Date, the Joint Offerors reserve the right to reduce the Offer Price by an amount equal to the amount of such dividend or distributions declared, made or paid in respect of each Offer Share, in which case any reference in the Joint Announcement, this Composite Document or any other announcement or document to the Offer Price will be deemed to be a reference to the Offer Price as so reduced.

### **Pre-Condition to the Partial Offer**

As stated in the Joint Announcement, the making of the Partial Offer was subject to the obtaining of consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code. On 12 December 2022, the Joint Offerors and the Company jointly announced that the Pre-Condition was fulfilled.

### **Conditions to the Partial Offer**

The Partial Offer is subject to the following Conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) in respect of the Minimum Number of Offer Shares (i.e. 73,313,834 Offer Shares) and which would result in the Joint Offerors and parties acting in concert with them holding the interest in not less than

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50.01% of the Shares in issue at or before 4:00 p.m. (Hong Kong time) on the First Closing Date, provided that the Joint Offerors shall purchase from the Qualifying Shareholders as many Offer Shares as are tendered by the Qualifying Shareholders up to the Maximum Number of Offer Shares (i.e. 80,000,000 Offer Shares); and

- (b) approval of the Partial Offer pursuant to Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the register of members of the Company as at the First Closing Date holding over 50% of the Shares not held by the Joint Offerors, the Joint Offerors' Shareholders and parties acting in concert with either of them, signified by means of a separate tick box on the Form of Approval and Acceptance specifying the number of Shares in respect of which the Partial Offer is approved.

Under Rule 28.5 of the Takeovers Code, a partial offer which could result in the offeror holding 30% or more of the voting rights in a company must normally be conditional on the approval by shareholders holding over 50% of the voting rights not held by the offeror and parties acting in concert with it by means of signifying their approval on a separate box on the form of approval and acceptance.

Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming are the sole registered shareholder of Great Trade, In-Plus, Power Aim and Wise Creative respectively; hence, each of them is a party acting in concert with the Joint Offerors. Accordingly, none of Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming are Qualifying Shareholders nor are they entitled to signify their approval of the Partial Offer under Rule 28.5 of the Takeovers Code.

Mr. Tao Jinxiang is a party to the Five Parties' Agreement; therefore, Mr. Tao Jinxiang and Perfect Sino, a company wholly-owned by Mr. Tao Jinxiang, are parties acting in concert with the Joint Offerors. The Tao Shares will be subject to the Partial Offer but Mr. Tao Jinxiang and Perfect Sino are not entitled to signify their approval of the Partial Offer under Rule 28.5 of the Takeovers Code.

As at the Latest Practicable Date, the Trustee held 2,139,665 Shares for satisfying the unvested share awards granted to the grantees under the Share Award Scheme. Pursuant to the Share Award Scheme, the Trustee shall not exercise the voting rights in respect of any Shares held under the trust constituted for the Share Award Scheme, therefore it is not entitled to signify its approval of the Partial Offer for the purposes of Rule 28.5 of the Takeovers Code. The Shares held by the Trustee will be subject to the Partial Offer but given the Trustee holds Shares for the purposes of the Share Award Scheme, the Company does not intend to give any instruction to the Trustee to accept the Partial Offer.

**Whether or not the Qualifying Shareholders accept the Partial Offer, they (other than parties acting in concert with the Joint Offerors and the Trustee) may approve the Partial Offer AND specify the number of Offer Shares in respect of which they signify their approval of the Partial Offer in the Form of Approval and Acceptance. Each Offer Share shall be entitled to ONE vote only. Multiple votes in respect of the same Offer Share will not be taken into account when counting the approval of the Partial Offer. Qualifying Shareholders may specify the number of Offer Shares in respect of which they tender for acceptance of the Partial Offer.**

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In the event that valid acceptances are received:

- (a) for less than the Minimum Number of Offer Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the Takeovers Code, the Partial Offer will not proceed and will lapse immediately; and
- (b) for not less than the Minimum Number of Offer Shares and which would result in the Joint Offerors and parties acting in concert with them holding the interest in not less than 50.01% of the Shares in issue on or before the First Closing Date, the Joint Offerors will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

Pursuant to Rule 15.1 of the Takeovers Code, the Partial Offer must initially be open for acceptance for at least 21 days following the Despatch Date.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter. Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Joint Offerors cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

Accordingly, if the Partial Offer is declared unconditional in all respects on or before Friday, 10 February 2023, then the Final Closing Date would be on (but no earlier or later than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than Friday, 10 February 2023, then the Final Closing Date would be 14 days after the date of such declaration.

Pursuant to Rule 28.4 of the Takeovers Code, if the Partial Offer has been approved for the purposes of Rule 28.5 of the Takeovers Code by Qualifying Shareholders who are registered as Shareholders in the register of members of the Company as at the First Closing Date holding over 50% of the Shares not held by the Joint Offerors, the Joint Offerors' Shareholders and parties acting in concert with either of them, and has been declared unconditional as to acceptances on the First Closing Date, the Joint Offerors cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

**Pursuant to Rule 28.6 of the Takeovers Code, since the Joint Offerors and parties acting in concert with them will be holding more than 50% of the voting rights of the Company if the Partial Offer becomes unconditional in all respects and full valid acceptances of the Partial Offer are received, the Joint Offerors will then be free to acquire further voting rights in the Company without incurring any obligation to make a general offer subject to Rule 28.3 of the Takeovers Code (that is, the Joint Offerors and parties acting in concert with them (including any other person who is subsequently acting in concert with them) may not acquire voting rights in the Company during the 12-month period immediately following the end of the Offer Period, except with the consent of the Executive).**

**WARNING: Shareholders and potential investors of the Company should note that the Partial Offer will be subject to the satisfaction of the Conditions. Accordingly, the Partial Offer may or may not become unconditional and will lapse if it does not become unconditional. Shareholders**

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and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt about their positions, they should consult their professional advisers.

### 3. VALUE OF THE PARTIAL OFFER

#### Comparison of value

The Offer Price of HK\$1.88 per Offer Share represents:

- (i) a premium of approximately 18.24% over the closing price of HK\$1.59 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 24.50% over the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 25.33% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 26.09% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 24.50% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 55.17% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$4.19 per Share as at 31 December 2021, calculated based on the audited consolidated net asset value attributable to the Shareholders of RMB5,699.85 million (based on the exchange rate of HK\$1: RMB0.81760, the central parity rate published by the People's Bank of China on its website as at 31 December 2021 for illustrative purposes) as at 31 December 2021 and 1,662,445,199 Shares in issue as at the Latest Practicable Date;
- (vii) a discount of approximately 52.80% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$3.98 per Share as at 30 June 2022, calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB5,662.65 million (based on the exchange rate of HK\$1: RMB0.85519, the central parity rate published by the People's Bank of China on its website as at 30 June 2022 for illustrative purposes) as at 30 June 2022 and 1,662,445,199 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 54.03% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2022 as adjusted based on the property valuation report of the Group prepared by Cushman & Wakefield as set out in Appendix IV of HK\$4.09 per Share

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(the “**Adjusted Net Asset Value**”), calculated based on the Adjusted Net Asset Value of RMB5,825.24 million (based on the exchange rate of HK\$1: RMB0.85519, the central parity rate published by the People’s Bank of China on its website as at 30 June 2022 for illustrative purposes) as at 30 June 2022, and 1,662,445,199 Shares in issue as at the Latest Practicable Date.

### **Highest and lowest Share prices**

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.65 on 13 December 2022 and HK\$1.34 on 20 June 2022 and 21 June 2022, respectively.

### **Total consideration of the Partial Offer**

Assuming valid acceptance of the Partial Offer for the relevant number of Offer Shares has been tendered by the Qualifying Shareholders and based on the Offer Price of HK\$1.88 per Offer Share, the total cash consideration payable by the Joint Offerors to purchase (a) the Maximum Number of Offer Shares from the Qualifying Shareholders under the Partial Offer will be approximately HK\$150,400,000 and (b) the Minimum Number of Offer Shares from the Qualifying Shareholders under the Partial Offer will be approximately HK\$137,830,008.

### **Confirmation of financial resources**

The Joint Offerors will finance each of their proportions of consideration payable under the Partial Offer by the internal resources provided by the Joint Offerors’ Shareholders respectively.

CITIC Securities (Hong Kong), as the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to the Joint Offerors to satisfy the maximum consideration payable under the Partial Offer.

## **4. CONSORTIUM AGREEMENT**

On 7 December 2022, the Joint Offerors entered into the Consortium Agreement to form a consortium for the purpose of the Partial Offer. The Consortium Agreement governs (i) the Joint Offerors’ relationship in respect of the Partial Offer; (ii) the conduct and implementation of the Partial Offer; and (iii) the allocation of the Offer Shares among the Joint Offerors upon completion of the Partial Offer.

Set out below are the key terms of the Consortium Agreement:

- (i) the Joint Offerors agree that all decisions relating to the Partial Offer will be made jointly by the Joint Offerors;
- (ii) each Joint Offeror shall use its reasonable efforts to do (or procure to be done), and to assist and cooperate with other Joint Offerors in doing, all things reasonably necessary, proper or advisable to consummate and make effective, as promptly as practicable, the Partial Offer;

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- (iii) each Joint Offeror shall cooperate with other Joint Offerors and their professional advisers and proceed in good faith to consummate the Partial Offer (including without limitation, preparing the transaction documents and responding to any enquiries that the Executive and the Stock Exchange may have). Each Joint Offeror agrees to consult with other Joint Offerors and to keep other Joint Offerors fully informed of any relevant material developments and the status of implementation in respect of the Partial Offer;
- (iv) each Joint Offeror acknowledges and agrees that it shall be fully responsible for ensuring the accuracy of all statements of fact furnished or confirmed by it in each of the transaction documents relating to it and its associates;
- (v) in the event that the Partial Offer becomes unconditional, In-Plus, Power Aim, Wise Creative and Widen Success shall acquire 4,000,000, 10,000,000, 5,500,000 and 5,500,000 Offer Shares, respectively, and all the remaining Offer Shares which are validly tendered for acceptance by the Qualifying Shareholders under the Partial Offer shall be acquired by Great Trade; accordingly, the maximum number of Offer Shares to be acquired by Great Trade is 55,000,000 Offer Shares and the minimum number of Offer Shares to be acquired by Great Trade is 48,313,834 Offer Shares;
- (vi) each Joint Offeror agrees to advance sufficient cash in immediately available funds in HK\$ in time to fulfil its obligation to pay the Offer Price with reference to the maximum number of Offer Shares to be acquired by such Joint Offeror as set out in paragraph (v) above, together with any stamp duty that may be incurred in connection with the Partial Offer prior to the date of the Joint Announcement. Each Joint Offeror further agrees and undertakes to advance sufficient cash in immediately available funds in HK\$ in time to fulfil its obligation to pay any fees, expenses and costs that may be incurred in connection with the Partial Offer from time to time;
- (vii) each Joint Offeror undertakes to arrange sufficient financial resources required by the Executive to implement the Partial Offer and to fulfil its payment obligations thereunder;
- (viii) each Joint Offeror shall discharge its obligation of contribution set out in paragraph (vi) above on a several but not joint basis and shall be solely responsible for all obligations and liabilities in relation to the arrangement in connection with its financial resources;
- (ix) each Joint Offeror agrees and undertakes to other Joint Offerors that, during the Offer Period and until six months after the close of the Partial Offer, it shall not, and shall use its reasonable efforts to procure parties acting in concert with it (including any other person who is subsequently acting in concert with it) not to, enter into, solicit, facilitate or encourage any arrangement, agreement or understanding, whether or not legally binding or subject to any condition, which may constitute a “special deal” (as defined under Rule 25 of the Takeovers Code);
- (x) before the Partial Offer becomes or is declared unconditional (whether as to acceptance or in all respects), lapses or is withdrawn (whichever is the later), each Joint Offeror shall not, and shall use its reasonable efforts to procure parties acting in concert with it (including any other

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person who is subsequently acting in concert with it) and its associates not to, sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares held by it directly or indirectly;

- (xi) each Joint Offeror shall not, and shall use its reasonable efforts to procure parties acting in concert with it (including any other person who is subsequently acting in concert with it) and its associates not to, acquire any voting rights in the Company or otherwise deal in the Shares or other securities of the Company (i) during the Offer Period; and (ii) during the 12-month period immediately following the end of the Offer Period, except with the consent of the Executive; and
- (xii) each Joint Offeror represents and warrants to the other Joint Offerors that as at the date of the Consortium Agreement, the date of publication of (amongst others) each announcement and circular relating to the Partial Offer, and the Final Settlement Date:
  - (a) (1) the making of the Partial Offer, (2) the advancement of cash to the relevant bank account to fulfil its payment obligation in accordance with the terms of the Consortium Agreement, and (3) the settlement of the consideration payable by it to the accepting Qualifying Shareholders under the Partial Offer in accordance with the terms of the Consortium Agreement are not subject to any approval, consent or authorization under the Five Parties' Agreement; and
  - (b) (for Great Trade, In-Plus, Power Aim and Wise Creative only) the Offer Shares to be acquired by such Joint Offeror under the Partial Offer are for the benefit of Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming, respectively, as the case may be (and not for the benefit of the other ESC Members) and such Offer Shares do not constitute assets of, or are not held on trust for and on behalf of, the other ESC Members.

In the event that the Partial Offer does not become or is not declared unconditional, the Consortium Agreement shall terminate with immediate effect upon the end of the Offer Period.

### **5. THE 2nd SUPPLEMENTAL AGREEMENT TO THE FIVE PARTIES AGREEMENT**

The Shares were listed on the Main Board of the Stock Exchange on 21 December 2006. Prior to the Listing, the Five Parties entered into the Five Parties' Agreement dated 29 August 2005 (as supplemented on 15 November 2005), pursuant to which the Five Parties agreed (a) to hold, manage and dispose of their respective direct and indirect interests in the Five BVI Companies, Faith Maple and the Company on behalf of the then 98 ESC Members (including themselves) (in accordance with their proportional interests in Jiangsu Xingda immediately prior to the Faith Maple Acquisition) and Mr. Wu (who joined the Group as an employee of Jiangsu Xingda on 1 July 2005); and (b) to procure the Five BVI Companies to vote unanimously at the general meetings of the Company and Faith Maple.



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In contemplation of the Partial Offer, on 29 November 2022, the Five Parties entered into the 2nd Supplemental Agreement To The Five Parties' Agreement to confirm and acknowledge that (i) the interests and rights of the Five BVI Companies and the interests and rights in the Shares held by the Five Parties through the Five BVI Companies are held by the Five Parties for their own benefit and for the benefit of the other ESC Members with reference to the proportion set out in the Five Parties' Agreement and as amended from time to time; and (ii) to the extent any Shares were acquired by any of the Five Parties and/or the Five BVI Companies using the funds provided by such member of the Five Parties on or after 30 August 2005, such acquired Shares (together with all rights and benefits accruing and attaching thereto) shall be for the benefit of such member of the Five Parties only. Accordingly, given each of Great Trade, In-Plus, Power Aim and Wise Creative will finance each of their proportions of consideration payable under the Partial Offer by the internal cash resources provided by Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming, respectively, the Offer Shares to be acquired by Great Trade, In-Plus, Power Aim and Wise Creative under the Partial Offer shall be for the respective benefit of Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming.

Each of the ESC Members (other than Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming) has signed a written confirmation acknowledging the arrangements contemplated under the 2nd Supplemental Agreement To The Five Parties' Agreement and in particular, confirming that save for the Five Parties, other ESC Members shall have no interests and rights in the Shares acquired by any of the Five Parties and/or the Five BVI Companies using the funds provided by such member of the Five Parties on or after 30 August 2005.

### **6. THE AIC AGREEMENT**

On 29 November 2022, the Five BVI Companies, the Five Parties, Widen Success and Mr. Liu Tao entered into the AIC Agreement, pursuant to which the parties agreed, confirmed and acknowledged that in respect of all the Shares held by the Five BVI Companies, the Five Parties, Widen Success and Mr. Liu Tao from time to time, whether for their own benefit or for the benefit of the other ESC Members, they shall reach a consensus before voting on any of the matters to be resolved at the general meetings of the Company and shall vote unanimously on the resolutions proposed at the general meetings of the Company. Mr. Liu Tao further agreed and confirmed that he shall agree with Mr. Liu Jinlan when reaching a consensus among the Five Parties and himself.

The AIC Agreement shall take effect on the Final Settlement Date, accordingly, if the Partial Offer does not become unconditional, lapses, does not proceed or is withdrawn due to any reason in accordance with the Takeovers Code, the AIC Agreement shall not take effect and will be terminated automatically.

### **7. OTHER TERMS OF THE PARTIAL OFFER**

#### **Acceptance of the Partial Offer**

The Qualifying Shareholders may accept the Partial Offer in respect of some or all of the Offer Shares held by them.

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Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for not less than the Minimum Number of Offer Shares, but not more than the Maximum Number of Offer Shares as at the Final Closing Date, all Offer Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than the Maximum Number of Offer Shares as at the Final Closing Date, the total number of Offer Shares to be taken up by the Joint Offerors from each accepting Qualifying Shareholder will be determined by the total number of Offer Shares tendered for acceptance in accordance with the following formula:

$$\frac{A}{B} \times C$$

A = the Maximum Number of Offer Shares as at the Final Closing Date, being the maximum number of Offer Shares for which the Partial Offer is made

B = the total number of Offer Shares validly tendered by all Qualifying Shareholders under the Partial Offer

C = the number of Offer Shares tendered by the relevant individual Qualifying Shareholder under the Partial Offer

### **Partial nature of the Partial Offer and effect of fractions**

It is possible that, if a Qualifying Shareholder tenders all his/her Shares for acceptance under the Partial Offer, not all of such Shares will be taken up.

Fractions of Offer Shares will not be taken up under the Partial Offer and, accordingly, the number of Offer Shares that the Joint Offerors will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Joint Offerors, and in any event, the total number of Offer Shares to be taken up by the Joint Offerors will not exceed the Maximum Number of Offer Shares.

### **Odd lots**

The Shares are currently traded in board lots of 1,000 Shares each. Such board lot size will not be changed as a result of the implementation of the Partial Offer. Qualifying Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of Shares. Accordingly, First Shanghai Securities Limited (the “**Odd Lot Traders**”), whose address is at Rooms 2505-2510, Wing On House, 71 Des Voeux Road Central, Hong Kong (telephone number: (852) 2532 1911, office hours: 9:00 a.m. to 4:00 p.m.) has been appointed as the designated agent to match sales and purchases of odd lot holdings of Shares in the market for a period of six (6) weeks following the close of the Partial Offer to enable such Qualifying Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 1,000 Shares each. Qualifying Shareholders should note that the matching of odd lots is not guaranteed. Qualifying Shareholders who would like to match odd lots are recommended to make an appointment in advance by dialling the telephone number of (852) 2532 1911 set out above. Qualifying Shareholders who are in any doubt about the matching arrangements described above are recommended to consult their own professional advisers.

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### **Effect of accepting the Partial Offer**

Acceptance of the Partial Offer by any Qualifying Shareholder will constitute a warranty by such Qualifying Shareholder to the Joint Offerors that the Shares sold by it to the Joint Offerors under the Partial Offer are fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights and benefits at any time accruing and attaching thereto, including all rights to any dividend or other distributions declared, made or paid on or after the Final Closing Date. The Company confirms that as at the Latest Practicable Date, it did not have any intention to make, declare or pay any further dividend or make other distributions until after the Final Closing Date.

By validly accepting the Partial Offer, the Qualifying Shareholders will sell to the Joint Offerors their tendered Offer Shares which are finally taken up by the Joint Offerors in accordance with the formula set out in the section headed “Acceptance of the Partial Offer” above in this letter.

Acceptance of the Partial Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong Stamp Duty**

In Hong Kong, the seller’s ad valorem stamp duty arising in connection with acceptance of the Partial Offer will be payable by the relevant Qualifying Shareholders at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Joint Offerors in respect of the relevant acceptance of the Partial Offer, whichever is higher, which will be deducted from the cash amount payable by the Joint Offerors to such Qualifying Shareholder on acceptance of the Partial Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty will be rounded-up to the nearest HK\$1). The Joint Offerors will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Qualifying Shareholders accepting the Partial Offer and will pay the buyer’s ad valorem stamp duty in connection with the acceptance of the Partial Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

**Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Partial Offer. None of the Joint Offerors, parties acting in concert with the Joint Offerors, the Company, CITIC Securities (Hong Kong), CLSA Limited and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Partial Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Partial Offer.**

### **Settlement of consideration**

Settlement of the consideration payable by the Joint Offerors in respect of acceptance of the Partial Offer will be made as soon as possible but in any event within seven (7) Business Days of the Final Closing Date.

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## 8. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PARTIAL OFFER

Assuming that there will be no change to the issued share capital of the Company and no other change to the shareholding between the Latest Practicable Date and up to the Closing Date, the shareholding structure of the Company, as at the Latest Practicable Date and immediately upon completion of the Partial Offer, is set out below:

	As at the Latest Practicable Date		Immediately upon completion of the Partial Offer			
			Assuming the Minimum Number of Offer Shares is tendered for acceptance by the Qualifying Shareholders under the Partial Offer <sup>(12)</sup>		Assuming the Maximum Number of Offer Shares is tendered for acceptance by the Qualifying Shareholders under the Partial Offer <sup>(12)</sup>	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
<b>Joint Offerors</b>						
Great Trade	274,104,883	16.49%	322,418,717	19.39%	329,104,883	19.80%
In-Plus	151,114,000	9.09%	155,114,000	9.33%	155,114,000	9.33%
Power Aim	42,725,000	2.57%	52,725,000	3.17%	52,725,000	3.17%
Wise Creative	48,565,000	2.92%	54,065,000	3.25%	54,065,000	3.25%
Widen Success	—	—	5,500,000	0.33%	5,500,000	0.33%
<i>Sub-total of Joint Offerors</i>	<b>516,508,883</b>	<b>31.07%</b>	<b>589,822,717</b>	<b>35.48%</b>	<b>596,508,883</b>	<b>35.88%</b>
<b>Parties acting in concert with the Joint Offerors</b>						
Mr. Liu Jinlan <sup>(1)</sup>	49,039,275	2.95%	49,039,275	2.95%	49,039,275	2.95%
Mr. Liu Xiang <sup>(2)</sup>	18,932,299	1.14%	18,932,299	1.14%	18,932,299	1.14%
Mr. Zhang Yuxiao <sup>(3)</sup>	3,458,000	0.21%	3,458,000	0.21%	3,458,000	0.21%
Mr. Hang Youming <sup>(4)</sup>	43,671,000	2.62%	43,671,000	2.62%	43,671,000	2.62%
Mr. Tao Jinxiang <sup>(5)</sup>	10,264,000	0.62%	10,264,000	0.62%	10,264,000	0.62%
Perfect Sino <sup>(5)</sup>	116,259,000	6.99%	116,259,000	6.99%	116,259,000	6.99%
<i>Sub-total of Joint Offerors and parties acting in concert with them</i>	<b>758,132,457</b>	<b>45.60%</b>	<b>831,446,291</b>	<b>50.01%</b>	<b>838,132,457</b>	<b>50.42%</b>
<b>The INEDs</b>						
Mr. Koo Fook Sun, Louis <sup>(6)</sup>	510,824	0.031%	510,824	0.031%	510,824	0.031%
Mr. William John Sharp <sup>(7)</sup>	384,000	0.023%	384,000	0.023%	384,000	0.023%
Ms. Xu Chunhua <sup>(8)</sup>	50,000	0.003%	50,000	0.003%	50,000	0.003%
<i>Sub-total of the INEDs</i>	<b>944,824</b>	<b>0.057%</b>	<b>944,824</b>	<b>0.057%</b>	<b>944,824</b>	<b>0.057%</b>
The Trustee <sup>(9)</sup>	2,139,665	0.13%	2,139,665	0.13%	2,139,665	0.13%
<b>Public Shareholders</b>						
FIL Limited <sup>(10)</sup>	166,244,328	9.99%	166,244,328	9.99%	166,244,328	9.99%
Other Shareholders	734,983,925	44.21%	661,670,091	39.80%	654,983,925	39.40%
<b>Total</b>	<b>1,662,445,199</b>	<b>100.00%</b>	<b>1,662,445,199</b>	<b>100.00%</b>	<b>1,662,445,199</b>	<b>100.00%</b>

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## LETTER FROM CLSA LIMITED

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*Notes:*

1. Mr. Liu Jinlan is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Liu Jinlan will become interested in a further 5,425,000 Shares.
2. Mr. Liu Xiang is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Liu Xiang will become interested in a further 2,675,000 Shares.
3. Mr. Zhang Yuxiao is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Zhang Yuxiao will become interested in a further 2,675,000 Shares.
4. Mr. Hang Youming is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Hang Youming will become interested in a further 2,675,000 Shares.
5. Mr. Tao Jinxiang is a party to the Five Parties' Agreement; therefore, Mr. Tao Jinxiang and Perfect Sino, a company wholly-owned by Mr. Tao Jinxiang, are parties acting in concert with the Joint Offerors. Mr. Tao Jinxiang and Perfect Sino are Qualifying Shareholders and the Tao Shares will be subject to the Partial Offer, but Mr. Tao Jinxiang and Perfect Sino are not entitled to signify their approval of the Partial Offer under Rule 28.5 of the Takeovers Code. Mr. Tao Jinxiang is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Tao Jinxiang will become interested in a further 2,675,000 Shares.
6. Mr. Koo Fook Sun, Louis was an INED as at the Latest Practicable Date. He is a Qualifying Shareholder and the Shares held by him will be subject to the Partial Offer. Mr. Koo Fook Sun, Louis is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. Koo Fook Sun, Louis will become interested in a further 217,000 Shares.
7. Mr. William John Sharp was an INED as at the Latest Practicable Date. He is a Qualifying Shareholder and the Shares held by him will be subject to the Partial Offer. Mr. William John Sharp is a grantee under the Share Award Scheme. Upon fulfilment of the relevant vesting conditions and assuming all Award Shares granted to him are vested in full, Mr. William John Sharp will become interested in a further 217,000 Shares.
8. Ms. Xu Chunhua was an INED as at the Latest Practicable Date. She is a Qualifying Shareholder and the Shares held by her will be subject to the Partial Offer.
9. As at the Latest Practicable Date, the Trustee held 2,139,665 Shares for the Share Award Scheme. Pursuant to the Share Award Scheme, the Trustee shall not exercise the voting rights in respect of any Shares held under the trust constituted for the Share Award Scheme, therefore it is not entitled to signify its approval of the Partial Offer for the purposes of Rule 28.5 of the Takeovers Code. The Shares held by the Trustee will be subject to the Partial Offer but given the Trustee holds Shares for the purposes of the Share Award Scheme, the Company does not intend to give any instruction to the Trustee to accept the Partial Offer.
10. Based on the disclosure of interest filings dated 1 September 2021 made by Pandanus Associates Inc., Pandanus Associates Inc. held 100.00% of Pandanus Partners L.P., which in turn held 37.01% of the issued share capital of FIL Limited. For the purpose of Part XV of the SFO, Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the Shares held by FIL Limited.

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## LETTER FROM CLSA LIMITED

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11. CITIC Securities (Hong Kong) is the financial adviser to the Joint Offerors in respect of the Partial Offer. Accordingly, CITIC Securities (Hong Kong) and persons controlling, controlled by or under the same control as CITIC Securities (Hong Kong) (except exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Joint Offerors in relation to the Company in accordance with Class (5) of the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, members of the CITIC Securities (Hong Kong) group do not legally or beneficially own, control or have direction over any Shares (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary investment clients of the CITIC Securities (Hong Kong) group). Nor were there any borrowing or lending of, or dealing in, Shares (or options, rights over Shares, warrants or derivatives in respect of them) by any members of the CITIC Securities (Hong Kong) group during the Relevant Period (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive for such purposes of the Takeovers Code and also excluding the Shares held on behalf of non-discretionary investment clients of the CITIC Securities (Hong Kong) group). Notwithstanding that connected exempt principal traders within the CITIC Securities (Hong Kong) group are not acting in concert with the Joint Offerors, Shares held by any such connected exempt principal traders must not be assented to the Partial Offer until the Partial Offer becomes or is declared unconditional as to acceptances in accordance with the requirements of Rule 35.3 of the Takeovers Code, and must not approve the Partial Offer in accordance with the requirements of Rule 35.4 of the Takeovers Code, unless (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions shall originate from the client only, and if no instructions are given, then no approval of the Partial Offer shall be signified for the relevant Shares held by the relevant connected exempt principal trader. For this purpose, a written confirmation of the matters set out in points (i) and (ii) above and whether the relevant underlying clients are entitled to vote in the context of the Partial Offer will be submitted to the Executive prior to the acceptance and approval of the Partial Offer in respect of the relevant Shares held by the relevant connected exempt principal trader.
12. On the assumption that all Shares tendered for acceptance under the Partial Offer are from Other Shareholders (as listed in the table above).

As at the Latest Practicable Date, there were 1,662,445,199 Shares in issue with no outstanding options, warrants, derivatives or securities that carry a right to subscribe for or that are convertible or exchangeable into Shares or other types of equity interest, and 1,030,835,742 Shares were held by the Qualifying Shareholders.

As at the Latest Practicable Date, there were 21,816,000 outstanding Award Shares awarded to the grantees under the Share Award Scheme which remained unvested, among which 5,425,000, 2,675,000, 2,675,000, 2,675,000, 2,675,000, 217,000 and 217,000 Award Shares which remained unvested were granted to Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao, Mr. Hang Youming, Mr. William John Sharp and Mr. Koo Fook Sun, Louis, respectively. Pursuant to the Share Award Scheme, the Trustee shall purchase Shares in the market out of cash contributed by the Company and hold such Shares until such Shares are vested in the relevant grantees. As at the Latest Practicable Date, the Trustee held 2,139,665 Shares for satisfying the unvested share awards granted to the grantees.

The Company has not granted and will not grant any new awards under the Share Award Scheme, and has not instructed and will not instruct the Trustee to purchase any Shares from the market, from the date of the Joint Announcement until after the end of the Offer Period.

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## LETTER FROM CLSA LIMITED

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Pursuant to Rule 28.3 of the Takeovers Code, the Joint Offerors and parties acting in concert with them (including any other person who is subsequently acting in concert with them) may not acquire voting rights in the Company during the 12-month period immediately following the end of the Offer Period, except with the consent of the Executive. In this regard, Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Tao Jinxiang, Mr. Zhang Yuxiao and Mr. Hang Youming (i.e. the Five Parties) have requested the Company not to, and the Company will not, vest any Award Shares in them until after the expiry of the 12-month period immediately following the end of the Offer Period.

Save as aforesaid, as at the Latest Practicable Date, the Company had no other shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest.

### **9. REASONS FOR AND BENEFITS OF THE PARTIAL OFFER**

Reference is made to the annual results announcement of the Company dated 30 March 2022. The audited revenue and net profit of the Group for the year ended 31 December 2021 increased by approximately 38.6% and 75.0% respectively as compared to the equivalent period in 2020, while the basic earnings per Share and diluted earnings per Share increased by 82.1% and 81.9% respectively as compared to the equivalent period in 2020.

Given that the global economy has been gradually recovering from the COVID-19 pandemic and the Chinese government has also strengthened organic economic development drivers to promote continuous economic growth with the help of investment policies and consumption policies alongside measures to expand domestic demand and allocate funds, the Joint Offerors expect that the global demand for automotive tire strengthening material will grow significantly in the coming few years, and in the mid and long run, the radial tire cord industry will continue to thrive. Therefore, the Joint Offerors seek to obtain further interest in the Company to consolidate their joint control in the Company.

When determining the Maximum Number of Offer Shares and the Minimum Number of Offer Shares, the Joint Offerors have taken into account the interests of the Company, the Qualifying Shareholders, the Five Parties and themselves. The Joint Offerors are of the view that the Partial Offer will benefit all the aforesaid parties.

#### **Benefits to the Company, the Five Parties and the Joint Offerors**

As at the Latest Practicable Date, the Joint Offerors and parties acting in concert with them collectively owned approximately 45.60% of the voting rights in the Company. Upon the Partial Offer becoming unconditional, the Joint Offerors and parties acting in concert with them will collectively own not less than 50.01% of voting rights in the Company, which allow them to exercise statutory control of the Company. At the same time, the public float of the Company will be maintained at or above the 25% level as required under the Listing Rules and it is the intention of the Joint Offerors to maintain the listing status of the Shares on the Stock Exchange upon completion of the Partial Offer.

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## LETTER FROM CLSA LIMITED

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Upon completion of the Partial Offer, the Company will have greater flexibility to manage its capital structure. As stated above, since the Joint Offerors and parties acting in concert with them only owned an aggregate of approximately 45.60% of the voting rights in the Company as at the Latest Practicable Date, the Company is therefore restricted from pursuing share repurchases opportunistically without potentially triggering a mandatory general offer obligation under Rule 26.1 of the Takeovers Code on the part of the Joint Offerors and parties acting in concert with them. Should the Partial Offer be completed, the Joint Offerors, the Joint Offerors' Shareholders and parties acting in concert with either of them will collectively own more than 50% of the voting rights in the Company and thus they will no longer be subject to the "2% creeper rule" under Rule 26.1 of the Takeovers Code (save that pursuant to Rule 28.3 of the Takeovers Code, the Joint Offerors and parties acting in concert with them (including any other person who is subsequently acting in concert with them) may not acquire voting rights in the Company during the 12-month period immediately following the end of the Offer Period, except with the consent of the Executive). The Company can then manage its capital structure, including by way of making share repurchases, more flexibly. The Company has no intention to pursue share repurchases after the completion of the Partial Offer.

The increase in shareholding in the Company by the Joint Offerors and parties acting in concert with them can also demonstrate their commitment to the Group and their confidence towards the prospects of the Group. It may possibly improve the Group's credit indicators which allow the Group to conduct future equity and debt financing at a lower cost.

### **Benefits to the Qualifying Shareholders**

Upon the Partial Offer becoming unconditional, each Qualifying Shareholder (i) will receive a payment of HK\$1.88 in cash for every Offer Share in respect of which that Qualifying Shareholder validly accepts the Partial Offer and which is taken up by the Joint Offerors under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom); and (ii) will have the opportunity of retaining an interest in the Company going forward and therefore, will be able to enjoy any further potential upside from any retained ownership in the Company post the Partial Offer.

## **10. INTENTION OF THE JOINT OFFERORS REGARDING THE GROUP**

The Joint Offerors intend to continue the existing businesses and the employment of employees of the Group and have no intention to introduce any major changes in the business, including any redeployment of fixed assets of the Group which is not in the ordinary course of business. The Joint Offerors consider that the Group should continue to review its strategy and focus to best suit the operating environment of the Group.

The Joint Offerors and the Board have not entered and do not intend to enter into any agreement, arrangements, understanding (i) to acquire and/or develop any new business nor (ii) to dispose of or downsize the existing businesses and/or material operating assets, of the Company. The Company has no intention to appoint new members to the Board after the completion of the Partial Offer.



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## LETTER FROM CLSA LIMITED

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### 11. PUBLIC FLOAT

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

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

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

As at the Latest Practicable Date, the Company had a public float of approximately 54.21% of the Shares in issue. Assuming (i) full acceptances of the Maximum Number of Offer Shares under the Partial Offer by the Qualifying Shareholders (other than Mr. Tao Jinxiang, Perfect Sino, the Trustee and the INEDs) and (ii) that there are no changes to the issued share capital of the Company and the number of Shares held by the Trustee under the Share Award Scheme between the Latest Practicable Date and up to the Closing Date, the Company will have a public float of approximately 49.40% of the Shares in issue immediately following the close of the Partial Offer. Accordingly, the number of Shares in public hands will continue to meet the 25% minimum public float requirement under Rule 8.08 of the Listing Rules. The Joint Offerors intend to maintain the listing status of the Shares on the Stock Exchange upon completion of the Partial Offer.

As required to be disclosed pursuant to Rule 14.81(1) of the Listing Rules, the Joint Offerors intend that the Company remains listed on the Stock Exchange. The directors of the Joint Offerors jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares upon completion of the Partial Offer.

### 12. OVERSEAS SHAREHOLDERS

The Partial Offer is made available to all Qualifying Shareholders, including the Overseas Shareholders. However, the Partial Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident. The making of the Partial Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek independent legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Partial Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Partial Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the accepting Overseas Shareholders in respect of such jurisdictions).

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## LETTER FROM CLSA LIMITED

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According to the register of member of the Company as the Latest Practicable Date, there were Overseas Shareholders with registered address located in Australia and the PRC. The Joint Offerors were advised by relevant legal advisers that there is no restriction for the Joint Offerors to despatch this Composite Document and the Form of Approval and Acceptance, and to make the Partial Offer to the Overseas Shareholders. The Joint Offerors will therefore despatch this Composite Document and Form of Approval and Acceptance to the Overseas Shareholders. This Composite Document will not be filed, nor approved for its issuance sought, under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong. Whether or not this Composite Document is sent to the Overseas Shareholders, this Composite Document will be published on the websites of the Company and the Stock Exchange, and will be available for collection in the office of the Registrar.

**Any acceptance of the Partial Offer by any Qualifying Shareholder will be deemed to constitute a representation and warranty from such persons to the Joint Offerors and their advisers that all local laws and regulatory requirements have been complied with and that the Partial Offer can be accepted by such persons lawfully under the laws of the relevant jurisdiction. Qualifying Shareholders should consult their professional advisers if in any doubt.**

### 13. INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacturing and trading of radial tire cords, bead wires and other wires.

Your attention is drawn to Appendices II, III and IV to this Composite Document which contain further information in relation to the financial information of the Group, the general information of the Group and the property valuation report.

### 14. INFORMATION ON THE JOINT OFFERORS

Great Trade is a company incorporated in the British Virgin Islands with limited liability on 2 January 2004. As at the Latest Practicable Date, Mr. Liu Jinlan, chairman of the Board and an executive Director, was the sole registered shareholder of Great Trade. Great Trade is principally engaged in investment holding.

In-Plus is a company incorporated in the British Virgin Islands with limited liability on 2 January 2004. As at the Latest Practicable Date, Mr. Liu Xiang, an executive Director and the son of Mr. Liu Jinlan, was the sole registered shareholder of In-Plus. In-Plus is principally engaged in investment holding.

Power Aim is a company incorporated in the British Virgin Islands with limited liability on 2 January 2004. As at the Latest Practicable Date, Mr. Zhang Yuxiao, an executive Director, was the sole registered shareholder of Power Aim. Power Aim is principally engaged in investment holding.

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## LETTER FROM CLSA LIMITED

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Wise Creative is a company incorporated in the British Virgin Islands with limited liability on 2 January 2004. As at the Latest Practicable Date, Mr. Hang Youming, the son-in-law of Mr. Liu Jinlan, was the sole registered shareholder of Wise Creative. Wise Creative is principally engaged in investment holding.

The interests and rights of Great Trade, In-Plus, Power Aim and Wise Creative, and the interests and rights in the Shares held by Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming through Great Trade, In-Plus, Power Aim and Wise Creative are owned by Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming respectively for the benefit of the ESC Members, save for the Shares acquired by any of Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming in their own name or through Great Trade, In-Plus, Power Aim and Wise Creative respectively using the funds provided by themselves on or after 30 August 2005 (including the Offer Shares to be acquired by Great Trade, In-Plus, Power Aim and Wise Creative respectively under the Partial Offer), such acquired Shares (together with all rights and benefits accruing and attaching thereto) shall be for the respective benefit of Mr. Liu Jinlan, Mr. Liu Xiang, Mr. Zhang Yuxiao and Mr. Hang Youming only and not for the benefit of the other ESC Members. As at the Latest Practicable Date, among the 632,767,883 Shares held by the Five BVI Companies, (i) a total of 454,678,266 Shares (representing approximately 27.35% of the total issued share capital of the Company as at the Latest Practicable Date) were held for the benefit of the respective members of the Five Parties, being 225,270,933 Shares for Mr. Liu Jinlan, 82,254,840 Shares for Mr. Liu Xiang, 55,862,493 Shares for Mr. Tao Jinxiang, 42,725,000 Shares for Mr. Zhang Yuxiao, and 48,565,000 Shares for Mr. Hang Youming respectively; and (ii) the remaining 178,089,617 Shares (representing approximately 10.71% of the total issued share capital of the Company as at the Latest Practicable Date) were held for the benefit of the other ESC Members.

Widen Success is a company incorporated in the British Virgin Islands with limited liability on 7 July 2022. As at the Latest Practicable Date, Mr. Liu Tao, the son of Mr. Liu Jinlan, held the entire issued share capital of Widen Success. Widen Success is principally engaged in investment holding.

### **15. COMPULSORY ACQUISITION**

The Joint Offerors do not intend to avail themselves of any powers of compulsory acquisition.

### **16. ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Approval and Acceptance.

### **17. GENERAL**

This Composite Document has been prepared for the purpose of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules. The information disclosed in it may not be the same as that which would have been disclosed if this Composite Document had been prepared in accordance with the laws or rules of jurisdictions outside Hong Kong.

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## LETTER FROM CLSA LIMITED

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The attention of Overseas Shareholders is drawn to the paragraph headed “9. Overseas Shareholders” in Appendix I to this Composite Document.

To ensure equality of treatment of all Qualifying Shareholders, registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Shares by each beneficial owner separately. In order for the beneficial owners of Shares whose investments are registered in nominee names (including those whose interests in Shares are held through CCASS) to approve and/or accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.

All documents to be sent to the Shareholders will be sent to them by ordinary post at their own risk to their respective addresses as they appear in the register of the members of the Company or, in the case of joint holders, to such holder whose name appears first in the register of members. Payment of the consideration (after deducting the seller’s ad valorem stamp duty) for the Offer Shares tendered for acceptance under the Partial Offer will be made in cheque to the Qualifying Shareholders (to the address specified on the Form of Approval and Acceptance) accepting the Partial Offer by ordinary post at his/her/its own risk.

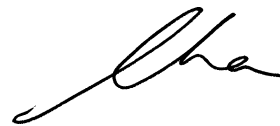
### 18. ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Partial Offer set out in the appendices to this Composite Document and the accompanying Form of Approval and Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser contained in this Composite Document.

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

Yours faithfully,  
For and on behalf of  
**CLSA Limited**  
**CHAN Wai Hung, Edmund**  
*Managing Director*

Yours faithfully,  
For and on behalf of  
**CLSA Limited**

A handwritten signature in black ink, appearing to read 'Chan Wai Hung', written in a cursive style.

**CHAN Wai Hung, Edmund**  
*Managing Director*