
LETTER FROM CINDA INTERNATIONAL



信達國際
CINDA INTERNATIONAL

45/F., Cosco Tower
183 Queen's Road Central
Hong Kong

29 April 2020

To the Independent Shareholders

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
CINDA INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF

GLORY RANK INVESTMENT LIMITED
(A WHOLLY-OWNED SUBSIDIARY OF
CHINA CINDA (HK) ASSET MANAGEMENT CO., LIMITED)
TO ACQUIRE ALL THE ISSUED SHARES OF
ZHONGCHANG INTERNATIONAL HOLDINGS GROUP LIMITED
(stock code: 859)**

**(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Offer Announcement in relation to, among others, the Enforcement Action of China Cinda (HK) against Sansheng Hongye and the Offer.

As disclosed in the Offer Announcement, as a result of the Enforcement Action, China Cinda (HK) became the beneficial owner of the Charged Shares and the Convertible Note. China Cinda (HK) became a controlling shareholder controlling approximately 74.98% of the voting rights of the Company with effect from 18 October 2019 and Sansheng Hongye ceased to be a controlling shareholder with effect on the same date.

The obligation to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Cinda (HK) was triggered after China Cinda (HK) has acquired control of approximately 74.98% of the voting rights of the Company as a result of the Transfer. China Cinda (HK) has applied to the Executive for the Waiver from the said obligation to make a mandatory general offer pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code. However, the Waiver was not granted. In fulfillment of its obligation, China Cinda (HK) makes the mandatory general offer via the Offeror, which is its wholly-owned subsidiary.

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This letter forms part of this Offer Document and sets out, among others, details of the Offer, the reasons for making the Offer, the intentions of the Offeror in respect of the Group and certain background information of the Offeror. Further details on the terms of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

The Company is required to despatch the Response Document within 14 days after the posting of this Offer Document. The Independent Shareholders are advised to read this Offer Document and the Response Document before taking any action in respect of the Offer.

THE ENFORCEMENT ACTION OF CHINA CINDA (HK)

Pursuant to the Facility Agreement dated 15 May 2019 entered into among Sansheng Hongye (as borrower), Mr. Chen, Mrs. Chen, Shanghai Sansheng (collectively, as guarantors) and China Cinda (HK) (as lender, arranger, agent and security agent), a loan facility was granted by China Cinda (HK) to Sansheng Hongye in the amount of HK\$700 million for a term of 24 months. To secure the repayment obligation, several collaterals were provided and among which were the Share Mortgage, the Security Agreement and the Second-Lien Property Mortgage.

Sansheng Hongye executed the Share Mortgage and the Security Agreement to charge the 843,585,747 Charged Shares and the Convertible Note respectively in favour of China Cinda (HK). The Convertible Note was issued by the Company on 7 December 2015 with a five year term in the outstanding principal amount of HK\$11,000,000 convertible into 13,715,710 new Shares upon exercise in full of the conversion rights attaching to it (representing approximately 1.22% of the existing issued share capital of the Company and approximately 1.20% of the issued share capital of the Company as enlarged by the issue of the new Shares upon exercise in full of the conversion rights attaching to the Convertible Note as at the Latest Practicable Date) based on the prevailing conversion price of HK\$0.802 per Share.

Due to the continued occurrence of events of default under the Finance Documents (including the failure to pay the outstanding fees under the Finance Documents after such fees became due and payable) and under the belief that Sansheng Hongye was in immense financial difficulty, China Cinda (HK) on 18 October 2019 exercised its rights under the Facility Agreement to enforce the Share Mortgage and effect the Transfer of 843,585,747 Charged Shares (representing approximately 74.98% of the entire issued share capital of the Company as at 18 October 2019 and the Latest Practicable Date). China Cinda (HK) further enforced the Security Agreement on 31 December 2019 and was assigned in its favour the Convertible Note.

The Enforcement Action was taken in the interest of time and in light of the dreary financial position of Sansheng Hongye. Among the securities taken under the Facility Agreement, the collaterals under the Second-Lien Property Mortgage were of the highest value but the same were first mortgaged to Ningbo Cinda, an indirectly wholly-owned subsidiary of China Cinda (HK). As such, China Cinda (HK) has agreed with Ningbo Cinda and in November 2019, Ningbo Cinda initiated legal proceedings to recover the collaterals under the Second-Lien Property Mortgage. Since the litigation may drag on for a long time and although the Second-Lien Property Mortgage was considered by China Cinda (HK) to be the prime collateral under the Facility Agreement, the

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time required to enforce the Second-Lien Property Mortgage is long which is unlikely to be completed within a year, hence China Cinda (HK) enforced the Share Mortgage and the Security Agreement to protect its interest. China Cinda (HK) hereby undertakes to continue to enforce the Second-Lien Property Mortgage despite the Enforcement Action.

Pursuant to the Share Mortgage, which is governed by the laws of Bermuda, after the enforcement in respect of the Charged Shares, any sale proceeds in excess of settling the liabilities secured under the subject mortgage must be returned to Sansheng Hongye or other person entitled to it.

As a result of the Enforcement Action, China Cinda (HK) became the beneficial owner of the Charged Shares and the Convertible Note. China Cinda (HK) became a controlling shareholder controlling approximately 74.98% of the voting rights of the Company with effect from 18 October 2019. Sansheng Hongye ceased to be a controlling shareholder with effect on the same date.

The obligation to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Cinda (HK) was triggered after China Cinda (HK) has acquired control of approximately 74.98% of the voting rights of the Company as a result of the Transfer. China Cinda (HK) has applied to the Executive for the Waiver from the said obligation to make a mandatory general offer pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code. However, the Waiver was not granted. In fulfillment of its obligation, China Cinda (HK) is making the mandatory general offer via the Offeror, which is its wholly-owned subsidiary.

IMPLICATIONS OF THE ENFORCEMENT ACTION

The Transfer resulted in China Cinda (HK) obtaining approximately 74.98% of the voting rights of the Company. Upon the Transfer, China Cinda (HK) has applied to the Executive for the Waiver from the obligation to make a mandatory general offer pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code. However, the Waiver was not granted.

As no Waiver was granted, China Cinda (HK) should have made a mandatory general offer when it obtained approximately 74.98% of the voting rights of the Company. Due to the time taken for obtaining the Waiver and the impact of COVID-19, the progress of making the Offer was inadvertently prolonged, China Cinda (HK) apologises for such delay in making the Offer, and will take measures to ensure full and prompt compliance with the Takeovers Code in future.

MANDATORY UNCONDITIONAL CASH OFFER

Immediately prior to the Transfer, none of China Cinda (HK), its ultimate beneficial owner and their respective parties acting in concert owned any Shares or any other convertible securities, options, warrants or derivatives in the Company. Immediately following the Transfer and as at the date of this Offer Document, China Cinda (HK), its ultimate beneficial owner and their respective parties acting in concert own 843,585,747 Shares representing approximately 74.98% of the entire issued share capital of the Company.

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Based on the published information of the Company available to the public as at the Latest Practicable Date, the Company has 1,125,027,072 Shares in issue and the Convertible Note in the outstanding principal amount of HK\$11,000,000. Save as disclosed above and based on the publicly available information, the Company has no other outstanding warrants, derivatives, options, convertibles or other securities in issue which may be convertible into Shares. As the outstanding Convertible Note is held by China Cinda (HK) which is the sole shareholder of the Offeror, no comparable offer will be made in respect of the Convertible Note.

Principal terms of the Offer

Cinda International is making the Offer, which is unconditional, for and on behalf of the Offeror, in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.5425 in cash

The Offer Price of HK\$0.5425 per Offer Share under the Offer is equal to the volume weighted average price of each Share as at the date of the Transfer, i.e. 18 October 2019, which is determined by taking into account of the background of the Enforcement Action as set out in the paragraph headed “The Enforcement Action of China Cinda (HK)” above, and in particular the following factors:

- (i) the outstanding amount which was due from Sansheng Hongye to China Cinda (HK) under the loan facility granted by China Cinda (HK) pursuant to the Facility Agreement;
- (ii) the repayment obligation of the loan facility was secured by a range of securities taken under the Facility Agreement including but not limited to the Charged Shares, the Convertible Note and the Second-Lien Property Mortgage;
- (iii) in light of the dreary financial position of Sansheng Hongye, the Enforcement Action has been taken in respect of the Charged Shares and the Convertible Note. Further, China Cinda (HK) has agreed with Ningbo Cinda, its indirectly wholly-owned subsidiary and the first mortgagee, and in November 2019, Ningbo Cinda initiated legal proceedings to recover the collaterals under the Second-Lien Property Mortgage;
- (iv) among the abovesaid securities, the collaterals under the Second-Lien Property Mortgage were of the highest value and was thus considered by China Cinda (HK) as the prime collateral under the Facility Agreement. China Cinda (HK) has undertaken to continue to enforce the Second-Lien Property Mortgage despite the Enforcement Action;
- (v) pursuant to the Share Mortgage, which is governed by the laws of Bermuda, after the enforcement in respect of the Charged Shares, any sale proceeds in excess of settling the liabilities secured under the subject mortgage must be returned to Sansheng Hongye or other person entitled to it; and

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- (vi) since none of the outstanding amount owed by Sansheng Hongye to China Cinda (HK) has been discharged given that none of the Charged Shares, Convertible Note and collaterals under the Second-Lien Property Mortgage has been realised, China Cinda (HK) has made reference to the volume weighted average price (which is the ratio of the value traded to total volume traded over a particular time horizon and is generally used as a trading benchmark by investors) of the Shares on 18 October 2019 that could reflect the market value of the Shares in relation to the enforcement in respect of the Charged Shares.

Further details of the terms of the Offer and the procedures for acceptances are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

Comparisons of value

The Offer Price of HK\$0.5425 per Share represents:

- (i) a premium of approximately 6.37% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.12% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.560 per Share;
- (iii) a discount of approximately 8.05% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.590 per Share;
- (iv) a discount of approximately 1.90% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.553 per Share;
- (v) a premium of approximately 29.10% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.4202 per Share;
- (vi) a premium of approximately 2.34% to the closing price of HK\$0.530 per Share as quoted on the Stock Exchange on the last trading day prior to the commencement of the Offer Period on 24 October 2019;
- (vii) a discount of approximately 70.88% over the audited consolidated net asset value of the Group of approximately HK\$1.8633 per Share as at 31 December 2018 based on 1,125,027,072 Shares in issue as at the Latest Practicable Date;
- (viii) a discount of approximately 71.16% over the unaudited consolidated net asset value of the Group of approximately HK\$1.8809 per Share as at 30 June 2019 based on 1,125,027,072 Shares in issue as at the Latest Practicable Date;

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- (ix) a discount of approximately 69.23% over the unaudited consolidated net asset value of the Group of approximately HK\$1.7629 per Share as at 31 December 2019 based on 1,125,027,072 Shares in issue as at the Latest Practicable Date; and
- (x) a premium of approximately 0.46% to the closing price of HK\$0.540 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices for each Share as quoted on the Stock Exchange were HK\$1.16 on 25 April 2019 and HK\$0.305 on 31 January 2020, respectively.

Value and total consideration of the Offer

Based on the published information of the Company available to the public as at the Latest Practicable Date, there are 1,125,027,072 Shares in issue. Excluding the Charged Shares and the Convertible Note obtained by China Cinda (HK) pursuant to the Enforcement Action, a total of 281,441,325 Shares are subject to the Offer (assuming there is no change to the issued share capital of the Company from the Latest Practicable Date up to the close of the Offer). Based on the Offer Price of HK\$0.5425 per Offer Share and on the basis of full acceptance of the Offer, the cash consideration payable by the Offeror under the Offer will amount to approximately HK\$152,681,918.81.

Confirmation of financial resources available for the Offer Consideration and the Offer

The Offer Consideration shall be payable in cash. The Offeror intends to finance the Offer Consideration by its own internal resources. As such, there will be no payment of interest in relation thereto which will depend to a significant extent on the business of the Company.

Cinda International and Donvex Capital, as the joint financial advisers to the Offeror in respect of the Offer, are satisfied that sufficient financial resources are available to the Offeror to satisfy its maximum payment obligations upon full acceptance of the Offer of 281,441,325 Offer Shares.

Effect of accepting the Offer

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

By accepting the Offer, the Independent Shareholders shall sell their Shares free from all Encumbrances and together with all rights accruing or attaching to them, including without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made, being the date of this Offer Document. In the event that any dividends or distributions are declared after the Despatch Date, paid or made in respect thereof until the close of the Offer, the amount of such

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dividends or other distributions will be deducted from the Offer Price. As at the Latest Practicable Date, to the best knowledge of the Offeror and according to the published information of the Company, the Company has not declared any dividends or distributions which will fall on or after the despatch of this Offer Document.

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

Hong Kong stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the Independent Shareholders, or the market value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), whichever is higher, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

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

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, its parties acting in concert, the Company, Cinda International, Donvex Capital and their respective directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Independent Shareholders

To the extent practicable and permissible under applicable laws and regulations, the Offeror intends to make available the Offer to all Independent Shareholders, including those who are residents outside Hong Kong. The making of the Offer to persons who are not residents in Hong Kong may be affected by the laws and regulations of the relevant jurisdiction in which they are residents. Overseas Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

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

Any acceptance by any Independent Shareholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders should consult their professional advisers if in doubt.

Nominee registration

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

Procedures for acceptance

Your attention is drawn to the paragraph headed "I. Procedures for Acceptance of the Offer" as set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the transfer of the Charged Shares and the assignment of the Convertible Note from Sansheng Hongye to China Cinda (HK) as a result of the Enforcement Action, the Offeror and parties acting in concert with it have not dealt in any Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing six months prior to the commencement of the Offer Period on 24 October 2019 and up to the Latest Practicable Date.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for 843,585,747 Charged Shares and the Convertible Note held by China Cinda (HK), none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them held, owned or had control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company;

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- (ii) there was no outstanding derivatives in respect of the securities in the Company which is entered into by the Offeror, its ultimate beneficial owner or parties acting in concert with any of them;
- (iii) there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offer;
- (iv) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (v) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owner and parties acting in concert with any of them had borrowed or lent;
- (vi) none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them had received any irrevocable commitment(s) to accept or reject the Offer;
- (vii) save for the enforcement in respect of the Charged Shares, there was no other consideration or compensation or benefit in whatever form paid or payable by the Offeror, or parties acting in concert with it to Sansheng Hongye or any party acting in concert with it in connection with the Transfer; and
- (viii) there was no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand, and the Shareholders on the other hand.

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SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately prior to the Transfer; and (ii) immediately after the Transfer and as at the Latest Practicable Date assuming that there is no other change to the issued share capital of the Company, based on publicly available information of the Company:

	Immediately before the Transfer		Immediately after the Transfer and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
The Offeror and the parties acting in concert with it				
— The Offeror	—	—	—	—
— China Cinda (HK)	—	—	843,585,747	74.98
Sansheng Hongye	843,585,747	74.98	—	—
Public Shareholders	<u>281,441,325</u>	<u>25.02</u>	<u>281,441,325</u>	<u>25.02</u>
Total	<u><u>1,125,027,072</u></u>	<u><u>100.00</u></u>	<u><u>1,125,027,072</u></u>	<u><u>100.00</u></u>

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated on 12 March 2020 in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of China Cinda (HK). The Offeror has not been in operation since its incorporation. As at the date of this Offer Document, the directors of the Offeror are Mr. Ma Yilin and Mr. Chen Zhiwei.

China Cinda (HK) is a company incorporated on 21 April 1999 in Hong Kong with limited liability. It is an asset management company and a licensed money lender registered under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), principally engages in, among others, debt financing activities. China Cinda (HK) is indirectly wholly-owned by China Cinda, a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Main Board with stock code 1359. China Cinda and its subsidiaries are principally engaged in distressed asset management, and provide customised financial solutions and differentiated asset management services to their clients through their diversified business platforms. As at the Latest Practicable Date, the directors of China Cinda (HK) are Mr. Ma Yilin and Mr. Chen Zhiwei.

The non-executive Director of the Company, Mr. Wang Xin, is the managing director of the Special Situations Group of China Cinda (HK) and was appointed to the Board on 23 August 2019. Save as disclosed above, the Offeror, its ultimate beneficial owner and parties acting in concert

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with any of them are third parties independent of the Company and its connected persons (as defined in the Listing Rules), and are not acting in concert with Sansheng Hongye and parties acting in concert with it.

FUTURE INTENTIONS OF THE OFFEROR

Intention of the Offeror with respect to the Charged Shares

Due to the continued occurrence of events of default under the Finance Documents (including the failure to pay the outstanding fees under the Finance Documents after such fees became due and payable) and under the belief that Sansheng Hongye was in immense financial difficulty, China Cinda (HK) on 18 October 2019 exercised its rights under the Facility Agreement to enforce the Share Mortgage and effect the Transfer of 843,585,747 Charged Shares (representing approximately 74.98% of the entire issued share capital of the Company as at 18 October 2019 and the Latest Practicable Date).

The Enforcement Action was taken in the interest of time and in light of the dreary financial position of Sansheng Hongye. Among the securities taken under the Facility Agreement, the collaterals under the Second-Lien Property Mortgage were of the highest value but the same were first mortgaged to Ningbo Cinda, an indirectly wholly-owned subsidiary of China Cinda (HK). Since the litigation may drag on for a long time and although the Second-Lien Property Mortgage was considered by China Cinda (HK) to be the prime collateral under the Facility Agreement, the time required to enforce the Second-Lien Property Mortgage is long which is unlikely to be completed within a year, hence China Cinda (HK) enforced the Share Mortgage and the Security Agreement to protect its interest. China Cinda (HK) hereby undertakes to continue to enforce the Second-Lien Property Mortgage despite the Enforcement Action.

As a result of the Enforcement Action, China Cinda (HK) became the beneficial owner of the Charged Shares and the Convertible Note. China Cinda (HK) became a controlling shareholder controlling approximately 74.98% of the voting rights of the Company with effect from 18 October 2019. Sansheng Hongye ceased to be a controlling shareholder with effect on the same date.

The obligation to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by China Cinda (HK) was triggered after China Cinda (HK) has acquired control of approximately 74.98% of the voting rights of the Company as a result of the Transfer. China Cinda (HK) has applied to the Executive for the Waiver from the said obligation to make a mandatory general offer pursuant to Note 2 on Dispensations from Rule 26 of the Takeovers Code. However, the Waiver was not granted. In fulfillment of its obligation, China Cinda (HK) is making the mandatory general offer via the Offeror, which is its wholly-owned subsidiary.

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The Offeror intends to dispose of the Charged Shares and is currently in the process of identifying potential purchasers. As of the Latest Practicable Date, the Offeror has not identified any potential purchaser. If the Charged Shares are sold, any subsequent purchaser of the Charged Shares will be under an obligation to conduct a mandatory general offer under Rule 26.1 of the Takeovers Code.

Operation matters, employees and senior management

It is the intention of the Offeror to continue the existing principal business of the Group.

While the Offeror is currently in the process of identifying potential purchasers of the Charged Shares, it will conduct a detailed review on the existing principal businesses and operations, including the financial position of the Group for the purpose of formulating business plans and strategies for the Group's long-term business development, and will explore other business opportunities for the Group, including the feasibility of diversifying the income stream of the Group. In this regard, the Offeror may look into business and investment opportunities in different business areas and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long term potential growth of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

As at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any assets or business into the Group.

The Offeror will conduct a detailed review of the existing management structure of the Group and may consider restructuring the composition of the management in order to enhance its effectiveness.

Proposed change to the Board composition of the Company

The Board is currently made up of eight Directors, comprising four executive Directors, being Mr. Fan Xuerui, Mr. Pi Minjie, Mr. Sun Meng and Ms. Li Guang, one non-executive Director, being Mr. Wang Xin; and three independent non-executive Directors, being Mr. Hung Ka Hai Clement, Mr. Liew Fui Kiang and Mr. Wong Sai Tat.

The Offeror will nominate seven new Directors to facilitate the management of the Group. Any of such appointments will be made in compliance with the Takeovers Code and the Listing Rules and will take effect on the earliest day permitted under the Takeovers Code or such later date as the Offeror considers to be appropriate.

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The biographies of the nominated new Directors are set out below:

Mr. Ma Yilin, aged 55, will be appointed as an executive Director and the chairman of the Board. He has over 24 years of experience in management and finance sectors. Mr. Ma will be responsible for executing the overall operation of the Group.

Mr. Ma obtained his Bachelor of Engineering from the University of International Relations of the PRC in July 1988 and his Master of Economics Law* (經濟法學) from the China University of Political Science and Law in January 1995. After his graduation, Mr. Ma joined the China Construction Bank as the deputy director of the legal department from May 1995 to January 2001 and was mainly responsible for handling, among others, litigation matters of the bank. He then worked for China Cinda (HK) since January 2001 as the senior manager and was subsequently promoted to his current position as the chief executive officer since January 2015.

Mr. Tang Lunfei, aged 41, will be appointed as an executive Director. He has over 16 years of experience in the financial industry. Mr. Tang will be responsible for making major decisions on risk management of the Group.

Mr. Tang obtained his Bachelor of Economics from Chongqing Institute of Technology of the PRC in June 2000 and his Master of Economics from Sichuan University of the PRC in June 2003. After his graduation, Mr. Tang joined China Cinda as the business manager of Chengdu office from July 2003 to April 2005. Subsequently, he worked for the Financial Stability Bureau of The People's Bank of China from May 2005 to June 2006, where he was responsible for resolving the risks associated with securities companies. Mr. Tang then joined Cinda Securities Company Limited from June 2006 to June 2012 with his last position as the business director. From June 2012 to July 2019, he worked for China Cinda Asset Management Company Limited with his last position as the chief and specialised approver of various departments of the Company. Since July 2019, Mr. Tang has been serving as the chief risk and compliance officer of China Cinda (HK) Holdings Company Limited (a wholly-owned subsidiary of China Cinda).

Ms. Huang Limei, aged 54, will be appointed as an executive Director. She has over 20 years of experience in the financial industry. Ms. Huang will be responsible for making major business decisions of the Group.

Ms. Huang obtained her Bachelor of Financial Statistic Profession* (金融統計專業) from Hunan University of Finance and Economics of the PRC in July 1989 and her Master of National Economics* (國民經濟學) from Zhongnan University of Economics and Law of the PRC in December 2000.

Prior to joining China Cinda (HK), Ms. Huang worked for the Shenzhen branch of the China Construction Bank from June 1989 to August 1999 with her last position as the associate head of division. She subsequently joined Shenzhen branch of China Cinda from

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August 1999 to December 2017 where she was principally responsible for handling the finance, approval of business plans and risk management of the company. Since February 2018, Ms. Huang has served as the deputy general manager of China Cinda (HK).

Mr. Chen Zhiwei, aged 35, will be appointed as an executive Director. He has over 13 years of investment and research experience in the financial industry. Mr. Chen will be responsible for executing the overall operation of the Group.

Mr. Chen obtained his Bachelor of Economics in July 2004 from Tsinghua University of the PRC and his Master of Science (Estate Management) in August 2009 from National University of Singapore.

Mr. Chen joined China Cinda (HK) in June 2010 and is currently serving as the assistant general manager of the company, where he is responsible for managing the company's investment and financing business. Apart from the aforesaid, Mr. Chen has been appointed as a non-executive director of (1) Modern Land (China) Co., Limited (a real estate enterprise listed on the Main Board with stock code: 1107) since December 2016; (2) China Fortune Financial Group Limited (an investment holding company listed on the Main Board with stock code: 290) since April 2018; (3) SouthGobi Resources Ltd. (an integrated coal mining, development and trading company listed on the Main Board with stock code: 1878 and the stock exchanges of Singapore and Toronto) since April 2018; and (4) Silver Grant International Holdings Group Limited (a finance company listed on the Main Board with stock code: 171) since January 2019.

Dr. Huang Qiang, aged 43, will be appointed as a non-executive Director. He has over 21 years of experience in the financial industry. Dr. Huang will be participating in formulating the operation strategies of the Group.

Dr. Huang obtained his Bachelor of Economics from the Southwestern University of Finance and Economics of the PRC in July 1998, his Master of Corporate Management* (企業管理) from the Southwestern University of Finance and Economics of the PRC in December 2003 and his Doctor of Corporate Management* (企業管理) in July 2009 from the Southwestern University of Finance and Economics of the PRC. He had been working for Chengdu branch of The People's Bank of China from July 1998 to December 2002, Chengdu Rural Commercial Bank from December 2002 to March 2011 and the China Securities Regulatory Commission from March 2011 to March 2012 where he obtained his valuable experience in the financial industry. Subsequently, Dr. Huang served the School of Economics of the Peking University as a Postdoctor from March 2012 to February 2013. He then joined China Cinda from February 2013 to June 2016 with his last position as the associate general director. Dr. Huang has been concurrently serving as the deputy general manager of China Cinda (HK) Holdings Company Limited (a wholly-owned subsidiary of China Cinda) since June 2017 and is responsible for managing the equity and corporate finance business of the company.

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Mr. Wong Wai Leung, aged 42, will be appointed as an independent non-executive Director. He has over 19 years of experience in accounting, auditing and financial management. Mr. Wong will be participating in formulating the financial strategies of the Group.

Mr. Wong obtained his Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 2000. He has also been admitted as a member of the Hong Kong Institute of Certified Public Accountant (the “HKICPA”) since July 2004, and a fellow member of the Association of Chartered Certified Accountants since September 2010.

After graduation, Mr. Wong worked at Ernst & Young in audit assurance from September 2000 to August 2009 with his last held position as the senior manager in the assurance and advisory business services department. He was also seconded to the assurance and advisory business services department of the New York office of Ernst & Young in the United States of America as the senior accountant from November 2004 to March 2006. Mr. Wong then worked at Lianjie Capital (Hong Kong) Limited from September 2009 to March 2012 with his last held position as the chief financial officer. He was subsequently transferred to Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office, between April 2012 and December 2015 with his last position as the chief financial officer. Mr. Wong was then appointed as a director of Lianjie Sports Investments Limited since January 2016.

Currently, Mr. Wong has become the executive director, chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited (a company principally engaged in the manufacturing, distribution and sale of food and snacks products in the PRC and listed on the Main Board with stock code: 1583) since March 2016 where he is responsible for corporate development, investment, accounting and financial matters. He has also been appointed as an independent non-executive director of (1) MediNet Group Limited (a company principally engaged on providing corporate medical and dental solutions and listed on GEM (“GEM”) of the Stock Exchange with stock code: 8161) since May 2016; and (2) Vertical International Holdings Limited (a company principally engaged in manufacturing of chip type and radial lead type aluminum electrolytic capacitors and listed on GEM with stock code: 8375) since October 2017.

Mr. Yip Tai Him, aged 49, will be appointed as an independent non-executive Director. He has over 22 years of experience in accounting, auditing and financial management. Mr. Yip will be participating in formulating the financial strategies of the Group.

Mr. Yip obtained his Bachelor degree from the City University of Hong Kong in November 1993. He has been admitted as a member of the HKICPA, a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a fellow of the Institute of Chartered Accountants in England and Wales since June 1997, September 2001 and January 2016 respectively.

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Mr. Yip has been serving as an independent non-executive director of (1) Shentong Robot Education Group Company Limited (a company with principal business of robotic education and listed on GEM with stock code: 8206) since October 2002; (2) GCL-Poly Energy Holdings Limited (a solar energy related company listed on the Main Board with stock code: 3800) since March 2009; and (3) Redco Properties Group Limited (a property developer listed on the Main Board with stock code: 1622) since January 2014. In addition, he was previously an independent non-executive director of (1) China Media and Films Holdings Limited (currently known as Lajin Entertainment Network Group Limited), a media company listed on GEM with stock code: 8172, from December 2008 to April 2015; (2) Vinco Financial Group Limited (a financial advising company listed on GEM with stock code: 8340) from May 2008 to August 2016; (3) New Wisdom Holding Company Limited (currently known as Star Glory Holdings Company Limited), a food and beverage company listed on GEM with stock code: 8213, from November 2016 to March 2018; (4) Sino Golf Holdings Limited (a company principally engaged in design, development, manufacture and sale of fully assembled and packaged golf clubs and related accessories and listed on the Main Board with stock code: 361) from September 2015 to November 2018; and (5) Bisu Technology Group International Limited (an engineering and construction company listed on the Main Board with stock code: 1372) from July 2015 to April 2019.

In addition to the above nominees, the Offeror may nominate further Directors (including independent non-executive Directors) to the Board at such time as it considers appropriate to further enhance the management resources and expertise of the Board, upon further review by the Board and its nomination committee.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and a further announcement will be made as and when appropriate.

Save as disclosed herein (in particular the change in the composition of the Board), the Offeror does not intend to (i) introduce any major changes to the business nor the existing operating structure of the Group; (ii) discontinue employment of the existing employees of the Group; and (iii) re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Public float and maintaining the listing status of the Company

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror and the new Directors to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares, i.e. not less than 25% of the Shares will be held by the public.

For the avoidance of doubt, the Offer Shares tendered by the Independent Shareholders upon valid acceptance of the Offer will be retained by the Offeror. In case there is less than 25% of the Shares held by the public following the close of the Offer, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public.

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

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

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

COMPULSORY ACQUISITION

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

ADDITIONAL INFORMATION

Your attention is also drawn to the accompanying Form of Acceptance and the additional information set out in the appendices to this Offer Document, all of which form part of this Offer Document.

Following the despatch of this Offer Document by the Offeror, the Company will be required under the Takeovers Code to send to all Shareholders the Response Document within 14 days. The Response Document will include the views of the Board and the independent board committee of the Company on the Offer, and the letter of advice from the independent financial adviser appointed by the Company in relation to the Offer. Shareholders are advised to read this Offer Document and the Response Document before taking any action in respect of the Offer.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited
Yeung Yiu Wah Francis
Managing Director

