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**ZHONGTAI INTERNATIONAL  
INVESTMENT GROUP  
LIMITED**

**中泰國際投資集團有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**QUALI-SMART HOLDINGS  
LIMITED**

**滙達富控股有限公司 \***

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

**(Stock Code: 1348)**

## **JOINT ANNOUNCEMENT**

- (I) UPDATE IN RELATION TO  
PROPOSED SUBSCRIPTION OF NEW SHARES IN  
THE COMPANY BY THE SUBSCRIBERS;**
- (II) UPDATE IN RELATION TO  
MAJOR AND CONNECTED TRANSACTIONS –  
PROPOSED ACQUISITIONS OF THE ZTI COMPANIES;**
- (III) POSSIBLE SALE AND PURCHASE OF SHARES  
OF THE COMPANY;**
- (IV) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED  
SHARES AND ALL OUTSTANDING CONVERTIBLE NOTES,  
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS, OF  
THE COMPANY (OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR  
AND PARTIES ACTING IN CONCERT WITH IT);**
- AND**
- (V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF THE  
COMPANY**

**Financial adviser to  
the Offeror in respect  
of the Offers**

**Financial adviser  
to the Offeror in  
respect of the  
Subscription**

**Joint financial advisers to  
the Company in respect of  
the Subscription, the ZTI  
Acquisitions and the Offers**



**BALLAS**  
CAPITAL



## **(I) UPDATE ON THE SUBSCRIPTION**

On 11 October 2018, the Company and the Subscribers entered into the Restated Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 Shares, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, for an aggregate consideration of HK\$145,567,800 in cash at the Subscription Price of HK\$0.35 per Share. The Initial Subscription Agreement dated 23 February 2018, details of which were set out in the Company's announcement on 25 February 2018, has been terminated and superseded by the Restated Subscription Agreement.

Under the Subscription, (i) the Offeror will subscribe for 313,672,000 Shares (representing approximately 21.28% of the total issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$109,785,200; (ii) Subscriber A will subscribe for 33,936,000 Shares (representing approximately 2.30% of the total issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$11,877,600; and (iii) Subscriber B will subscribe for 68,300,000 Shares (representing approximately 4.63% of the total issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$23,905,000. Completion is conditional upon satisfaction or waiver of the Subscription Conditions as described in the section headed "(I) Update on the Subscription – The Restated Subscription Agreement – Conditions precedent" of this joint announcement on or before the Long Stop Date.

The Subscription Shares represent (i) approximately 28.21% of the total issued share capital of the Company as at the date of this joint announcement; (ii) approximately 22.00% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) approximately 18.03% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming all of the outstanding Share Options and Convertible Notes will be exercised and converted but no other Shares will be allotted or issued at or prior to Completion).

The net proceeds of the Subscription are estimated to be approximately HK\$140,000,000 which will be used as set out under the paragraph headed "(I) Update on the Subscription – The Restated Subscription Agreement – Intended use of proceeds" of this joint announcement.

The Subscription Shares will be allotted and issued under the Specific Mandate which will be subject to the approval of the Independent Shareholders at the EGM. An application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

**(II) UPDATE ON MAJOR AND CONNECTED TRANSACTIONS – PROPOSED ACQUISITIONS OF THE ZTI COMPANIES**

On 11 October 2018, (i) the Company (as purchaser) and ZTI Financial (as vendor) entered into the Supplemental ZTI Capital Agreement to revise and amend certain terms of the ZTI Capital Agreement; and (ii) the Company (as purchaser) and Zhongtai Financial International (as vendor) entered into the Supplemental ZTI Asset Management Agreement to revise and amend certain terms of the ZTI Asset Management Agreement.

The consideration for the ZTI Capital Acquisition, being HK\$30,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror (as the designated nominee of ZTI Financial) 85,714,286 new Shares, credited as fully paid, at an issue price of approximately HK\$0.35 per Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Acquisition, being HK\$102,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new Shares, credited as fully paid, at an issue price of approximately HK\$0.35 per Share, at completion of the ZTI Asset Management Agreement.

The Consideration Shares to be issued, being an aggregate of 377,142,857 Shares, represent (i) approximately 25.58% of the total issued share capital of the Company as at the date of this joint announcement; (ii) approximately 20.37% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) approximately 16.63% of the total issued share capital of the Company as enlarged upon Completion (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion).

The Consideration Shares will be allotted and issued under the Specific Mandate which will be subject to the approval of the Independent Shareholders at the EGM. An application will be made by the Company for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

**Listing Rules implications**

As at the date of this joint announcement, Zhongtai Financial International and ZTI Financial are third parties independent of the Company and its connected persons. As the Offeror is a wholly-owned subsidiary of Zhongtai Financial International, upon Completion, Zhongtai Financial International will become a controlling shareholder and thus a controller of the Company. As ZTI Financial is a non-wholly owned subsidiary of Zhongtai Financial International, it is an associate of the proposed controller. As such, the ZTI Acquisitions under the ZTI Agreements constitute connected transactions for the Company pursuant to Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratios of the ZTI Acquisitions in aggregate exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the entering into of the ZTI Agreements and the ZTI Acquisitions contemplated thereunder are subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on the latest financial information of the Company, ZTI Asset Management and ZTI Capital, as one or more of the applicable percentage ratios of the ZTI Acquisitions in aggregate exceeds 25% but all of them are less than 100%, the entering into of the ZTI Agreements and the ZTI Acquisitions contemplated thereunder also constitute major transactions for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **(III) THE SHARE PURCHASE AGREEMENT**

The Company was informed by the Vendors that, on 11 October 2018, the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares. The Sale Shares represent (i) approximately 34.05% of the total issued share capital of the Company as at the date of this joint announcement; (ii) approximately 22.14% of the total issued share capital of the Company as enlarged upon Completion (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) for illustration purposes only, approximately 18.71% of the enlarged issued share capital of the Company upon Completion (assuming all outstanding Share Options and Convertible Notes were exercised or converted and no other Shares would be allotted or issued at or prior to Completion). The total consideration for the Sale Shares under the Share Purchase Agreement is HK\$356,465,440 (equivalent to HK\$0.71 per Share, which is the same as the Share Offer Price).

### **(IV) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS**

As at the date of this joint announcement, save for the Subscription Shares, the Sale Shares, the Consideration Shares and the Shares in connection with the Offers, none of the Offeror and its Concert Parties (including Subscriber A and Subscriber B and their respective Concert Parties) is interested in any Shares.

Completion of the Subscription, the ZTI Acquisitions and the Share Purchase Agreement will take place simultaneously. Immediately following Completion, the Offeror and its Concert Parties (including Subscriber A and Subscriber B and their respective Concert Parties) will be interested in a total of 1,295,114,857 issued Shares, representing (i) approximately 57.12% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); (ii) approximately 54.05% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all the Share Options (except the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) for illustration purposes only, approximately 48.26% of the enlarged share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all outstanding Share Options and Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion). For the avoidance of doubt, none of the Lau Options and the Li Options will be exercised pursuant to the irrevocable undertakings given by Mr. Lau and Madam Li under the Share Purchase Agreement, and the CN Holder has undertaken to the Offeror not to exercise its rights to convert any Convertible Notes into Shares pursuant to the CN Irrevocable Undertakings, details of which are set out below.

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make unconditional mandatory offers in cash in relation to (A) the Share Offer for all the issued Shares (excluding the Shares already owned by or agreed to be acquired by the Offeror and its Concert Parties at the time when the Share Offer is made); (B) the Option Offer for the cancellation of all outstanding Share Options; and (C) the CN Offer for all outstanding Convertible Notes.

Subject to Completion, Haitong International Securities will, for and on behalf of the Offeror, make the Offers in accordance with the Takeovers Code on the following basis:

**The Share Offer**

For each Offer Share . . . . .HK\$0.71 in cash

The principal terms of the Share Offer are set out under the section headed “(IV) Possible unconditional mandatory cash offers – the Share Offer” of this joint announcement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

**The Option Offer**

(A) In respect of 48,600,000 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$1.02 per Share:

For cancellation of each such Share Option . . . . . HK\$0.000195 in cash

(B) In respect of 84,571,600 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$0.748 per Share:

For cancellation of each such Share Option . . . . . HK\$0.000195 in cash

(C) In respect of 1,120,000 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$0.25 per Share:

For cancellation of each such Share Option . . . . . HK\$0.46 in cash

The Option Offer will be extended to all Optionholders in accordance with the Takeovers Code.

**The CN Offer**

For every HK\$1,000,000 face value of the  
outstanding Convertible Notes. . . . . HK\$1,820,512.81 in cash

The Convertible Notes are convertible at the conversion price of HK\$0.39 per conversion Share, and every HK\$1,000,000 face value of the outstanding Convertible Notes is convertible into 2,564,102 new Shares (rounded down). Each of the Convertible Note A and the Convertible Note B is convertible into 205,128,205 and 76,923,076 new Shares respectively.

The CN Offer will apply to all outstanding Convertible Notes in issue on the date on which the CN Offer is made but will not apply to any Convertible Notes which are or have been redeemed or converted into Shares prior to the Offer Closing Date.

**Irrevocable Undertakings**

Pursuant to the Share Purchase Agreement, each of Mr Lau and Madam Li has undertaken to the Offeror that he/she will accept the Option Offer in connection with all of the Lau Options and the Li Options (as the case may be).

On 11 October 2018, Benefit Global executed the CN Irrevocable Undertakings in favour of the Offeror, pursuant to which Benefit Global has undertaken to the Offeror, among other things, (i) to accept the CN Offer; and (ii) not to exercise its rights attaching to any of the Convertible Notes to convert all or any of the Convertible Notes into Shares prior to the Offer Closing Date.

**Value of the Offers***The Share Offer*

As at the date of this joint announcement, there are 1,474,232,000 outstanding Shares in issue. Save for the Sale Shares, none of the outstanding Shares in issue is already held or agreed to be acquired by the Offeror and any of its Concert Parties. Based on the Share Offer Price at HK\$0.71 per Share, the entire issued share capital of the Company would be valued at approximately HK\$1,046,704,720.

Excluding the Sale Shares, being the 502,064,000 Shares to be acquired by the Offeror pursuant to the Share Purchase Agreement, 972,168,000 Shares will be subject to the Share Offer and based on the Share Offer Price, the value of the Share Offer will be HK\$690,239,280 assuming that there is no change in the share capital of the Company before the Offer Closing Date, save for the Subscription and the issuance of the Consideration Shares.



Assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised and new Shares will be allotted and issued as a result of such exercise before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,101,059,600 in aggregate. Based on the Share Offer Price, the value of the Share Offer will be HK\$781,752,316, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription, the issuance of the Consideration Shares and the exercise of the Share Options as aforesaid.

Assuming all outstanding Share Options (including the Lau Options and the Li Options) and Convertible Notes will be exercised and converted, and new Shares will be allotted and issued as a result of such exercise and conversion before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,388,510,881 in aggregate. Based on the Share Offer Price, the value of the Share Offer will be approximately HK\$985,842,726, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription, the issuance of the Consideration Shares and the exercise of the Share Options and conversion of the Convertible Notes as aforesaid.

#### *The Option Offer*

Assuming that no Share Option will be exercised before the Offer Closing Date, the total consideration required to satisfy the cancellation of all the outstanding Share Options will be approximately HK\$541,168.

Assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised before the Offer Closing Date, the total consideration required to satisfy the cancellation of the Lau Options and the Li Options will be HK\$1,053.

Assuming all outstanding Share Options (including the Lau Options and the Li Options) will be exercised before the Offer Closing Date, the value of the Option Offer will be nil.

### *The CN Offer*

For all the outstanding Convertible Notes in issue, the total CN Offer is valued at a maximum of approximately HK\$200,256,410.

Assuming all the outstanding Convertible Notes in issue will be converted before the Offer Closing Date, the value of the CN Offer will be nil.

### *Aggregate value of the Offers*

Based on the above, the Offers are in aggregate valued at a maximum of approximately HK\$985,842,726.

### **Implications on the Previous Offers**

As a result of the termination of the Initial Subscription Agreement by the Restated Subscription Agreement, the Previous Offers will not be made. Pursuant to Rule 31.1(a) of the Takeovers Code, an application by the Offeror has been made, and the Executive has granted consent to the Offeror, to announce these possible Offers.

### **Confirmation of financial resources**

Haitong International Capital has been appointed as the financial adviser to the Offeror in respect of the Offers. Haitong International Capital is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration for the Offeror Subscription Shares and the Sale Shares pursuant to the Restated Subscription Agreement and the Share Purchase Agreement respectively, and its maximum payment obligation upon full acceptance of the Offers.

### **(V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this joint announcement, the existing authorised share capital of the Company is US\$75,000 divided into 3,000,000,000 Shares of which 1,474,232,000 Shares are in issue and fully paid or credited as fully paid. In order to accommodate for future expansion and growth of the Company and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from US\$75,000 (divided into 3,000,000,000 Shares) to US\$150,000 (divided into 6,000,000,000 Shares) by the creation of an additional 3,000,000,000 Shares which shall rank pari passu in all respects with the existing Shares in issue. The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. For the avoidance of doubt, the Increase in Authorised Share Capital will not be conditional upon completion of the Subscription or the ZTI Acquisitions.

## **GENERAL**

### **EGM**

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder, including but not limited to the Specific Mandate for the allotment and issue of the Subscription Shares and the Consideration Shares, and the Increase in Authorised Share Capital.

As the Vendors are parties to the Share Purchase Agreement and completion of the Share Purchase Agreement is conditional upon completion of the Subscription and the ZTI Acquisitions, the Vendors are regarded as having material interest in the Subscription and the ZTI Acquisitions. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the Vendors, no Shareholder has a material interest in such matters and is required to abstain from voting in relation to the resolutions concerning the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder, including but not limited to the Specific Mandate for the allotment and issue of the Subscription Shares and the Consideration Shares, and the Increase in Authorised Share Capital to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder; (ii) further details about the Increase in Authorised Share Capital; (iii) the recommendations of the Independent Board Committee to the Independent Shareholders regarding the terms of the Subscription, the ZTI Agreements and the transactions contemplated thereunder; (iv) a letter from Veda Capital containing its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription, the ZTI Agreements and the transactions contemplated thereunder; and (v) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 October 2018, as additional time is required for preparing the relevant information to be included in the circular.

### **Independent board committee and independent financial adviser**

An Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward) has been established by the Board for the purposes of (i) making recommendations to the Shareholders, the Optionholders and the CN Holder as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptance of the Offers; and (ii) advising the Independent Shareholders on the Subscription, the ZTI Agreements and the transactions contemplated thereunder. As Madam Li, being a non-executive Director, is one of the Vendors, Madam Li is considered to have material interest in the Offers and shall not form part of the Independent Board Committee. Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward respectively hold 2,800,000, 2,800,000 and 1,400,000 outstanding Share Options in respect of 2,800,000, 2,800,000 and 1,400,000 Shares.

Veda Capital has been appointed to advise (i) the Independent Board Committee and the Shareholders, the Optionholders and the CN Holder in relation to the Offers and in particular whether the Offers are fair and reasonable and as to the acceptance of the Offers; and (ii) the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription, the ZTI Agreements and the transactions contemplated thereunder. The recommendations of the Independent Board Committee and the advice of Veda Capital in respect of the Offers and the ZTI Acquisitions will be respectively included in the Composite Document and a circular of the Company (as the case may be) to be despatched to the Shareholders.

### **Despatch of the Composite Document**

As the making of the Offers is subject to Completion which is expected to be unable to be satisfied within the time period contemplated by Rule 8.2 of the Takeovers Code, an application will be made to the Executive under Rule 8.2 of the Takeovers Code for an extension of the time for despatch of the Composite Document to a date falling within seven days from the Completion Date or 8 February 2019, whichever is earlier.

## **WARNING**

**The Offers will only be made if Completion takes place. Completion is subject to fulfilment and/or waiver, as applicable, of the Subscription Conditions, the Share Purchase Conditions as well as the conditions precedent of the relevant ZTI Agreements. Accordingly, the Offers may or may not be made. Shareholders, Optionholders, the CN Holder and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the Shares, the Share Options, the Convertible Notes and rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

References are made to the Initial Announcement, the announcements of the Company dated 9 March 2018, 28 March 2018, 3 April 2018, 30 April 2018, 31 May 2018, 29 June 2018, 23 July 2018 and 31 August 2018 and the joint announcements of the Company and the Offeror dated 20 April 2018, 18 May 2018, 20 June 2018, 12 July 2018 and 14 August 2018 in relation to, among other things, the Subscription and the Offers.

### **(I) UPDATE ON THE SUBSCRIPTION**

On 11 October 2018, the Company and the Subscribers entered into the Restated Subscription Agreement to amend and restate the Initial Subscription Agreement and as a result of which, the Initial Subscription Agreement has been terminated. Pursuant to the Restated Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 415,908,000 Shares, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, for an aggregate consideration of HK\$145,567,800 in cash at the Subscription Price of HK\$0.35 per Share.

### **THE RESTATED SUBSCRIPTION AGREEMENT**

The principal terms of the Restated Subscription Agreement are summarised below.

Issuer : the Company

Subscribers : (i) The Offeror;

(ii) Subscriber A; and

(iii) Subscriber B

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Subscription Shares**

Under the Subscription, (i) the Offeror will subscribe for 313,672,000 Shares (representing approximately 21.28% of the total issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$109,785,200; (ii) Subscriber A will subscribe for 33,936,000 Shares (representing approximately 2.30% of the total issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$11,877,600; and (iii) Subscriber B will subscribe for 68,300,000 Shares (representing approximately 4.63% of the total issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$23,905,000.

The Subscription Shares represent:

- (i) approximately 28.21% of the total issued share capital of the Company as at the date of this joint announcement;
- (ii) approximately 22.00% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and
- (iii) approximately 18.03% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only (assuming all of the outstanding Share Options and Convertible Notes will be exercised and converted but no other Shares will be allotted or issued at or prior to Completion).

The aggregate nominal value of the Subscription Shares is US\$10,397.70.

The Subscription Shares (when allotted, issued and fully paid), will rank *pari passu* in all respects with the Shares in issue on the Completion Date, including the right to receive all dividends and other distributions declared, made or paid the record date of which falls on or after the Completion Date.

The Subscription Shares will be allotted and issued under the Specific Mandate which will be subject to the approval of the Independent Shareholders at the EGM. An application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

## **Subscription Price**

The Subscription Price, being HK\$0.35 per Share, represents:

- (i) a discount of approximately 39.7% to the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 11 October 2018, being the Last Trading Day;
- (ii) a discount of approximately 38.6% to the average of closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.57 per Share;
- (iii) a discount of approximately 39.7% to the average of closing prices as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.58 per Share;
- (iv) a premium of approximately 13.8% over the unaudited consolidated net asset value of the Group of approximately HK\$0.3076 per Share as at 30 September 2017 (based on the unaudited consolidated net asset value of the Group as at 30 September 2017 of approximately HK\$453,459,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement); and
- (v) a premium of approximately 20.1% over the audited consolidated net asset value of the Group of approximately HK\$0.2915 per Share as at 31 March 2018 (based on the audited consolidated net asset value of the Group as at 31 March 2018 of approximately HK\$429,731,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers which had taken into account, among other things, the financial performance of the Group, in particular the continued loss-making position of the Group and the audited consolidated net asset value of the Company as at 31 March 2018.

The total consideration for the Subscription Shares of HK\$145,567,800 shall be payable in cash by the Subscribers upon Completion.

## Conditions precedent

Pursuant to the Restated Subscription Agreement, completion of the Subscription is conditional upon the Subscription Conditions being satisfied or waived on or before the Long Stop Date, which are set out below:

- (a) the Company and the Offeror having issued this joint announcement pursuant to the Takeovers Code and the Listing Rules;
- (b) save for the approvals set out in paragraph (e) below, any necessary approvals, authorisations, consents, waivers, orders, exemptions and notices from all relevant governmental and regulatory authorities (including but not limited to the China Securities Regulatory Commission and other authorities in the PRC (where applicable)) or any other third parties required for the Offeror and/or its controlling shareholders in respect of the Restated Subscription Agreement and the transactions contemplated thereunder having been obtained, and not having been revoked before the Completion Date;
- (c) the circular having been despatched to the Shareholders and the necessary approvals of the Independent Shareholders at the EGM of the Restated Subscription Agreement and the Subscription contemplated thereunder, including without limitation the granting of the Specific Mandate having been obtained in accordance with the Listing Rules, the Company's articles of association and applicable laws (as the case may be);
- (d) the approval by the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares having been obtained by the Company, and such approval not having been revoked on or before the Completion Date;
- (e) the SFC having granted the necessary consent and/or approval for the Offeror and/or its controlling shareholders to become the substantial shareholders of the Licensed Subsidiaries under the SFO;
- (f) the warranties given by the Company under the Restated Subscription Agreement remaining true, accurate, complete and not misleading as given as at the date of the Restated Subscription Agreement and as at the Completion Date, and there being no breach of its obligations and undertakings under the Restated Subscription Agreement;
- (g) the SFC Licences remaining valid and effective and not having been revoked, terminated or suspended by the relevant authorities, and no representation, notice or statement in relation to the revocation, termination or suspension of such licences having been received on or before the Completion Date; at Completion, no additional conditions having been imposed by the SFC to the Licensed Subsidiaries on or before the Completion Date which may or will result in material adverse change or material adverse effect on the Group and/or the Licensed Subsidiaries;



- (h) the Company having performed and complied with all agreements, obligations and conditions set out in the Restated Subscription Agreement that are required to be performed or complied with by it on or before the Completion Date;
- (i) from the date of the Restated Subscription Agreement and up to the Completion Date, each member of the Group having complied with the obligations set out in the Restated Subscription Agreement as applicable;
- (j) from the date of the Restated Subscription Agreement and up to the Completion Date, the Shares remaining listed and traded on the Stock Exchange (save for the suspension in connection with the issuance of this joint announcement, or any temporary suspension for no longer than three (3) consecutive trading days (or such other longer period as the Offeror and the Company may agree in writing) for the issuance of announcement pursuant to the Listing Rules and/or the Takeovers Code); and neither the Stock Exchange nor the SFC having indicated on or before the Completion Date that it will cancel or object to such continued listing for reasons related to the transactions contemplated under the Restated Subscription Agreement, other transaction documents and/or other matters;
- (k) on or prior to the Completion Date, no binding order, restriction or prohibition having been obtained, applied for or threatened to be obtained by any person (other than a party to the Restated Subscription Agreement) from any competent authorities to restrict or prohibit any party from completing the Restated Subscription Agreement or seeking damages, or which adversely affect any of the Subscribers' legal and beneficial ownership over the Subscription Shares free from any Encumbrances; and the Restated Subscription Agreement and the transactions contemplated thereunder being in compliance with the requirements under applicable laws and regulations;
- (l) (i) there being no material adverse effect on the Group's financial position, prospects and operations; and (ii) there being no change in the laws applicable to the Group which may result in material adverse change to the Group as a whole (irrespective of whether such change is effective on or before the Completion Date);
- (m) on or before the Completion Date, there being not less than two persons holding valid licence for each of the regulated activities under the SFO in respect of each of the Licensed Subsidiaries, and at least one of which being an executive director as defined under the SFO;
- (n) Benefit Global having executed the CN Irrevocable Undertakings to undertake not to convert any Convertible Notes held by it and to accept the CN Offer in respect of all Convertible Notes held by it;

- (o) the Company having provided its latest audited consolidated accounts and its latest consolidated management accounts to the Offeror in accordance with the Restated Subscription Agreement;
- (p) up to the Completion Date, there being no non-compliance or breach (or any event which would result in potential non-compliance or breach) by the Company or other members of the Group of the terms of any binding agreements, obligations or instruments (including but not limited to any change of control restriction on the Company) or any approvals obtained by them, which result in any material adverse change or material adverse effect to the Group as a whole; and
- (q) the conditions precedent set out in the ZTI Capital Agreement, the ZTI Asset Management Agreement and the Share Purchase Agreement, other than the condition precedent requiring the Restated Subscription Agreement to be unconditional, having been fulfilled or waived.

The Subscribers may waive any of the above conditions other than conditions (a) to (e) and (q) set out above.

If any of the Subscription Conditions is not satisfied or waived on or before the Long Stop Date, any party to the Restated Subscription Agreement may terminate the Restated Subscription Agreement by written notice to the other parties, and the Restated Subscription Agreement shall be terminated save for certain surviving clauses relating to confidentiality, notice and other miscellaneous provisions as specified therein and save for any antecedent breach of any provisions therein.

As at the date of this joint announcement, save for conditions (a) and (n), none of the Subscription Conditions has been satisfied.

#### **Other material terms**

- (a) Subject to compliance with the Listing Rules, the Takeovers Code and the memorandum and articles of association of the Company, the Offeror is entitled, before Completion, to request the Board to consider the appointment of the persons nominated by the Offeror as Directors, effective on the later of the Completion Date and the earliest date permitted under the Takeovers Code.

- (b) As at the Completion Date, (i) the unaudited consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) will not be less than the audited consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) as at 31 January 2018 as shown in the Audited Interim Account; and (ii) the consolidated cash and bank balance of the Group will not be less than HK\$145,000,000. In the event that the unaudited consolidated tangible net asset value and/or the consolidated cash and bank balance of the Group as at the Completion Date fall(s) below the respective guaranteed amounts set out in (i) and (ii) in this paragraph (b) and such shortfall has been made good by Mr Lau and/or Smart Investor by way of top-up arrangement to the Offeror in accordance with the terms and provisions under the Share Purchase Agreement, such shortfall shall not be regarded as a breach of the Restated Subscription Agreement.
- (c) The Initial Subscription Agreement dated 23 February 2018 has been terminated and superseded by the Restated Subscription Agreement.

### **Completion of the Subscription**

Completion is expected to take place on the third business day after the day on which the last of the Subscription Conditions (other than the Subscription Conditions which are to be satisfied at Completion) having been fulfilled (or, where applicable, waived).

As completion of the Subscription is subject to fulfilment and/or waiver, as applicable, of the Subscription Conditions, including without limitation, the obtaining of approvals of the Independent Shareholders at the EGM and the approval by the SFC for the change of substantial shareholders of the Licensed Subsidiaries, it is currently contemplated that completion of the Subscription will take place on or before 31 December 2018.

For the avoidance of doubt, pursuant to the Restated Subscription Agreement, completion of the Subscription will take place simultaneously with completion of the ZTI Acquisitions and the Share Purchase Agreement.

The terms of the Restated Subscription Agreement were arrived at after arm's length negotiations between the Company and the Subscribers.

### **Termination of the Restated Subscription Agreement**

- (a) If any of the Subscription Conditions is not satisfied or waived on or before the Long Stop Date, any party to the Restated Subscription Agreement may terminate the Restated Subscription Agreement by written notice to the other parties, save for certain surviving clauses relating to confidentiality, notice and other miscellaneous provisions as specified therein and save for any antecedent breach of any provisions therein.
- (b) In the event that any party to the Restated Subscription Agreement is unable to comply with any of its obligations in respect of Completion under the Restated Subscription Agreement (regardless of whether such non-compliance constitutes a repudiatory breach), other parties to the Restated Subscription Agreement may terminate the Restated Subscription Agreement by written notice to the other parties, save for certain surviving clauses relating to confidentiality, notice and other miscellaneous provisions as specified therein and save for any antecedent breach of any provisions therein.

### **Intended use of proceeds**

The gross proceeds of the Subscription are HK\$145,567,800 and the net proceeds of the Subscription are approximately HK\$140 million. The difference between the gross proceeds and net proceeds of the Subscription, which amounts to approximately HK\$5,567,800, comprises the estimated expenses of the Company for the Subscription and the Offers, including financial advisory fees, legal fees, audit fees, fees payable to independent financial adviser, printer fees and other miscellaneous expenses which may be incurred by the Company in connection with the Subscription and the Offers. On such basis, the net issue price per Subscription Share is approximately HK\$0.34. Following discussions between the Subscribers and the Company, it is intended that the net proceeds from the Subscription will be applied in the manner stated below:

- (a) approximately HK\$50 million will be used for providing margin financing services to clients;
- (b) approximately HK\$10 million will be used to cover the daily payment obligations for settlement with Hong Kong Securities Clearing Company Limited as clearing participant for securities trading operation;
- (c) approximately HK\$50 million will be used to cover the required liquid capital for underwritings and placements in the next 12 months; and
- (d) approximately HK\$30 million will be used for the purchase of raw materials for production for the Toy Business.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS**

The Company has not carried out and completed any equity fund raising activities in the twelve months period immediately before the date of this joint announcement.

## **(II) UPDATE ON MAJOR AND CONNECTED TRANSACTIONS – PROPOSED ACQUISITIONS OF THE ZTI COMPANIES**

### **THE SUPPLEMENTAL ZTI AGREEMENTS**

On 11 October 2018, (i) the Company (as purchaser) and ZTI Financial (as vendor) entered into the Supplemental ZTI Capital Agreement to revise and amend certain terms of the ZTI Capital Agreement; and (ii) the Company (as purchaser) and Zhongtai Financial International (as vendor) entered into the Supplemental ZTI Asset Management Agreement to revise and amend certain terms of the ZTI Asset Management Agreement.

Pursuant to the ZTI Agreements (as amended by the Supplemental ZTI Agreements), completion of the ZTI Acquisitions will take place simultaneously with completion of the Subscription and the Share Purchase Agreement.

The principal terms of the Supplemental ZTI Agreements are summarised below.

### **Conditions precedent**

Pursuant to the Supplemental ZTI Agreements, completion of the ZTI Agreements is conditional upon satisfaction or waiver of the conditions precedent of the relevant ZTI Agreements on or before the Long Stop Date, which are amended and restated as follows:

- (a) save for the approvals set out in paragraph (c) below, any necessary approvals, authorisations, consents, waivers, orders, exemptions and notices from all relevant governmental and regulatory authorities or any other third parties (including but not limited to the authorities in the PRC (where applicable)) required for the vendor in respect of the relevant ZTI Agreements and the transactions contemplated thereunder having been obtained, and not having been revoked before the Completion Date;
- (b) the Company having obtained all necessary Independent Shareholders' approval in accordance with the Listing Rules, the Company's articles of association and applicable laws and regulations in relation to each of the ZTI Agreements and the transaction contemplated thereunder;
- (c) the SFC having granted the necessary consent and/or approval for the Company and/or its controlling shareholders to become the substantial shareholders of ZTI Capital or ZTI Asset Management (as the case may be) under the SFO;

- (d) the warranties given by ZTI Financial or Zhongtai Financial International (as the case may be) under the respective ZTI Agreements remaining true, accurate, complete and not misleading as given as at the date of the respective ZTI Agreements and as at the Completion Date, and there being no breach of its and/or the relevant ZTI Company's obligations and undertakings under the respective ZTI Agreements;
- (e) the warranties given by the Company under each of the ZTI Agreements remaining true, accurate, complete and not misleading as given as at the date of the respective ZTI Agreements and as at the Completion Date, and there being no breach of its obligations and undertakings under the respective ZTI Agreements;
- (f) the licences granted by the SFC to ZTI Capital or ZTI Asset Management (as the case may be) remaining valid and effective and not having been revoked, terminated or suspended by the relevant authorities, and no representation, notice or statement in relation to the revocation, termination or suspension of such licences having been received on or before the date of completion; at completion, no additional conditions having been imposed by the SFC to ZTI Capital or ZTI Asset Management (as the case may be) by way of notice or otherwise on or before completion which may or will result in material adverse change or material adverse effect on ZTI Capital or ZTI Asset Management (as the case may be);
- (g) on or prior to the Completion Date, no binding order, injunction or prohibition having been obtained, applied for or threatened to be obtained by any person (other than a party to the relevant ZTI Agreements) at any competent authorities to restrict or prohibit any party from completing the relevant ZTI Agreements or seeking damages, or which adversely affect the Company's legal and beneficial ownership over the shares to be acquired free from any Encumbrances; and the relevant ZTI Agreements and the transactions contemplated thereunder being in compliance with the requirements under applicable laws and regulations;
- (h) (i) there being no material adverse effect on the financial position, prospects and operations of ZTI Capital or ZTI Asset Management (as the case may be); and (ii) there being no change in the laws applicable to ZTI Capital or ZTI Asset Management (as the case may be) which may result in material adverse change to it as a whole (irrespective of whether such change is effective on or before the Completion Date);
- (i) on or before the Completion Date, there being not less than two persons holding valid licence for each of the regulated activities under the SFO in respect of ZTI Capital or ZTI Asset Management (as the case may be), and at least one of which being an executive director as defined under the SFO;

- (j) the conditions precedent set out in the Restated Subscription Agreement and the Share Purchase Agreement, other than the condition precedent requiring the ZTI Agreements to be unconditional, having been fulfilled or waived;
- (k) (in respect of ZTI Asset Management Agreement only) the conditions precedent as set out in ZTI Capital Agreement, other than the conditions precedent requiring the ZTI Asset Management Agreement, the Restated Subscription Agreement and the Share Purchase Agreement to be unconditional, having been fulfilled or waived; (in respect of ZTI Capital Agreement only) the conditions precedent as set out in ZTI Asset Management Agreement, other than the conditions precedent requiring the ZTI Capital Agreement, the Restated Subscription Agreement and the Share Purchase Agreement to be unconditional, having been fulfilled or waived; and
- (l) the approval by the Stock Exchange for the listing of, and permission to deal in, the relevant Consideration Shares having been obtained by the Company, and such approval not having been revoked on or before the Completion Date.

The Company may waive any of the above conditions in whole or in part other than conditions (a) to (c), (j) to (l) as set out above. ZTI Financial or Zhongtai Financial International (as the case may be) may waive conditions (e) and (g) (other than in respect of such prohibition which adversely affects the Company's legal and beneficial ownership over the shares to be acquired) above in whole or in part.

If any of the above conditions is not satisfied or waived on or before the Long Stop Date, one party to the ZTI Agreements may terminate the ZTI Agreements by written notice to the other party, and the ZTI Agreements shall be terminated save for certain surviving clauses as specified therein and save for any antecedent breach of any provisions therein.

### **Consideration**

The consideration for the ZTI Capital Acquisition, being HK\$30,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror (as the designated nominee of ZTI Financial) 85,714,286 new Shares, credited as fully paid, at an issue price of approximately HK\$0.35 per Share, at completion of the ZTI Capital Agreement.

The consideration for the ZTI Asset Management Acquisition, being HK\$102,000,000, shall be satisfied by the allotment and issue by the Company to the Offeror (as the designated nominee of Zhongtai Financial International) 291,428,571 new Shares, credited as fully paid, at an issue price of approximately HK\$0.35 per Share, at completion of the ZTI Asset Management Agreement.

The Consideration Shares to be issued, being an aggregate of 377,142,857 Shares, represent (i) approximately 25.58% of the total issued share capital of the Company as at the date of this joint announcement; (ii) approximately 20.37% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares only (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) approximately 16.63% of the total issued share capital of the Company as enlarged upon Completion (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion).

The Consideration Shares (when allotted, issued and fully paid), will rank pari passu in all respects with the Shares in issue on the Completion Date, including the right to receive all dividends and other distributions declared, made or paid the record date of which falls on or after the Completion Date.

The Consideration Shares will be allotted and issued under the Specific Mandate which will be subject to the approval of the Independent Shareholders at the EGM. An application will be made by the Company for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

Each of the vendors to the ZTI Acquisitions had warranted to the Company that the net asset value (“NAV”) of the ZTI Companies as at Completion Date shall not be less than the relevant consideration paid by the Company, which is a condition precedent to completion of the ZTI Agreements. As such, the relevant vendors will have to make whole any shortfall in the NAV at Completion. Therefore, the Board is of the view that the consideration for the ZTI Acquisitions continues to be fair and reasonable.

Save as disclosed above, there are no other amendments to the terms of the ZTI Agreements and all terms and conditions of the ZTI Agreements remain unchanged and in full force and effect. The terms of the Supplemental ZTI Agreements (including the issue price of the Consideration Shares) were determined after arm’s length negotiations between the Company and the relevant vendors to the ZTI Agreements with reference to, among other things, the audited net asset value of each ZTI Company as at 31 December 2017.



### **Information on ZTI Financial**

ZTI Financial is a company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and its subsidiaries are principally engaged in provision of brokerage of securities, futures and options, margin financing, equity and debt financing and corporate finance advisory services. ZTI Financial is wholly-owned by ZTI Cayman, which is in turn held as to approximately 97.15% by ZTI Overseas (a wholly-owned subsidiary of Zhongtai Financial International) and approximately 2.85% by Subscriber B as at the date of this joint announcement.

### **Information on Zhongtai Financial International**

Zhongtai Financial International is a company incorporated in Hong Kong with limited liability. Please refer to the section headed “Information on the Subscribers” of this joint announcement for further details of Zhongtai Financial International.

### **Information on the ZTI Companies**

#### *ZTI Capital*

ZTI Capital is a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. It is principally engaged in the provision of corporate finance advisory and capital markets services, including sponsorship, merger and acquisition, corporate and asset reorganisation, equity capital raising.

Set out below is the financial information of ZTI Capital as extracted from its audited financial statements for the financial years ended 31 December 2016 and 2017 prepared in accordance with Hong Kong Financial Reporting Standards:

|                      | <b>For the year ended</b> |                  |
|----------------------|---------------------------|------------------|
|                      | <b>31 December</b>        |                  |
|                      | <b>2016</b>               | <b>2017</b>      |
|                      | <i>(audited)</i>          | <i>(audited)</i> |
|                      | <i>HK\$'000</i>           | <i>HK\$'000</i>  |
| Revenue              | 29,676                    | 18,719           |
| Loss before taxation | (29,617)                  | (20,434)         |
| Loss after taxation  | (24,834)                  | (20,571)         |

The audited net asset value of ZTI Capital as at 31 December 2017 was approximately HK\$26,396,000.

### *ZTI Asset Management*

ZTI Asset Management is a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. It is principally engaged in the provision of asset management services.

Set out below is the financial information of ZTI Asset Management as extracted from its audited financial statements for the financial years ended 31 December 2016 and 2017 prepared in accordance with Hong Kong Financial Reporting Standards:

|                               | <b>For the year ended</b> |                  |
|-------------------------------|---------------------------|------------------|
|                               | <b>31 December</b>        |                  |
|                               | <b>2016</b>               | <b>2017</b>      |
|                               | <i>(audited)</i>          | <i>(audited)</i> |
|                               | <i>HK\$'000</i>           | <i>HK\$'000</i>  |
| Revenue                       | 26,693                    | 57,480           |
| Profit/(Loss) before taxation | (339)                     | 21,908           |
| Profit/(Loss) after taxation  | (339)                     | 18,184           |

The audited net asset value of ZTI Asset Management as at 31 December 2017 was approximately HK\$97,261,000.

### **LISTING RULES IMPLICATIONS**

As at the date of this joint announcement, Zhongtai Financial International and ZTI Financial are third parties independent of the Company and its connected persons. As the Offeror is a wholly-owned subsidiary of Zhongtai Financial International, upon Completion, Zhongtai Financial International will become a controlling shareholder and thus a controller of the Company. As ZTI Financial is a non-wholly owned subsidiary of Zhongtai Financial International, it is an associate of the proposed controller. As such, the ZTI Acquisitions under the ZTI Agreements constitute connected transactions for the Company pursuant to Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratios of the ZTI Acquisitions in aggregate exceeds 5% and the aggregate consideration is more than HK\$10,000,000, the entering into of the ZTI Agreements and the ZTI Acquisitions contemplated thereunder are subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on the latest financial information of the Company, ZTI Asset Management and ZTI Capital, as one or more of the applicable percentage ratios of the ZTI Acquisitions in aggregate exceeds 25% but all of them are less than 100%, the entering into of the ZTI Agreements and the ZTI Acquisitions contemplated thereunder also constitute major transactions for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Vendors are parties to the Share Purchase Agreement and completion of the Share Purchase Agreement is conditional upon completion of the Subscription and the ZTI Acquisitions, the Vendors are regarded as having material interest in the Subscription and the ZTI Acquisitions. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the Vendors, no Shareholder (or its associates) has any material interest in the ZTI Acquisitions and is required to abstain from voting in relation to the resolutions concerning the ZTI Acquisitions.

As Mr Lau and Madam Li are considered to have a material interest in the ZTI Agreements, Mr Lau and Madam Li abstained from voting on the board resolutions approving the Supplemental ZTI Agreements. Save as disclosed above, none of the Directors has any material interest in the ZTI Agreements and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the board resolutions approving the ZTI Acquisitions. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that the ZTI Agreements and the transactions contemplated thereunder are on normal commercial terms or better, and the terms of the ZTI Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(III) THE SHARE PURCHASE AGREEMENT**

The Company was informed by the Vendors that, on 11 October 2018, the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares.

The principal terms of the Share Purchase Agreement are summarised below.

- Purchaser : Zhongtai International Investment Group Limited
- Vendors : Please refer to table below for details of the Vendors, including the number of Sale Shares held by each of them immediately before and after Completion:

| <b>Vendors</b> | <b>Number of<br/>Shares to be<br/>sold</b> | <b>Approximate<br/>percentage of<br/>Shares held<br/>as at the date<br/>of this joint<br/>announcement</b> | <b>Number of<br/>Shares held<br/>immediately<br/>after<br/>Completion</b> | <b>Consideration<br/>payable<br/>(in HK\$)</b> |
|----------------|--|--|---|--|
| Smart Investor | 482,864,000                                | 32.75%   | –   | 342,833,440                                    |
| Mr Lau         | 9,600,000                                  | 0.65%  | –   | 6,816,000                                      |
| Madam Li       | 9,600,000                                  | 0.65%  | –   | 6,816,000                                      |
| <b>Total:</b>  | <b>502,064,000</b>                         | <b>34.05%</b>  | <b>–</b>  | <b>356,465,440</b>                             |

The Sale Shares represent (i) approximately 34.05% of the total issued share capital of the Company as at the date of this joint announcement; (ii) approximately 22.14% of the total issued share capital of the Company as enlarged upon Completion (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) for illustration purposes only, approximately 18.71% of the total issued share capital of the Company as enlarged upon Completion (assuming all outstanding Share Options and Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion). For the avoidance of doubt, none of the Lau Options and the Li Options will be exercised pursuant to the irrevocable undertakings given by Mr. Lau and Madam Li under the Share Purchase Agreement, and the CN Holder has undertaken to the Offeror not to exercise its rights to convert any Convertible Notes into Shares pursuant to the CN Irrevocable Undertakings.

### **Consideration for the Sale Shares**

The total consideration for the Sale Shares under the Share Purchase Agreement is HK\$356,465,440 (equivalent to HK\$0.71 per Share, which is the same as the Share Offer Price). The consideration will be settled in cash upon completion of the Share Purchase Agreement.

## Conditions precedent

Completion is conditional upon the following conditions precedent being satisfied or waived on or before the Long Stop Date:

- (a) the warranties given by each of the Vendors under the Share Purchase Agreement remaining true, accurate, complete and not misleading as given as at the date of the Share Purchase Agreement and as at the Completion Date, and there being no breach of the relevant Vendors' obligations and undertakings under the Share Purchase Agreement;
- (b) each of the Vendors having performed and complied with all agreements, obligations and conditions set out in the Share Purchase Agreement that are required to be performed or complied with by it on or before the Completion Date;
- (c) on or prior to the Completion Date, no binding order, restriction or prohibition having been obtained, applied for or threatened to be obtained by any person (other than a party to the Share Purchase Agreement) from any competent authorities to restrict or prohibit any party from completing the Share Purchase Agreement or seeking damages, or which adversely affect the Offeror's legal and beneficial ownership over the Sale Shares free from any Encumbrances, and the Share Purchase Agreement and the transactions contemplated thereunder being in compliance with the requirements under applicable laws and regulations;
- (d) the SFC having granted the necessary consent and/or approval for the Offeror and/or its controlling shareholders to become the substantial shareholders of the Licensed Subsidiaries under the SFO; and
- (e) the conditions precedent set out in the ZTI Capital Agreement, the ZTI Asset Management Agreement and the Restated Subscription Agreement, other than the condition precedent requiring the Share Purchase Agreement to be unconditional, having been fulfilled or waived.

If any of the Share Purchase Conditions is not satisfied or waived on or before the Long Stop Date, the Offeror may terminate the Share Purchase Agreement by written notice to the Vendors, and the Sale Purchase Agreement shall be terminated save for certain surviving clauses relating to confidentiality, notice and other miscellaneous provisions as specified therein and save for any antecedent breach of any provisions therein.

The Purchaser may waive any of the Share Purchase Conditions in whole or in part other than conditions (d) and (e) above.

As at the date of this joint announcement, none of the Share Purchase Conditions has been satisfied.

### **Completion of the Share Purchase Agreement**

The Share Purchase Agreement will be completed simultaneously with completion of the Subscription and the ZTI Acquisitions.

### **Option Irrevocable Undertakings**

Pursuant to the Share Purchase Agreement, each of Mr Lau and Madam Li has unconditionally and irrevocably undertaken to the Offeror that:

- (a) he/she will accept the Option Offer in connection with all of the Lau Options or the Li Options (as the case may be) within five business days after the despatch of the Composite Document;
- (b) he/she will continue to be the sole beneficial owner of all of the Lau Options or the Li Options (as the case may be); and other than accepting the Option Offer, he/she will not directly or indirectly sell, transfer or dispose of, or engage in any discussion or negotiation to sell, transfer or dispose of the Lau Options or the Li Options (as the case may be) in any manner, or otherwise create any Encumbrance on all or any of the Lau Options or the Li Options (as the case may be); and
- (c) he/she will not exercise his/her rights attaching to any of the Lau Options or the Li Options (as the case may be).

### **Other material terms**

- (a) Each of Smart Investor and Mr Lau has undertaken to the Offeror that:
  - (i) certain corporate guarantees given by the Company (including guarantees executed in favour of banks to secure obligations under facility agreements entered into by members of the Group) will be discharged within 90 days after the Completion Date;
  - (ii) as at the Completion Date, the consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) will not be less than the consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) as shown in the Audited Interim Account, and the consolidated cash and bank balance of the Group will not be less than HK\$145,000,000; and

- (iii) as at 31 March 2020 (or in the event of any change in the financial year-end date of the Company, the Company's financial year-end date for the 2019/2020 financial year), the consolidated tangible net asset value of Turbo Gain and Qualiman Industrial (excluding goodwill and intangible assets) will not be less than such amount of consolidated tangible net asset value of Turbo Gain and Qualiman Industrial (excluding goodwill and intangible assets) as at the Completion Date<sup>(Note)</sup>.
- (b) In the event that the consolidated tangible net asset value and/or the consolidated cash and bank balance of the Group as at the Completion Date fall(s) below the respective guaranteed amounts set out in paragraph (a)(ii) above, Smart Investor and/or Mr Lau shall pay the Offeror an amount equivalent to the aggregate of (i) the shortfall for consolidated tangible net asset value; and (ii) the shortfall for consolidated cash and bank balance (where applicable) in accordance with the terms of the Share Purchase Agreement.
- (c) In the event that the consolidated tangible net asset value of Turbo Gain and Qualiman Industrial as at 31 March 2020 (or in the event of any change in the financial year-end date of the Company, the Company's financial year-end date for the 2019/2020 financial year) falls below the guaranteed amount set out in paragraph (a)(iii) above, Smart Investor and/or Mr Lau shall pay the Offeror an amount equivalent to such shortfall.
- (d) The parties to the Share Purchase Agreement acknowledge that as a result of the termination of the Initial Subscription Agreement pursuant to the Restated Subscription Agreement, the irrevocable undertakings executed by Smart Investor, Mr Lau and Madam Li in favour of the Offeror on 23 February 2018 in respect of the Previous Offers has been terminated.

*Note: Turbo Gain is the holding company holding all the issued shares of Qualiman Industrial and has no operations, while Qualiman Industrial is currently one of the key operating subsidiaries of the Group and operates its toy division.*

#### **(IV) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS**

As at the date of this joint announcement, save for the Subscription Shares, the Sale Shares, the Consideration Shares and the Shares in connection with the Offers, none of the Offeror and its Concert Parties (including Subscriber A and Subscriber B and their respective Concert Parties) is interested in any Shares.

Immediately following Completion, the Offeror and its Concert Parties (including Subscriber A and Subscriber B and their respective Concert Parties) will be interested in a total of 1,295,114,857 issued Shares, representing (i) approximately 57.12% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); (ii) approximately 54.05% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all the Share Options (except the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) for illustration purposes only, approximately 48.26% of the enlarged share capital of the Company (as enlarged by the Subscription Shares and the Consideration Shares and assuming all outstanding Share Options and Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion). For the avoidance of doubt, none of the Lau Options and the Li Options will be exercised pursuant to the irrevocable undertakings given by Mr. Lau and Madam Li under the Share Purchase Agreement, and the CN Holder has undertaken to the Offeror not to exercise its rights to convert any Convertible Notes into Shares pursuant to the CN Irrevocable Undertakings.

As at the date of this joint announcement, other than the outstanding Share Options and the Convertible Notes, there are no outstanding warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

As at the date of this joint announcement, there are 1,474,232,000 Shares in issue and 134,291,600 outstanding Share Options in respect of 134,291,600 Shares. The respective exercise prices of the outstanding Share Options and the period in which they are exercisable are as follows:

| <b>Exercise price<br/>(HK\$)</b> | <b>Number of<br/>outstanding<br/>Share Options</b> | <b>Exercise period</b>              |
|----------------------------------|--|-------------------------------------|
| 1.02                             | 48,600,000   | From 3 July 2015 to 2 July 2025     |
| 0.748                            | 84,571,600   | From 24 March 2016 to 23 March 2026 |
| 0.25                             | 1,120,000  | From 17 March 2014 to 16 March 2024 |



As at the date of this joint announcement, the Company has outstanding Convertible Notes in the aggregate principal amount of HK\$110,000,000 convertible into 282,051,281 new Shares, particulars of which are as follows:

- (a) The Company issued the Convertible Note A on 11 May 2017. As at the date of this joint announcement, there is outstanding Convertible Note A in the principal amount of HK\$80,000,000. If the Convertible Note A is fully converted at a conversion price of HK\$0.39 (subject to adjustment) per conversion Share, the Company will issue 205,128,205 new Shares.
  
- (b) The Company issued the Convertible Note B on 2 June 2017. As at the date of this joint announcement, there is outstanding Convertible Note B in the principal amount of HK\$30,000,000. If the Convertible Note B is fully converted at a conversion price of HK\$0.39 (subject to adjustment) per conversion Share, the Company will issue 76,923,076 new Shares.

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make unconditional mandatory offers in cash in relation to (A) the Share Offer for all the issued Shares (excluding the Shares already owned by or agreed to be acquired by the Offeror and any of its Concert Parties at the time when the Share Offer is made); (B) the Option Offer for the cancellation of all outstanding Share Options; and (C) the CN Offer for all outstanding Convertible Notes.

Subject to Completion, Haitong International Securities will, for and on behalf of the Offeror, make the Offers on terms in accordance with Rule 26.1 and Rule 13 of the Takeovers Code on the following basis:

**The Share Offer**

For each Offer Share ..... HK\$0.71 in cash

The Share Offer will be made for all issued Shares (other than the Shares already owned by or agreed to be acquired by the Offeror and any of its Concert Parties) in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

### *The Share Offer Price*

Under the Share Offer, the Share Offer Price represents:

- (a) a premium of approximately 22.4% over the closing price of HK\$0.58 per Share as quoted on the Stock Exchange on 11 October 2018, being the Last Trading Day;
- (b) a premium of approximately 24.6% over the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.57 per Share;
- (c) a premium of approximately 22.4% over the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.58 per Share;
- (d) a premium of approximately 22.4% over the average of the closing prices as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.58 per Share; and
- (e) a premium of approximately 143.6% over the audited consolidated net asset value of the Group of approximately HK\$0.2915 per Share as at 31 March 2018 (based on the audited consolidated net asset value of the Group as at 31 March 2018 of approximately HK\$429,731,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement).
- (f) a premium of approximately 102.9% over the Subscription Price.

In relation to the Share Offer Price, the Offeror considers that a premium of the Share Offer Price to the Subscription Price would be fair and reasonable and the Share Offer Price was arrived at after taking into account, among others, (i) the proposed allotment and issue of the Subscription Shares, which represents approximately 28.21% of the existing issued share capital of the Company, will result in dilution of the shareholding interests of the existing Shareholders; (ii) such premium to the Subscription Price and to the recent market price of the Shares may be a sweetener to the Shareholders when considering their voting decisions for the Subscription and other resolutions to be proposed at the EGM, which will in turn facilitate the collaboration and expansion of the financial services division of the Group; and (iii) such premium would compensate the Shareholders who decide to accept the Share Offer and would therefore not be able to enjoy the synergy effect among the Group, Zhongtai Securities and Zhongtai Financial International.

*Highest and lowest closing prices of the Shares*

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period preceding the Last Trading Day and including the Last Trading Day are as follows:

|         | <i>Share price<br/>(HK\$)</i> | <i>Date(s) quoted on<br/>Stock Exchange</i>  |
|---------|-------------------------------|--|
| Highest | 0.64                          | 11 and 12 April 2018                         |
| Lowest  | 0.51                          | 11 to 13, 16 to 20 and<br>23 to 25 July 2018 |

**The Option Offer**

(A) In respect of 48,600,000 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$1.02 per Share:

For cancellation of each such Share Option . . . . . HK\$0.000195 in cash

(B) In respect of 84,571,600 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$0.748 per Share:

For cancellation of each such Share Option . . . . . HK\$0.000195 in cash

(C) In respect of 1,120,000 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$0.25 per Share:

For cancellation of each such Share Option . . . . . HK\$0.46 in cash

The Option Offer will be extended to all Optionholders in accordance with the Takeovers Code.

As both the exercise prices of HK\$1.02 per Share and HK\$0.748 per Share for the Share Options under categories (A) and (B) of the Option Offer are above the Share Offer Price and such Share Options are out-of-money, the offer price for each Share Option with an exercise price of HK\$1.02 per Share or HK\$0.748 per Share is a nominal value of HK\$0.000195. The offer price of HK\$0.46 for Share Options with an exercise price of HK\$0.25 per Share represents the difference between the exercise price of HK\$0.25 and the Share Offer Price.

## **The CN Offer**

For every HK\$1,000,000 face value of the  
outstanding Convertible Notes. . . . .HK\$1,820,512.81 in cash

The Convertible Notes are convertible at the conversion price of HK\$0.39 per conversion Share, and every HK\$1,000,000 face value of the outstanding Convertible Notes is convertible into 2,564,102 new Shares (rounded down). Each of the Convertible Note A and the Convertible Note B is convertible into 205,128,205 and 76,923,076 new Shares respectively.

The CN Offer will apply to all outstanding Convertible Notes in issue on the date on which the CN Offer is made but will not apply to any Convertible Notes which are or have been redeemed or converted into Shares prior to the Offer Closing Date.

The CN Offer will be extended to the CN Holder in accordance with the Takeovers Code.

The offer price for the Convertible Notes is approximately HK\$1,820,512.81 for every HK\$1,000,000 face value of the Convertible Notes, determined in accordance with Rule 13 of the Takeovers Code as the “see-through” consideration for the Convertible Notes, being the number of Shares into which the Convertible Notes are convertible at the conversion price of HK\$0.39 per conversion Share (being 2,564,102 new conversion Shares (rounded down)) multiplied by the Share Offer Price (being HK\$0.71 per Share).

## **Irrevocable undertakings**

Pursuant to the Share Purchase Agreement, each of Mr Lau and Madam Li has undertaken to the Offeror to accept the Option Offer in connection with all of the Lau Options or the Li Options (as the case may be). Further details of the Option Irrevocable Undertakings are set out in the section headed “(III) The Share Purchase Agreement – Option Irrevocable Undertakings” of this joint announcement.

On 11 October 2018, Benefit Global executed the CN Irrevocable Undertakings in favour of the Offeror, pursuant to which Benefit Global has undertaken to the Offeror, among other things, (i) to accept the CN Offer; and (ii) not to exercise its rights attaching to any of the Convertible Notes to convert all or any of the Convertible Notes into Shares prior to the Offer Closing Date and the irrevocable undertakings dated 23 February 2018 given by Benefit Global to the Offeror in relation to the Convertible Notes have been superseded and terminated.

## **Value of the Offers**

### *The Share Offer*

As at the date of this joint announcement, there are 1,474,232,000 outstanding Shares in issue. Save for the Sale Shares, none of the outstanding Shares in issue is already held or agreed to be acquired by the Offeror and any of its Concert Parties. Based on the Share Offer Price at HK\$0.71 per Share, the entire issued share capital of the Company would be valued at approximately HK\$1,046,704,720.

Excluding the Sale Shares, being the 502,064,000 Shares to be acquired by the Offeror pursuant to the Share Purchase Agreement, 972,168,000 Shares will be subject to the Share Offer and based on the Share Offer Price, the value of the Share Offer will be HK\$690,239,280 assuming that there is no change in the share capital of the Company before the Offer Closing Date, save for the Subscription and the issuance of the Consideration Shares.

Assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised and new Shares will be allotted and issued as a result of such exercise before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,101,059,600 in aggregate. Based on the Share Offer Price, the value of the Share Offer will be HK\$781,752,316, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription, the issuance of the Consideration Shares and the exercise of the Share Options as aforesaid.

Assuming all outstanding Share Options (including the Lau Options and the Li Options) and Convertible Notes will be exercised and converted, and new Shares will be allotted and issued as a result of such exercise and conversion before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,388,510,881 Shares in aggregate. Based on the Share Offer Price, the value of the Share Offer will be approximately HK\$985,842,726, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription, the issuance of the Consideration Shares and the exercise of the Share Options and conversion of the Convertible Notes as aforesaid.

### *The Option Offer*

As at the date of this joint announcement, there are 134,291,600 outstanding Share Options conferring the rights to the Optionholders to subscribe for an aggregate of 134,291,600 Shares. Pursuant to the Share Purchase Agreement, each of Mr Lau and Madam Li has irrevocably undertaken that each of them will (i) not exercise any rights attaching to the Lau Options and the Li Options, respectively, prior to the Offer Closing Date; (ii) not sell, transfer or otherwise dispose of any of the Lau Options and the Li Options, respectively, prior to the Offer Closing Date; and (iii) accept the Option Offer for cancellation of the Lau Options and the Li Options, respectively.

Assuming that no Share Option will be exercised before the Offer Closing Date, the total consideration required to satisfy the cancellation of all the outstanding Share Options (including the Lau Options and the Li Options) will be approximately HK\$541,168.

Assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised before the Offer Closing Date, the total consideration required to satisfy the cancellation of the Lau Options and the Li Options will be HK\$1,053.

Assuming all outstanding Share Options (including the Lau Options and the Li Options) will be exercised before the Offer Closing Date, the value of the Option Offer will be nil.

### *The CN Offer*

As at the date of this joint announcement, the Company has outstanding Convertible Notes with an aggregate amount of HK\$110,000,000 convertible into 282,051,281 new Shares. For all the outstanding Convertible Notes in issue, the total CN Offer is valued at a maximum of approximately HK\$200,256,410.

Assuming all the outstanding Convertible Notes in issue will be converted before the Offer Closing Date, the value of the CN Offer will be nil.

### *Aggregate value of the Offers*

Based on the above, the Offers are in aggregate valued at a maximum of approximately HK\$985,842,726.

## **Confirmation of financial resources**

The consideration for the Offeror Subscription Shares payable by the Offeror pursuant to the Restated Subscription Agreement is HK\$109,785,200. The consideration for the Sale Shares payable by the Offeror pursuant to the Share Purchase Agreement is HK\$356,465,440. Taking into account the Option Irrevocable Undertakings and the CN Irrevocable Undertakings, the financial resources of the Offeror to satisfy the maximum consideration of the Offers shall amount to HK\$982,009,778. The Offeror intends to finance the consideration for the Sale Shares, and the Offeror Subscription Shares and the maximum consideration payable under the Offers by the credit facilities provided by Haitong International Securities (as lender) to the Offeror (as borrower).

Subscriber A and Subscriber B intend to finance their respective consideration of HK\$11,877,600 and HK\$23,905,000 for their respective Subscription Shares from their respective own internal cash resources.

Haitong International Capital has been appointed as the financial adviser to the Offeror in respect of the Offers. Haitong International Capital is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration for the Offeror Subscription Shares and the Sale Shares pursuant to the Restated Subscription Agreement and the Share Purchase Agreement respectively, and its maximum payment obligation upon full acceptance of the Offers, and that sufficient financial resources are, and will remain, available to each of Subscriber A and Subscriber B to satisfy their respective consideration for their respective Subscription Shares pursuant to the Restated Subscription Agreement as described above.

## **IMPLICATIONS ON THE PREVIOUS OFFERS**

In the Initial Announcement, the Offeror announced that subject to completion of the Initial Subscription Agreement, the Offeror would make unconditional mandatory offers in cash in relation to all the issued Shares (excluding the Shares already owned by or agreed to be acquired by the Offeror and its Concert Parties) and all outstanding Convertible Notes and cancellation of all outstanding Share Options. As a result of the termination of the Initial Subscription Agreement by the Restated Subscription Agreement, the Previous Offers will not be made.

Rule 31.1(a) of the Takeovers Code provides, among others, that except with the consent of the Executive, where an offer has been announced or posted but has not become or been declared unconditional, and has been withdrawn or has lapsed, neither the offeror nor any person who acted in concert with it in the course of the original offer, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which such offer is withdrawn or lapses either (i) announce an offer or possible offer for the offeree company, or (ii) acquire any voting rights of the offeree company if the offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

An application by the Offeror has been made, and the Executive has granted consent to the Offeror under Rule 31.1(a) of the Takeovers Code, to announce these possible Offers for the following reasons:

- (a) the Board (including members of the Independent Board Committee whose opinion will be subject to considering the advice of Veda Capital) considered that the terms of the Offers are fair and reasonable as far as the Shareholders, the Optionholders and the CN Holder are concerned and accordingly recommend the Shareholders, the Optionholders and the CN Holder to accept the Offers;
- (b) the Offeror is not, or is not acting in concert with, a Director or substantial Shareholder; and
- (c) the Offeror was not prevented from revising or extending its previous offer as a result of a no increase statement or a no extension statement.

### **INFORMATION ON THE GROUP**

The Company is incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1348).

The Group is principally engaged in the manufacturing and sales of toys and provision of securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services.

The table below sets forth a summary of the audited consolidated financial information of the Group for each of the two financial years ended 31 March 2017 and 2018, as extracted from the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual reports for the years ended 31 March 2017 and 2018, respectively:

|  | <b>For the year ended 31 March</b> |                  |
|--|------------------------------------|------------------|
|  | <b>2017</b>                        | <b>2018</b>      |
|  | <i>(audited)</i>                   | <i>(audited)</i> |
|  | <i>HK\$'000</i>                    | <i>HK\$'000</i>  |
| Revenue  | 787,704                            | 775,990          |
| Loss before taxation                           | (93,436)                           | (43,433)         |
| Loss attributable to the owners of the Company | (94,143)                           | (47,169)         |



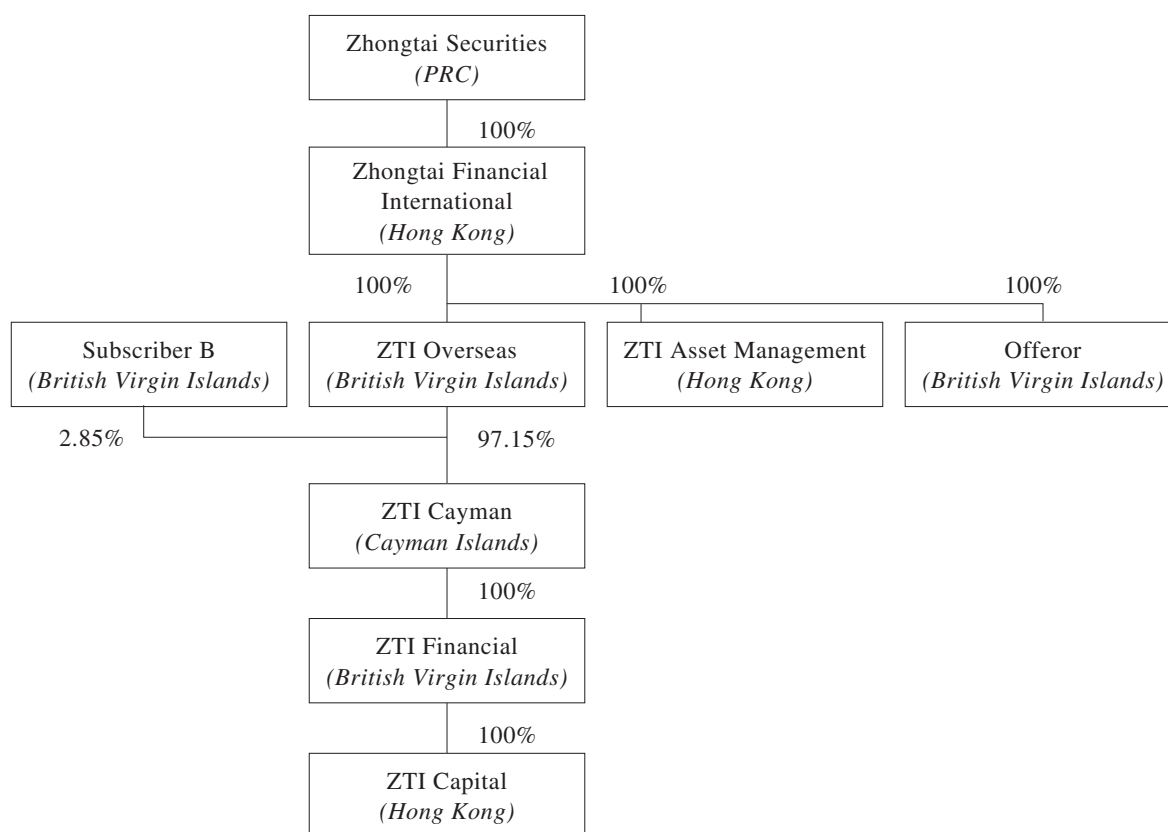
**As at 31 March**  
**2017**                      **2018**

|   |         |         |
|---|---------|---------|
| Consolidated net assets                           | 421,859 | 429,731 |
| Consolidated balance of cash and cash equivalents | 129,987 | 141,184 |

**INFORMATION ON THE SUBSCRIBERS**

*The Offeror*

The shareholding structure of the Offeror and the ZTI Companies as at the date of this joint announcement is set out in the chart below:



The Offeror is an investment holding company established in the British Virgin Islands with limited liability and is directly and wholly-owned by Zhongtai Financial International.

Zhongtai Financial International is a company incorporated in Hong Kong with limited liability and wholly-owned by Zhongtai Securities, being a company incorporated in the PRC with limited liability.

Zhongtai Securities is currently held as to approximately 69.03% in aggregate by six state-owned enterprises, including as to approximately 45.91% by Laiwu Steel Group Ltd.# (萊蕪鋼鐵集團有限公司)(“**Laiwu Steel**”), as to approximately 7.30% by Yankuang Group Co., Ltd # (兗礦集團有限公司), as to approximately 5.61% by Jigang Group Co. Ltd # (濟鋼集團有限公司), as to approximately 4.43% by Shandong Luxin Investment Holding Co., Ltd # (山東省魯信投資控股集團有限公司), as to approximately 3.85% by Xinwen Mining Group Co., Ltd# (新汶礦業集團有限責任公司), and as to approximately 1.93% by Shandong State-owned Assets Investment Holding Co., Ltd # (山東省國有資產投資控股有限公司). Other than Laiwu Steel, each of the aforementioned state-owned enterprises which holds interest in Zhongtai Securities is in turn ultimately held as to 70% by Shandong SASAC, 20% by Shandong Guohui Investment Co., Ltd# (山東國惠投資有限公司) (“**Shandong Guohui**”), which is in turn ultimately owned by Shandong SASAC, and 10% by Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會) (“**Shandong SSF**”). Laiwu Steel is held as to 20% by Fujian Xingyin Equity Investment Management Co., Ltd. # (福建興銀股權投資管理有限公司), which is an indirect non-wholly subsidiary of Industrial Bank Co., Ltd. (興業銀行股份有限公司), and 80% by Shandong Iron & Steel Group Co., Ltd.# (山東鋼鐵集團有限公司), which is in turn also held as to 70% by Shandong SASAC, 20% by Shandong Guohui and 10% by Shandong SSF. The remaining 30.97% of the issued share capital of Zhongtai Securities is currently held by 34 minority corporate shareholders, each with a shareholding in Zhongtai Securities in the range of approximately 0.02% to 3.85%.

Zhongtai Securities was established on 15 May 2001, and has a registered capital of approximately RMB6,271.76 million as at the date of this joint announcement. Zhongtai Securities is one of the leading financial service providers in the PRC (based on a number of financial indicators, including revenue and net profit) which offers a wide range of financial services and diversified product portfolio to its clients, including securities and futures brokerage and margin financing, underwriting, financial advisory, private equity, sponsorship, research, asset management, principal investment etc., and is a national securities dealer that is substantially owned by Shandong SASAC. Since 2010, Zhongtai Securities has received securities firm ratings of “A” or above from the China Securities Regulatory Commission.

Zhongtai Financial International, with a total issued share capital of approximately HK\$1,790.98 million as the date of this joint announcement, is positioned as the overseas investment arm of Zhongtai Securities to capture the growing cross-border business opportunities in international financial markets. Zhongtai International Group is an integrated financial services provider in Hong Kong, offering a full range of financial services, including brokerage and margin financing (e.g. securities, futures and options brokerage, investment advisory, equity research and margin financing), investment banking (e.g. equity and debt financing and corporate finance advisory), asset management, money lending, financial product brokerage, fixed income currencies and commodities, direct investment and proprietary trading.

As at the date of this joint announcement, the Offeror does not hold any Shares or any other securities of the Company, and the Offeror and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

#### *Subscriber A*

Subscriber A is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned by 26 individuals as at the date of this joint announcement. Each of such 26 individuals is an existing employee of Zhongtai International Group and most of them are senior management of Zhongtai International Group. Individuals holding more than 5% of the issued share capital of Subscriber A include Mr. Gao Feng, Mr. Lyu Taojiang, Mr. Zhang Yanfeng, Mr. Ren Yanqing and Mr. Han Dong (being the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the Director of Investment and Financing and Chief Executive Officer for China Region of Zhongtai International Group, respectively).

#### *Subscriber B*

Subscriber B is held as to 90% and 10% by Mr. Yu Yusheng and Ms. Yu Nanxing, daughter of Mr. Yu Yusheng. Mr. Yu Yusheng and Ms. Yu Nanxing, through their shareholding interest in Subscriber B, are currently investors of certain subsidiaries of Zhongtai Financial International, namely ZTI Cayman and its subsidiaries. Subscriber B's principal business activity is investment holding.

As at the date of this joint announcement, each of Subscriber A and Subscriber B does not hold any Shares or any other securities of the Company, and Subscriber A and Subscriber B and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The existing principal business of the Group includes manufacturing and sales of toys, provision of securities brokerage, securities margin financing, investment advisory, corporate finance advisory and asset management services.

Following the close of the Offers, the Offeror intends to continue the operation of the toy division of the Group as one of the core business divisions of the Group as it has been a stable profit and cashflow generating division of the Group and the Offeror does not have any plan to expand or reduce the current scale of the Toy Business. However, the Offeror envisages that the Toy Business will continue to be the principal business of the Group following the close of the Offers and will remain significant as compared with the financial services division of the Group (the “**Financial Services Division**”). The Offeror will review the situation with respect to the Toy Business after 12 months of Completion based on the then business environment. Further, it is intended that approximately HK\$30 million out of the net proceeds of the Subscription will be used for the purchase of raw materials for production for the Toy Business, with a view to maintaining the steady development of the Toy Business and its products. It is also expected that the revenue and scale of operation from the Toy Business will be maintained, in particular, that the Toy Business will continue to play an important role in contributing to the Group’s revenue when compared with that from the Financial Services Division.

As for the Financial Services Division, with the enlarged capital base by the Subscription, the Offeror intends to expand the business scale and product offerings of the Financial Services Division through leveraging on the reputation, financial resources and business network of Zhongtai Securities and Zhongtai Financial International. The Offeror intends to:

- (i) continue the Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and other financial services currently provided by the Financial Services Division. With the enlarged capital base following Completion, the Financial Services Division will have more capital flexibility to increase its business scale and explore other principal-based activities;

- (ii) develop collaboration between the Financial Services Division, Zhongtai Securities and Zhongtai Financial International to explore business opportunities in the PRC, Hong Kong and overseas markets. Founded in 1984, Crosby Group was among the first batch of international investment banks to open in the PRC, Thailand and Malaysia and foreign underwriters of B-shares in the PRC's onshore capital market. As at the date of this joint announcement, Crosby Group, which comprises Crosby Asia, Crosby Asset Management, Crosby Securities and Crosby Financial Products (each being a wholly-owned subsidiary of the Company), constitutes the Financial Services Division of the Group. On the other hand, Zhongtai Securities is a financial conglomerate in the PRC with over 250 offices in 28 provinces, cities or autonomous regions. The Offeror believes there would be synergy between the long history and well-established brand and reputation of Crosby Group and the strong presence in the PRC and the financial resources of Zhongtai Securities and Zhongtai Financial International when exploring business opportunities in the PRC and overseas markets;
- (iii) broaden the product offerings of corporate finance business of the Financial Services Division through the ZTI Capital Acquisition. Although Crosby Securities can conduct Type 6 (advising on corporate finance) regulated activity under SFO, licensing conditions are imposed on Crosby Securities and it shall not act as sponsor in respect of an application for the listing on a recognised stock market of any securities, including the Stock Exchange, and it shall not advise on matters/transactions falling within the ambit of the Takeovers Code. As ZTI Capital is permitted to advise on matters/transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Buy-backs and is eligible to act as sponsor in respect of an application for the listing on the Stock Exchange, upon completion of the acquisition of ZTI Capital, ZTI Capital will be under the Financial Services Division and, hence, the Financial Services Division shall be able to commence engagements in relation to sponsorship and the Takeovers Code, complementing the current product offerings of the Financial Services Division;
- (iv) strengthen the team of the asset management business of the Financial Services Division through the ZTI Asset Management Acquisition. ZTI Asset Management (currently with a team comprising 12 licensed persons) currently provides various asset management services, including but not limited to active management services, investment advisory services and RMB Qualified Foreign Institutional Investor (RQFII) business, to its clients. The Offeror believes the synergy between the asset management business of the Financial Services Division and ZTI Asset Management shall enhance the development of the asset management business; and

- (v) capture business opportunities arisen from the Shanghai and Shenzhen Stock-Connect channels and the Belt and Road initiative. The Shanghai and Shenzhen Stock-Connect channels have increased the capital inflows from investors in the PRC and have continued to grow. Besides, Hong Kong is positioned to capture the fund raising needs of the infrastructure projects along the Belt and Road countries. Therefore, it is expected that there will be increased business opportunities for corporate finance and asset management business in Hong Kong. Furthermore, with the listing reform initiatives recently announced by the Stock Exchange, including without limitation the introduction of new chapters to the Listing Rules to accommodate new economy companies with weighted voting rights and pre-revenue companies, it is expected that more innovative and new economy companies may consider conducting fund raising activities in Hong Kong. With the expected increase in capital base through the Subscription and the synergy from the ZTI Acquisitions, the Offeror targets to position the Group to capture such business and investment opportunities.

The Offeror will review the situation with respect to the Financial Services Division after 12 months of Completion based on the then business environment.

Immediately after the close of the Offers, the Offeror will conduct a review of the financial position and operations of the Group in order to formulate a long-term strategy for the Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. Subject to the results of such review and depending on the development of the Financial Services Division as set out above, should any suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business relating to the Financial Services Division by the Group, including but not limited to the acquisitions of any other subsidiaries of Zhongtai Financial International other than ZTI Capital and ZTI Asset Management, so as to enhance the business development and financial conditions of the Group. Nevertheless, as at the date of this joint announcement, save for the ZTI Acquisitions, there was no existing plan, arrangement, agreement, understanding or negotiation in connection therewith by the Offeror. Should such corporate action materialise in the future, the Company will comply with all applicable requirements under the Listing Rules. Save as set out above, the Offeror has no plan or intention to expand the business of the Group to other areas.

Further, subject to the result of the Offeror's review of the Group, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Group, in both cases, other than those in its ordinary and usual course of business.

## **PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD**

The Board is currently made up of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Offeror currently proposes that at least four existing Directors including Mr Lau and Mr Raymond Chu will remain as Directors after Completion; and the Offeror intends to only nominate three new directors to the Board after Completion and as and when permitted under the Takeovers Code. As such, it is expected that the existing Directors will still constitute a majority of the Board members and the Board will consist of members with knowledge and expertise to manage the Toy Business and the Financial Services Business. As at the date of this joint announcement, it is currently proposed that the three directors to be nominated by the Offeror to the Board will be executive directors, but the Offeror has not decided on who will be nominated as new Directors. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules, and further announcement will be made by the Company as and when appropriate.

## **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange upon close of the Offers. In the event that the public float of the Company falls below 25% upon close of the Offers, each of the Company and the Offeror will undertake to the Stock Exchange that it would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following close of the Offers to ensure that sufficient public float exists for the Shares.

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

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

the Stock Exchange would consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

Therefore, it should be noted that upon close of the Offers, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

## **EFFECT OF ACCEPTING THE OFFERS**

The Offers, subject to Completion taking place, will be unconditional.

### **Effect of accepting the Share Offer**

The Share Offer, when it is being made, will be unconditional. The Share Offer will be made on the basis that valid acceptance of the Share Offer by any Shareholder will be deemed to constitute a warranty by such person that the Offer Shares sold by such person under the Share Offer are free from all Encumbrances and together with all rights attaching thereto, including, without limitation, the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid on or after the date of despatch of the Composite Document.

### **Effect of accepting the Option Offer**

The Option Offer, when it is being made, will be unconditional. The Option Offer will be made on the basis that valid acceptance of the Option Offer by any Optionholder will be deemed to constitute a warranty by such person that the Share Options are free from all Encumbrances whatsoever and the Share Options will be cancelled and renounced together with all rights attaching thereto as at the date of despatch of the Composite Document.

### **Effect of accepting the CN Offer**

The CN Offer, when it is being made, will be unconditional. The CN Offer will be made on the basis that valid acceptance of the CN Offer by the CN Holder will be deemed to constitute a warranty by such person that all Convertible Notes sold by such person under the CN Offer are free from all Encumbrances whatsoever.

### **Settlement of consideration**

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) of the date on which the duly completed acceptances of the Offers and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder, an Optionholder or the CN Holder who accepts the Offers (as the case may be) will be rounded up to the nearest cent.



## **HONG KONG STAMP DUTY**

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on the acceptance of the Share Offer (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded-up to the nearest HK\$1.00). The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer and the CN Offer.

## **TAXATION ADVICE**

The Shareholders, the Optionholders and the CN Holder are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and any of its Concert Parties, the Company, and their respective directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

## **OVERSEAS SHAREHOLDERS, OVERSEAS OPTIONHOLDERS AND OVERSEAS CN HOLDER**

The Offeror intends to make available the Offers to all eligible Shareholders, Optionholders and CN Holder, including those who are resident outside Hong Kong, to the extent practicable. As the Offers to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents, Shareholders, Optionholders and CN Holder who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any transfer or other taxes due in such jurisdiction.

Any acceptance by the Overseas Shareholders, the Overseas Optionholders and the Overseas CN Holder will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders, the Overseas Optionholders and the Overseas CN Holder should consult their professional advisers if in doubt.

## OTHER INFORMATION

As at the date of this joint announcement, none of the respective shareholders of Zhongtai Securities, Subscriber A and Subscriber B was interested in any Shares. Other than pursuant to the Restated Subscription Agreement, the Share Purchase Agreement, the ZTI Agreements, the Option Irrevocable Undertakings and the CN Irrevocable Undertakings, none of the Offeror, its Concert Parties (including Subscriber A and Subscriber B) and the respective shareholders of Zhongtai Securities, Subscriber A and Subscriber B has dealt in the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the 6-month period immediately prior to the date of this joint announcement.

The Offeror confirms that, as at the date of this joint announcement, save for the Restated Subscription Agreement, the Share Purchase Agreement, the ZTI Agreements, the Option Irrevocable Undertakings and the CN Irrevocable Undertakings:

- (a) the Offeror and its Concert Parties do not own, control or have direction over any voting rights in any Shares nor own, control or have direction over any other rights or interests in the issued share capital or voting rights of the Company;
- (b) the Offeror and its Concert Parties do not hold any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company;
- (c) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror or any of its Concert Parties;
- (d) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (e) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any of its Concert Parties has borrowed or lent;
- (f) none of the Offeror nor any of its Concert Parties has received any other irrevocable commitment to accept or reject the Offers; and
- (g) there is 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 Offers.

The Offeror confirms that, as at the date of this joint announcement, save for the Share Purchase Agreement and the Option Irrevocable Undertakings, there are no other agreements, arrangements or understanding between Smart Investor, Mr Lau and Madam Li and their respective Concert Parties with the Offeror and/or its Concert Parties.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the date of this joint announcement, (ii) immediately after Completion but before any acceptance of Offers (assuming no outstanding Share Options and Convertible Notes will be exercised or converted at or prior to Completion); and (iii) immediately after Completion but before any acceptance of Offers (assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted at or prior to Completion):

| Name of the Shareholder            | (i) As at the date of this joint announcement |                                     | (ii) Immediately after Completion but before any acceptance of Offers (assuming no outstanding Share Options and Convertible Notes will be exercised or converted at or prior to Completion) |                            | (iii) Immediately after Completion but before any acceptance of Offers (assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted at or prior to Completion) (Note 3) |                            |
|------------------------------------|---|-------------------------------------|--|----------------------------|---|----------------------------|
|                                    | Number of Shares                              | Approximate percentage (%) (Note 1) | Number of Shares   | Approximate percentage (%) | Number of Shares  | Approximate percentage (%) |
| <b>Smart Investor</b>              | 482,864,000                                   | 32.75%                              | -  | -                          | -   | -                          |
| Mr Lau (Note 2)                    | 9,600,000                                     | 0.65%                               | -  | -                          | -   | -                          |
| Madam Li (Note 2)                  | 9,600,000                                     | 0.65%                               | -  | -                          | -   | -                          |
| <b>Subtotal</b>                    | <b>502,064,000</b>                            | <b>34.05%</b>                       | <b>-</b>   | <b>-</b>                   | <b>-</b>  | <b>-</b>                   |
| <b>Other major Shareholder</b>     |   |                                     |  |                            |   |                            |
| Silver Pointer Limited             | 106,880,000                                   | 7.25%                               | 106,880,000  | 4.71%                      | 106,880,000   | 4.46%                      |
| <b>Other Directors</b>             |   |                                     |  |                            |   |                            |
| Mr. Poon Pak Ki, Eric              | 2,000,000                                     | 0.14%                               | 2,000,000  | 0.09%                      | 14,900,000  | 0.62%                      |
| Mr. Ng Kam Seng                    | 3,200,000                                     | 0.22%                               | 3,200,000  | 0.14%                      | 16,100,000  | 0.67%                      |
| Mr. Chu Raymond                    | 27,448,000                                    | 1.86%                               | 27,448,000   | 1.21%                      | 40,295,800  | 1.68%                      |
| Mr. Leung Po Wing,<br>Bowen Joseph | -   | -                                   | -  | -                          | 2,800,000   | 0.12%                      |
| Mr. Chan Siu Wing, Raymond         | -   | -                                   | -  | -                          | 2,800,000   | 0.12%                      |
| Mr. Wong Wah On, Edward            | -   | -                                   | -  | -                          | 1,400,000   | 0.06%                      |
| <b>Subtotal</b>                    | <b>32,648,000</b>                             | <b>2.22%</b>                        | <b>32,648,000</b>  | <b>1.44%</b>               | <b>78,295,800</b>   | <b>3.27%</b>               |

| Name of the Shareholder                | (i) As at the date of this joint announcement |                                     | (ii) Immediately after Completion but before any acceptance of Offers (assuming no outstanding Share Options and Convertible Notes will be exercised or converted at or prior to Completion) |                            | (iii) Immediately after Completion but before any acceptance of Offers (assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted at or prior to Completion) (Note 3) |                            |
|--|---|-------------------------------------|--|----------------------------|---|----------------------------|
|  | Number of Shares                              | Approximate percentage (%) (Note 1) | Number of Shares   | Approximate percentage (%) | Number of Shares  | Approximate percentage (%) |
| <b>Offeror and its Concert Parties</b> |   |                                     |  |                            |   |                            |
| Offeror (Note 4)                       | -   | -                                   | 1,192,878,857  | 52.61%                     | 1,192,878,857   | 49.78%                     |
| Subscriber A                           | -   | -                                   | 33,936,000   | 1.50%                      | 33,936,000  | 1.42%                      |
| Subscriber B                           | -   | -                                   | 68,300,000   | 3.01%                      | 68,300,000  | 2.85%                      |
| <b>Subtotal</b>                        | -   | -                                   | 1,295,114,857  | 57.12%                     | 1,295,114,857   | 54.05%                     |
| Mr. Chu Sheng Yu, Lawrence (Note 5)    | 672,000                                       | 0.05%                               | 672,000  | 0.03%                      | 672,000   | 0.03%                      |
| Other Shareholders                     | 831,968,000                                   | 56.43%                              | 831,968,000  | 36.69%                     | 915,211,800   | 38.19%                     |
| <b>Total</b>                           | <b>1,474,232,000</b>                          | <b>100.00%</b>                      | <b>2,267,282,857</b>   | <b>100.00%</b>             | <b>2,396,174,457</b>  | <b>100.00%</b>             |

*Notes:*

- The approximate percentage of shareholding was calculated based on 1,474,232,000 Shares in issue as at the date of this joint announcement.*
- Mr Lau and Madam Li are Directors. Pursuant to the Option Irrevocable Undertakings, each of Mr Lau and Madam Li has undertaken to the Offeror that he or she will not exercise his or her rights attaching to any of the Lau Options and the Li Options (as the case may be) prior to the close of the Offers.*
- This scenario is set out for illustration purpose only, assuming that all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted at or prior to Completion. Pursuant to the CN Irrevocable Undertakings, Benefit Global has undertaken to the Offeror that it will not exercise its rights attaching to any of the Convertible Notes to convert all or any of the Convertible Notes into Shares.*
- The Offeror is the designated nominee of ZTI Financial or Zhongtai Financial International (as the case may be) to receive the Consideration Shares pursuant to the ZTI Agreements.*
- As at the date of this joint announcement, Mr. Chu Sheng Yu, Lawrence, being the ultimate sole shareholder of Benefit Global, holds 672,000 Shares.*

## DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror, including persons who own or control 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code), are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

### ***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **(V) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this joint announcement, the existing authorised share capital of the Company is US\$75,000 divided into 3,000,000,000 Shares of which 1,474,232,000 Shares are in issue and fully paid or credited as fully paid. In order to accommodate future expansion and growth of the Company and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from US\$75,000 (divided into 3,000,000,000 Shares) to US\$150,000 (divided into 6,000,000,000 Shares) by the creation of an additional 3,000,000,000 Shares which shall rank pari passu in all respects with the existing Shares in issue. The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. For the avoidance of doubt, the Increase in Authorised Share Capital will not be conditional upon completion of the Subscription or the ZTI Acquisitions.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE ZTI ACQUISITIONS**

There has been an overall upward momentum in the Hong Kong securities markets in the first eight months of 2018 with the Hang Seng Index reached its record high in January 2018. Average daily turnover value of the Stock Exchange increased by approximately 46% from about HK\$80.3 billion in for the eight months ended 31 August 2017 to about HK\$117.4 billion for the eight months ended 31 August 2018. The market capitalisation of the Hong Kong securities market also increased by about 3.8% from approximately HK\$31.0 trillion as of closing on 31 August 2017 to approximately HK\$32.2 trillion as of closing on 31 August 2018. As set out in the Company's annual report for the year ended 31 March 2018, the expansion capabilities of the Financial Services Division is limited particularly for those operations requiring extensive deployment of capital, including securities margin financings. The Subscription will substantially increase the capital base of the Company, and thus increase its capabilities to participate in more principal-based activities.

The Group, through Crosby Securities and Crosby Asset Management, is licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. As set out in the section headed "Intentions of the Offeror in relation to the Group" of this joint announcement, the Offeror intends to expand the business scale and product offerings of the Financial Services Division. Following the ZTI Capital Acquisition, the services offered by the Financial Services Division will be broadened to engaging in new listing sponsorship and financial advisory services for transactions falling within the ambit of the Takeovers Code. Following the ZTI Asset Management Acquisition, the team of the asset management business of the Financial Services Division will be strengthened and there will be synergy between the asset management business of the Financial Services Division and ZTI Asset Management.

In addition, the ZTI Acquisitions will minimise any potential competition and conflicts of interest between the Group and Zhongtai International Group. Crosby Securities is principally engaged in securities brokerage, securities margin financing, provision of investment advisory, corporate finance advisory, capital markets services and asset management services to mainly institutional and corporate clients and Crosby Asset Management is principally engaged in provision of investment advisory and fund management services to mainly institutional and corporate clients, while ZTI Capital is principally engaged in the provision of corporate finance advisory and capital markets services, including sponsorship, merger and acquisition, corporate and asset reorganisation, equity and debt capital raising and ZTI Asset Management is principally engaged in provision of asset management services. Given the similar natures of principal businesses of these companies, it is the benefits of and in the interests of the Company and its Shareholders to inject ZTI Capital and ZTI Asset Management into the Group.

Taking into consideration the reasons for and benefits of the Subscription and the ZTI Acquisitions to the Group set out above and the following factors:

- (a) the gross proceeds of the Subscription of HK\$145,567,800 will be settled in cash upon the Completion, which will increase the Group's capital base and will be crucial for the future growth of its businesses;
- (b) the basis for determination of the Subscription Price as set out in the section headed "(I) Update on the Subscription – The Restated Subscription Agreement – Subscription Price" of this joint announcement;
- (c) Completion will lead to the Offers which will be extended to all Shareholders, Optionholders and CN Holder (other than the Offeror and its Concert Parties) and the Share Offer Price of HK\$0.71 represents a premium of approximately 143.6% over the audited consolidated net asset value of the Company of approximately HK\$0.2915 per Share as at 31 March 2018; and
- (d) the dilution effect on the shareholding interests of the existing Shareholders is acceptable in view of the aforesaid reasons and factors,

the Directors are of the view that the terms of the Restated Subscription Agreement (including the Subscription Price and the number of Subscription Shares) and the ZTI Agreements (including the issue price and the number of Consideration Shares) are on normal commercial terms, fair and reasonable and the Subscription and the ZTI Acquisitions are in the interests of the Company and the Shareholders as a whole except that members of the Independent Board Committee have reserved their views with respect to the ZTI Acquisitions and will provide their views and recommendations after considering the advice of the independent financial adviser.

## **GENERAL**

### **EGM**

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder, including but not limited to the Specific Mandate for the allotment and issue of the Subscription Shares and the Consideration Shares, and the Increase in Authorised Share Capital.

As the Vendors are parties to the Share Purchase Agreement and completion of the Share Purchase Agreement is conditional upon completion of the Subscription and the ZTI Acquisitions, the Vendors are regarded as having material interest in the Subscription and the ZTI Acquisitions. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for the Vendors, no Shareholder has a material interest in such matters and is required to abstain from voting in relation to the resolutions concerning the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder, including but not limited to the Specific Mandate for the allotment and issue of the Subscription Shares and the Consideration Shares, and the Increase in Authorised Share Capital to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Restated Subscription Agreement, the ZTI Agreements, and the transactions contemplated thereunder; (ii) further details about the Increase in Authorised Share Capital; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the terms of the Subscription, the ZTI Agreements and the transactions contemplated thereunder; (iv) a letter from Veda Capital containing their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription, the ZTI Agreements and the transactions contemplated thereunder; and (v) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 October 2018, as additional time is required for preparing the relevant information to be included in the circular.

#### **Independent board committee and independent financial adviser**

An Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward) has been established by the Board for the purposes of (i) making recommendations to the Shareholders, the Optionholders and the CN Holder as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptance of the Offers; and (ii) advising the Independent Shareholders on the Subscription, the ZTI Agreements and the transactions contemplated thereunder. As Madam Li, being a non-executive Director, is one of the Vendors, Madam Li is considered to have material interest in the Offers and shall not form part of the Independent Board Committee. Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward respectively holds 2,800,000, 2,800,000 and 1,400,000 outstanding Share Options in respect of 2,800,000, 2,800,000 and 1,400,000 Shares.



Veda Capital has been appointed to advise (i) the Independent Board Committee and the Shareholders, the Optionholders and the CN Holder in relation to the Offers and in particular whether the Offers are fair and reasonable and as to the acceptance of the Offers; and (ii) the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription, the ZTI Agreements and the transactions contemplated thereunder. The recommendations of the Independent Board Committee and the advice of Veda Capital in respect of the Offers and the ZTI Acquisitions will be respectively included in the Composite Document and a circular of the Company (as the case may be) to be despatched to the Shareholders.

### **Despatch of the Composite Document**

As the making of the Offers is subject to Completion which is expected to be unable to be satisfied within the time period contemplated by Rule 8.2 of the Takeovers Code, an application will be made to the Executive under Rule 8.2 of the Takeovers Code for an extension of the time for despatch of the Composite Document to a date falling within seven days from the Completion Date or 8 February 2019, whichever is earlier.

### **WARNING**

**The Offers will only be made if Completion takes place. Completion is subject to fulfilment and/or waiver, as applicable, of the Subscription Conditions, the Share Purchase Conditions as well as the conditions precedent of the relevant ZTI Agreements. Accordingly, the Offers may or may not be made. Shareholders, Optionholders, the CN Holder and/or potential investors of the Company should therefore exercise caution when dealing in the securities of the Company (including the Shares, the Share Options, the Convertible Notes and rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**

### **DEFINITIONS**

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise:

- |                     |   |
|---------------------|---|
| “acting in concert” | has the meaning given to it in the Takeovers Code   |
| “associate(s)”      | has the meaning given to it in the Takeovers Code or the Listing Rules (as the case may be) |

|                               |   |
|-------------------------------|---|
| “Audited Interim Account”     | a consolidated statement of financial position of the Group as at 31 January 2018 prepared by the Company in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and on the same accounting principles and on the same basis as those adopted in the preparation of the consolidated statement of financial position of the Group as at 31 March 2017, which has been audited by the auditors of the Company and certified by an executive Director |
| “Benefit Global”              | Benefit Global Limited, a company incorporated in the British Virgin Islands with limited liability, the CN Holder, and a company ultimately wholly-owned by Mr. Chu Sheng Yu, Lawrence, who is a third party independent of the Company, its connected persons and its Concert Parties   |
| “Board”                       | the board of Directors  |
| “CN Holder”                   | the holder of the Convertible Notes   |
| “CN Offer”                    | the possible unconditional mandatory cash offer to be made by Haitong International Securities on behalf of the Offeror to the CN Holder to acquire all the Convertible Notes   |
| “CN Irrevocable Undertakings” | the irrevocable undertakings dated 11 October 2018 given by Benefit Global to the Offeror in relation to the Convertible Notes  |
| “Company”                     | Quali-Smart Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1348)  |
| “Completion”                  | completion of the Subscription, the ZTI Acquisitions and the Share Purchase Agreement   |
| “Completion Date”             | date of Completion  |

|                        |  |
|------------------------|--|
| “Composite Document”   | the composite offer and response document to be issued jointly by the Offeror and the Company to the Shareholders, the Optionholders and the CN Holder in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offers  |
| “Concert Party(ies)”   | party(ies) acting in concert with the person or party as specified and as determined in accordance with the Takeovers Code, and for the purpose of the Offeror, include Subscriber A, Subscriber B and their respective concert parties  |
| “connected person(s)”  | has the meaning ascribed to it under the Listing Rules   |
| “Consideration Shares” | an aggregate of 377,142,857 new Shares which the Company has conditionally agreed to allot and issue to the Offeror (as the designated nominee of ZTI Financial or Zhongtai Financial International (as the case may be)) pursuant to the ZTI Agreements, which represents approximately 25.58% of the total issued share capital of the Company as at the date of this joint announcement |
| “Convertible Note A”   | 6% convertible note due 2020 in the principal amount of HK\$80,000,000 issued by the Company on 11 May 2017, which are convertible into 205,128,205 new Shares   |
| “Convertible Note B”   | 6% convertible note due 2020 in the principal amount of HK\$30,000,000 issued by the Company on 2 June 2017, which are convertible into 76,923,076 new Shares  |
| “Convertible Notes”    | the Convertible Note A and the Convertible Note B  |
| “Crosby Asia”          | Crosby Asia Limited, being a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company  |

|                             |  |
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| “Crosby Asset Management”   | Crosby Asset Management (Hong Kong) Limited (高誠資產管理(香港)有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and an indirect wholly-owned subsidiary of the Company  |
| “Crosby Financial Products” | Crosby Financial Products Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company   |
| “Crosby Group”              | Crosby Asia, Crosby Asset Management, Crosby Securities and Crosby Financial Products  |
| “Crosby Securities”         | Crosby Securities Limited (高誠證券有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and an indirect wholly-owned subsidiary of the Company  |
| “Director(s)”               | the director(s) of the Company   |
| “EGM”                       | an extraordinary general meeting of the Company to be convened and held for the purposes of approving, among other things, the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder including but not limited to the granting of Specific Mandate for the allotment and issue of the Subscription Shares and the Consideration Shares and the Increase in Authorised Share Capital, or any adjournment thereof |
| “Encumbrances”              | mortgage, charge, pledge, lien, option, restriction, purchase right, right of first refusal, right of pre-emption, voting trust or agreement, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect   |

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| “Executive”                            | the Executive Director of the Corporate Finance Division of the SFC and any of its delegates  |
| “Financial Services Business”          | the Group’s financial services business operated under the Crosby Group   |
| “Group”                                | the Company and its subsidiaries  |
| “Haitong International Capital”        | Haitong International Capital Limited (海通國際資本有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in relation to the Offers  |
| “Haitong International Securities”     | Haitong International Securities Company Limited (海通國際證券有限公司), a fellow subsidiary of Haitong International Capital, and a licensed corporation to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror |
| “HK\$”                                 | Hong Kong dollar, the lawful currency of Hong Kong  |
| “Hong Kong”                            | the Hong Kong Special Administrative Region of the PRC  |
| “Increase in Authorised Share Capital” | the proposed increase in authorised share capital of the Company from US\$75,000 (divided into 3,000,000,000 Shares) to US\$150,000 (divided into 6,000,000,000 Shares) by the creation of an additional 3,000,000,000 Shares   |

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| “Independent Board Committee”    | the independent committee of the Board, comprising Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward (representing all the independent non-executive Directors), established for the purposes of (i) advising the Independent Shareholders on the Subscription, the ZTI Agreements and the transactions contemplated thereunder; and (ii) making recommendations to the Shareholders, the Optionholders and the CN Holder in relation to the terms of the Offers and as to acceptance of the Offers |
| “Independent Shareholders”       | Shareholders who are not interested in the Restated Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder   |
| “Initial Announcement”           | the joint announcement of the Company and the Offeror dated 25 February 2018 in relation to, among other things, the Subscription and the Offers  |
| “Initial Subscription Agreement” | the initial subscription agreement dated 23 February 2018 entered into between the Subscribers and the Company in relation to the proposed conditional subscription of certain Shares of the Company, the terms of which have been terminated and superseded by the Restated Subscription Agreement   |
| “Last Trading Day”               | 11 October 2018, being the last trading day of the Shares immediately prior to the publication of this joint announcement   |
| “Lau Options”                    | the 4,000,000 outstanding Share Options granted to Mr Lau by the Company pursuant to the Share Option Scheme in respect of 4,000,000 Shares at the exercise price of HK\$1.02 per Share   |
| “Li Options”                     | the 1,400,000 outstanding Share Options granted to Madam Li by the Company pursuant to the Share Option Scheme in respect of 1,400,000 Shares at the exercise price of HK\$1.02 per Share   |
| “Licensed Subsidiaries”          | Crosby Securities and Crosby Asset Management   |
| “Listing Rules”                  | the Rules Governing the Listing of Securities on the Stock Exchange   |

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| “Long Stop Date”                  | 31 January 2019 or such other date as agreed by the Subscribers and the Company  |
| “Madam Li”                        | Madam Li Man Yee, Stella, a non-executive Director, the spouse of Mr Lau, and one of the Vendors   |
| “Mr Lau”                          | Mr. Lau Ho Ming, Peter, the chairman of the Board, an executive Director, the spouse of Madam Li, and one of the Vendors   |
| “Offer Closing Date”              | the date to be stated in the Composite Document as the first offer closing date of the Offers, which is 21 calendar days after the posting of the Composite Document, or any subsequent offer closing date as may be announced by the Company and the Offeror and approved by the Executive in accordance with the Takeovers Code                |
| “Offer Share(s)”                  | issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror and any of its Concert Parties at the time when the Share Offer is made  |
| “Offeror”                         | Zhongtai International Investment Group Limited (中泰國際投資集團有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Zhongtai Financial International as at the date of this joint announcement   |
| “Offeror Subscription Shares”     | an aggregate of 313,672,000 new Shares which the Offeror has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue pursuant to the Restated Subscription Agreement, which represents approximately 21.28% of the total issued share capital of the Company as at the date of this joint announcement |
| “Offers”                          | the Share Offer, the Option Offer and the CN Offer   |
| “Option Irrevocable Undertakings” | the irrevocable undertakings given by Smart Investor, Mr Lau and Madam Li to the Offeror in relation to the Lau Options and the Li Options under the Share Purchase Agreement  |

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| “Option Offer”                    | the possible unconditional mandatory cash offer to be made by Haitong International Securities on behalf of the Offeror to the Optionholders for cancellation of the Share Options           |
| “Optionholders”                   | the registered grantees/holders for the time being of the Share Options  |
| “Overseas CN Holder”              | CN Holder whose address is outside Hong Kong   |
| “Overseas Optionholder(s)”        | Optionholder(s) whose address(es) is or are outside Hong Kong  |
| “Overseas Shareholder(s)”         | Shareholder(s) whose address(es) as stated in the register of members of the Company is or are outside Hong Kong   |
| “PRC”                             | the People’s Republic of China, which for the purpose of this joint announcement only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region and Taiwan    |
| “Previous Offers”                 | the possible unconditional mandatory cash offers previously proposed to be made for and on behalf of the Offeror, particulars of which were set out in the Initial Announcement              |
| “Qualiman Industrial”             | Qualiman Industrial Co. Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this joint announcement |
| “Restated Subscription Agreement” | the amended and restated subscription agreement dated 11 October 2018 entered into between the Subscribers and the Company in relation to the Subscription                                   |
| “RMB”                             | Renminbi, the lawful currency of the PRC   |
| “Sale Shares”                     | an aggregate of 502,064,000 Shares sold by the Vendors to the Offeror pursuant to the terms of the Share Purchase Agreement  |
| “SFC”                             | the Securities and Futures Commission of Hong Kong   |



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| “SFC Licences”             | the SFC licences (including licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities) and all other licences, registrations and approvals granted and issued to the relevant members of the Group under the SFO and/or other applicable laws for carrying on the business of the Group |
| “SFO”                      | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)  |
| “Shandong SASAC”           | the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)   |
| “Share Offer”              | the possible unconditional mandatory cash offer to be made by Haitong International Securities on behalf of the Offeror to the Shareholders to acquire all the issued Shares (excluding the Shares already owned by or agreed to be acquired by the Offeror and any of its Concert Parties at the time when the Share Offer is made)  |
| “Share Offer Price”        | the cash amount of HK\$0.71 per Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Share Offer  |
| “Share Option Scheme”      | the share option scheme adopted by the Company on 3 January 2013, as amended from time to time  |
| “Share Options”            | 134,291,600 outstanding share options granted by the Company pursuant to the Share Option Scheme with rights to subscribe for 134,291,600 Shares  |
| “Share Purchase Agreement” | the share sale and purchase agreement dated 11 October 2018 and entered into among the Vendors as the sellers and the Offeror as the purchaser in relation to the sale and purchase of the Sale Shares  |

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| “Share Purchase Conditions” | conditions precedent to completion of the Share Purchase Agreement, further details of which are set out in the section headed “(III) The Share Purchase Agreement – Conditions precedent” of this joint announcement  |
| “Share(s)”                  | the ordinary share(s) of US\$0.000025 each in the share capital of the Company   |
| “Shareholder(s)”            | registered holder(s) of the issued Share(s)  |
| “Smart Investor”            | Smart Investor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to approximately 67.4% and 32.6% by Mr Lau and Madam Li respectively as at the date of this joint announcement, and one of the Vendors |
| “Specific Mandate”          | the specific mandate to be obtained by the Board from the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares and the Consideration Shares  |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited  |
| “Subscriber A”              | Taifu Capital Investments Limited (泰富資本投資有限公司), a company incorporated in the British Virgin Islands with limited liability  |
| “Subscriber B”              | Great Boom Group Limited (旺佳集團有限公司), a company incorporated in the British Virgin Islands with limited liability   |
| “Subscribers”               | the Offeror, Subscriber A and Subscriber B   |
| “Subscription”              | the proposed subscription of the Subscription Shares by the Subscribers pursuant to the Restated Subscription Agreement  |
| “Subscription Conditions”   | conditions precedent to completion of the Subscription, further details of which are set out in the section headed “(I) Update on the Subscription – The Restated Subscription Agreement – Conditions precedent” of this joint announcement                            |

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| “Subscription Price”                          | the subscription price of HK\$0.35 per Share   |
| “Subscription Shares”                         | an aggregate of 415,908,000 new Shares which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue pursuant to the Restated Subscription Agreement, which represents approximately 28.21% of the total issued share capital of the Company as at the date of this joint announcement  |
| “subsidiary(ies)”                             | has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)   |
| “Supplemental ZTI Agreements”                 | the Supplemental ZTI Asset Management Agreement and the Supplemental ZTI Capital Agreement   |
| “Supplemental ZTI Asset Management Agreement” | the supplemental agreement dated 11 October 2018 entered into between the Company and Zhongtai Financial International in relation to the amendment of the terms of the ZTI Asset Management Agreement   |
| “Supplemental ZTI Capital Agreement”          | the supplemental agreement dated 11 October 2018 entered into between the Company and ZTI Financial in respect of the amendment of the terms of the ZTI Capital Agreement  |
| “Takeovers Code”                              | the Code on Takeovers and Mergers  |
| “Toy Business”                                | the Group’s business of manufacturing and sales of toys operated under Qualiman Industrial   |
| “US\$”  | United States dollar, the lawful currency of the United States of America  |
| “Veda Capital”                                | Veda Capital Limited (智略資本有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise (i) the Independent Board Committee, the Shareholders, the Optionholders and the CN Holder in relation to the Offers; and (ii) the Independent Board Committee and the Independent Shareholders in relation to the ZTI Agreements |

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| “Vendors”                          | Smart Investor, Mr Lau and Madam Li  |
| “Zhongtai Financial International” | Zhongtai Financial International Limited (中泰金融國際有限公司), a company incorporated in Hong Kong with limited liability, which owns the entire issued share capital of the Offeror and ZTI Asset Management, and is directly wholly-owned by Zhongtai Securities, as at the date of this joint announcement  |
| “Zhongtai International Group”     | Zhongtai Financial International and its subsidiaries  |
| “Zhongtai Securities”              | 中泰證券股份有限公司(Zhongtai Securities Co., Ltd.#), a company incorporated in the PRC with limited liability, which is currently held as to approximately 69.03% in aggregate by six state-owned enterprises and approximately 30.97% in aggregate by 34 minority corporate shareholders, particulars of which are set out in the section headed “Information on the Subscribers” of this joint announcement |
| “ZTI Acquisitions”                 | the ZTI Asset Management Acquisition and the ZTI Capital Acquisition   |
| “ZTI Agreements”                   | the ZTI Asset Management Agreement and the ZTI Capital Agreement   |
| “ZTI Asset Management”             | Zhongtai International Asset Management Limited (中泰國際資產管理有限公司), a company incorporated in Hong Kong with limited liability and is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and is wholly-owned by Zhongtai Financial International as at the date of this joint announcement   |
| “ZTI Asset Management Acquisition” | the proposed acquisition of all issued shares in ZTI Asset Management by the Company from Zhongtai Financial International pursuant to the terms and conditions of the ZTI Asset Management Agreement  |

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| “ZTI Asset Management Agreement” | the sale and purchase agreement dated 23 February 2018 entered into between the Company and Zhongtai Financial International in respect of the ZTI Asset Management Acquisition, as amended by the Supplemental ZTI Asset Management Agreement   |
| “ZTI Capital”                    | Zhongtai International Capital Limited (中泰國際融資有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and is wholly-owned by ZTI Financial as at the date of this joint announcement |
| “ZTI Capital Acquisition”        | the proposed acquisition of all issued shares in ZTI Capital by the Company from ZTI Financial pursuant to the terms and conditions of the ZTI Capital Agreement   |
| “ZTI Capital Agreement”          | the sale and purchase agreement dated 23 February 2018 entered into between the Company and ZTI Financial in respect of the ZTI Capital Acquisition, as amended by the Supplemental ZTI Capital Agreement  |
| “ZTI Cayman”                     | Zhongtai International Financial Company Limited (中泰國際金融股份有限公司), a company incorporated in the Cayman Islands with limited liability, which is held as to approximately 97.15% by ZTI Overseas and approximately 2.85% by Subscriber B as at the date of this joint announcement   |
| “ZTI Companies”                  | ZTI Asset Management and ZTI Capital   |
| “ZTI Financial”                  | Zhongtai International Financial Corporation (中泰國際金融有限公司), a company incorporated in the British Virgin Islands with limited liability, which is directly wholly-owned by ZTI Cayman and owns the entire issued share capital of ZTI Capital as at the date of this joint announcement   |

“ZTI Overseas” Zhongtai International Holdings (Overseas) Limited (中泰國際控股(海外)有限公司), a company incorporated in the British Virgin Islands with limited liability, which is directly wholly-owned by Zhongtai Financial International as at the date of this joint announcement

“%” per cent.

\* *For identification purpose only*

# *The English transliteration of the Chinese name(s) in this joint announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese Name(s).*

For and on behalf of  
**Zhongtai International Investment  
Group Limited**  
**Ren Yanqing**  
*Director*

By Order of the Board  
**Quali-Smart Holdings Limited**  
**Lau Ho Ming, Peter**  
*Executive Chairman*

Hong Kong, 12 October 2018

*As at the date of this joint announcement, the Board comprises four executive Directors: Mr. Lau Ho Ming, Peter (Executive Chairman), Mr. Poon Pak Ki, Eric, Mr. Ng Kam Seng and Mr. Chu Raymond; one non-executive Director: Madam Li Man Yee, Stella; and three independent non-executive Directors: Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward.*

*As at the date of this joint announcement, the sole director of the Offeror is Mr. Ren Yanqing.*

*As at the date of this joint announcement, the directors of Zhongtai Financial International are Mr. Li Wei, Mr. Gao Feng and Mr. Yuan Xicun.*

*All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror and any of its Concert Parties), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.*

*The sole director of the Offeror and all directors of Zhongtai Financial International jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement to the extent it relates to the Offeror and its Concert Parties, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement by the Offeror have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement contained in this joint announcement misleading.*