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LETTER FROM HAITONG INTERNATIONAL SECURITIES

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Haitong International Securities  
Company Limited

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

1 February 2016

*To the Independent Shareholders and Warrantholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS  
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED  
ON BEHALF OF HONG KONG INVESTMENTS  
GROUP LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND  
OUTSTANDING WARRANTS IN PAK TAK INTERNATIONAL LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR  
AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 4 January 2016 and 5 January 2016, the following S&P Documents were entered into:

- (1) the 1st S&P Agreement, pursuant to which Mr. Cheng Tun Nei agreed to sell and the Offeror has agreed to purchase 131,540,000 Sale Shares, representing approximately 9.30% of the entire issued share capital of the Company as at the Last Trading Day at the consideration of HK\$72,347,000 in cash, representing HK\$0.55 per Sale Share;
- (2) the 2nd S&P Agreement, pursuant to which Well Precise agreed to sell and the Offeror has agreed to purchase 7,500,000 Sale Shares, representing approximately 0.53% of the entire issued share capital of the Company as at the Last Trading Day at the consideration of HK\$4,125,000 in cash, representing HK\$0.55 per Sale Share;
- (3) the 3rd S&P Agreement, pursuant to which Mr. Chen Yaoqing agreed to sell and the Offeror has agreed to purchase 96,030,000 Sale Shares, representing approximately 6.79% of the entire issued share capital of the Company as at the Last Trading Day at the consideration of HK\$52,816,500 in cash, representing HK\$0.55 per Sale Share;

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- (4) the 4th S&P Agreement, pursuant to which Wealth Achiever has agreed to sell and the Offeror agreed to purchase 45,418,490 Sale Shares, representing approximately 3.21% of the entire issued share capital of the Company as at the Last Trading Day at the consideration of HK\$24,980,169.50 in cash, representing HK\$0.55 per Sale Share; and
- (5) the Contract Note, pursuant to which Golden Mount sold and the Offeror bought 100,000,000 Sale Shares, representing approximately 7.07% of the entire issued share capital of the Company as at the Last Trading Day at the consideration of HK\$55,000,000 in cash, representing HK\$0.55 per Sale Share.

The Completion took place on 8 January 2016.

Immediately following Completion and as at the Latest Practicable Date, the shareholding of the Offeror and the parties acting in concert with it increased from approximately 26.86% to 53.74% of the existing issued ordinary share capital of the Company. Pursuant to Rule 26.1 and 13.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Pursuant to Rule 13.5 of the Takeovers Code, the Warrant Offer would also be made for all outstanding Warrants (other than those already acquired or agreed to be acquired by the Offeror and its concert parties).

This letter sets out, among other things, the principal terms of the Offers, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offers and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance. Your attention is also drawn to the "LETTER FROM THE BOARD" as well as the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" and the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" in respect of the Offers, as contained in this Composite Document.

### UNCONDITIONAL MANDATORY CASH OFFERS

As at the Latest Practicable Date, there were 1,415,000,000 Shares in issue and 283,000,000 outstanding Warrants. Assuming that none of the outstanding Warrants are exercised prior to the close of the Offers, 654,511,510 Shares will be subject to the Share Offer and 283,000,000 Warrants will be subject to the Warrant Offer. Assuming that all the outstanding 283,000,000 Warrants are fully exercised prior to the close of the Offers, 937,511,510 Shares will be subject to the Share Offer.

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Save for the outstanding Warrants, the Company has no other outstanding warrants, derivatives or convertible or exchangeable securities carrying rights to subscribe for, convert to exchange into Shares and has not entered into any agreement for the issue of such warrants, derivatives or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

### Principal terms of the Offers

Haitong International Securities is making the Offers in accordance with the Takeovers Code on the following basis:

#### The Share Offer:

**For each Share . . . . . HK\$0.55 in cash**

#### The Warrant Offer:

**For each Warrant . . . . . HK\$0.0001 in cash**

The Share Offer Price of HK\$0.55 for each Share under the Share Offer is the same as the price per Share of HK\$0.55 at which the Sale Shares had been acquired by the Offeror pursuant to the S&P Documents.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the offer price for the outstanding Warrants would normally represent the difference between the exercise price of the Warrants and the Share Offer Price. Under the Warrant Offer, since the exercise prices of the outstanding Warrants are above the Share Offer Price, the outstanding Warrants are out-of-money and the offer price for each outstanding Warrant is at a nominal value of HK\$0.0001.

### Comparison of value

The Share Offer Price of HK\$0.55 for each Share under the Share Offer represents:

- (1) a discount of approximately 21.43% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 20.75% to the average closing price of HK\$0.694 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (3) a discount of approximately 20.86% to the average closing price of HK\$0.695 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

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- (4) a discount of approximately 15.90% to the average closing price of HK\$0.654 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (5) a premium of approximately 323.08% over the unaudited condensed consolidated net asset value attributable to Shareholders of the Company of approximately HK\$0.13 per Share (based on the number of issued Shares as at the Latest Practical Date) as at 30 September 2015, the date to which the latest unaudited financial results of the Group were made up; and
- (6) a discount of approximately 8.33% to the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.56 per Share on both 21 July 2015 and 22 July 2015 and HK\$0.56 per Share on 14 December 2015, respectively.

### **Total value of the Offers**

As at the Latest Practicable Date, there are 1,415,000,000 Shares in issue.

Assuming that there is no change in the issued share capital of the Company and none of the outstanding Warrants is exercised prior to the close of the Offers, there would be 1,415,000,000 Shares in issue. On the basis of the Share Offer Price at HK\$0.55 per Share, the entire issued share capital of the Company would be valued at approximately HK\$778,250,000.

Excluding the Sale Shares, being 380,488,490 Shares acquired by the Offeror pursuant to the S&P Documents and the 380,000,000 Shares initially held by the Offeror, 654,511,510 Shares will be subject to the Share Offer and the Share Offer is therefore valued at HK\$359,981,330.50 based on the Share Offer Price.

As at the Latest Practicable Date, the Company has 283,000,000 outstanding Warrants with an exercise price of HK\$3.00 per Share. Based on the Warrant Offer Price of HK\$0.0001 per Warrant, the consideration payable by the Offeror under the Warrant Offer for the Warrants is HK\$28,300. Accordingly, the Offers are valued at HK\$360,009,630.50 in aggregate.

Assuming that all the 283,000,000 outstanding Warrants are fully exercised prior to the close of the Offers, there would be 1,698,000,000 Shares in issue. On the basis of the Share Offer Price at HK\$0.55 per Share, an additional sum of HK\$155,650,000 shall be payable by the Offeror under the same Share Offer. Accordingly, the Offers are valued at HK\$515,631,330.50 in aggregate on a fully-diluted basis.

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### **Financial resources available for the Offers**

The financial resources of the Offeror to fund the Offers amounting to an aggregate of HK\$515,631,330.50 on a fully-diluted basis are financed by the Facilities granted by Haitong International Securities (as lender) to the Offeror (as borrower) for the purpose of financing the Offers.

The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, such loan facility will not depend to any significant extent on the business of the Group.

Haitong International Capital, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers and confirm that there have been no material changes to the availability of financial resources since the date of the Joint Announcement and up until the Latest Practicable Date.

### **Condition of the Offers**

The Offers comprising the Share Offer and the Warrant Offer, when made, will be unconditional in all respects.

### **Effect of accepting the Offers**

By validly accepting the Share Offer, Shareholders would sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of posting of this Composite Document.

By validly accepting the Warrant Offer, Warrantholders would agree sell their tendered Warrants to the Offeror free from all Encumbrances and together with all rights attaching to them on or after the date on which the Warrant Offer is made, that is, the date of posting of this Composite Document.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

The Offers are unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offers shall be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

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### **Remittances**

Remittances in respect of acceptance of the Offers (after deducting the seller's ad valorem stamp duty) will be made as soon as possible but in any event within seven business days (as defined under the Takeovers Code) following the date on which the duly completed acceptance of the Offers and the relevant documents of title of the Shares or the Warrants (as the case may be) in respect of such acceptance are received by or for the Offeror to render each such acceptance of any of the Share Offer and the Warrant Offer complete and valid. Remittances in respect of acceptance of the Offers will be despatched to the accepting Independent Shareholders and the Warrantholders by ordinary post at their own risk.

### **Hong Kong stamp duty**

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer or the Warrant Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance by the Shareholders or Warrantholders or if higher, the market value of the Shares or the Warrants, would be deducted from the amount payable to Shareholders or Warrantholders who accept the Share Offer the Warrant Offer.

The Offeror would bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances by the Shareholders or Warrantholders or if higher, the market value of the Shares or the Warrants, and would be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares or Warrants which are validly tendered for acceptance under the Share Offer or the Warrant Offer.

### **Overseas Shareholders and Overseas Warrantholders**

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders and Overseas Warrantholders whose addresses as shown in the registers of members of the Company are outside Hong Kong and beneficial owners of the Shares and Warrants 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. It is the responsibility of the overseas Shareholders and overseas Warrantholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

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

### Taxation advice

Shareholders and Warrantholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. The Offeror accepts no responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### Acceptance and Settlement

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

### Shareholding structure of the Company

The table below sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) (i) immediately before Completion; and (ii) immediately following Completion and as at the Latest Practicable Date:

Shareholders	Immediately before Completion		Immediately following Completion and as at the Latest Practicable Date	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Offeror and parties acting in concert with it	380,000,000	26.86	760,488,490	53.74
Mr. Cheng Tun Nei	131,540,000	9.30	–	–
Mr. Chen Yaoqing	96,030,000	6.79	–	–
Wealth Achiever	45,418,490	3.21	–	–
Well Precise	7,500,000	0.53	–	–
Golden Mount	110,158,490	7.78	10,158,490	0.73
Other public Shareholders	<u>644,353,020</u>	<u>45.53</u>	<u>644,353,020</u>	<u>45.53</u>
Total:	<u>1,415,000,000</u>	<u>100</u>	<u>1,415,000,000</u>	<u>100</u>

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### INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “INFORMATION ON THE GROUP” in the “LETTER FROM THE BOARD” and in Appendices II and III to this Composite Document.

### INFORMATION ON THE OFFEROR

#### Information of the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the sole shareholder and sole director of the Offeror is Mr. Cheung Chi Mang, the Chairman and an executive Director.

### THE OFFEROR’S INTENTIONS IN RELATION TO THE GROUP

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the financial position and the operations of the Group and will formulate long-term business plans and strategy of the Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential 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 other than those in its ordinary and usual course of business.

### PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board is currently made up of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The Offeror has proposed to appoint two Directors, namely Mr. Jacky Shang as executive Director and Mr. Chong, Ka Yee as non-executive Director with effect from a date which is after the despatch of this Composite Document. Any changes to the Board will be made in accordance with the requirements under the Listing Rules and Takeovers Code as and when appropriate.

The brief biographies of the proposed Directors are set out below:

Mr. Jacky Shang (尚勇先生), aged 38, currently works as the director in Leveraged and Acquisition Finance Department of Haitong International Securities Company Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited (the shares of which are listed on the Stock Exchange (stock code: 665)), and is a CFA Charter Holder. Prior to joining Haitong International Securities Company Limited, he has served successively for Bank of Shanghai, International Business Department of Haitong Securities Co., Ltd., a joint stock

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company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange under the stock code of 6837 and the A Shares of which are listed on the Shanghai Stock Exchange under the stock code of 600837, Haitong Finance (HK) Limited, an indirectly wholly-owned subsidiary of Haitong Securities Co., Ltd., Investment Banking Department and asset management department of Tebon Securities Co., Ltd. since 2004. Mr. Shang has extensive experience in the area of investment banking, asset management and private equity investment, and has participated in and played leading roles in a number of deals relating to such areas, including the IPO of Haitong Securities Co., Ltd. in Hong Kong, etc. With solid background of accounting and legal knowledge, Mr. Shang provides professional insights into the investment in Mainland, China. Mr. Shang graduated from the School of Economics and Finance, Xi'an Jiaotong University in 2004 with a Master of Science degree in economics.

Mr. Chong, Ka Yee (莊嘉誼先生), aged 32, graduated from The University of Melbourne in Australia with a Bachelor degree in Commerce in 2004 and is a CFA Charter Holder. He is currently the Vice President of Leveraged and Acquisition Finance Department of Haitong International Securities Company Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited (the shares of which are listed on the Stock Exchange (stock code: 665)). He has been in the investment banking industry for more than 10 years. Mr. Chong has extensive experience in the area of merger and acquisition, listed company corporate action, and has participated in and played leading roles in a number of deals relating to such areas.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers and has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offers.

If, at the 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 at all time, 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,

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

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Each of the Offeror and the Company has undertaken, and the proposed Directors who will be nominated by the Offeror to be appointed as Directors will undertake to the Stock Exchange to take appropriate steps after the close of the Offers to ensure that sufficient public float exists in the Shares.

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to acquire compulsorily any outstanding Shares not acquired under the Offers after the close of the Offers.

### GENERAL

The attention of the Overseas Shareholders and the Overseas Warrantheolders is drawn to paragraph 8 in Appendix I to this Composite Document.

All communications, notices, Forms of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or Warrantheolders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror, Haitong International Capital, Haitong International Securities, the Independent Financial Adviser, the Registrar and any of their respective directors or other parties involved in the Offers or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Forms of Acceptance.

### ADDITIONAL INFORMATION

Your attention is drawn to the “LETTER FROM THE BOARD”, the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” and the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out in this Composite Document, the accompanying Forms of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document and to consult your professional advisers as you see fit.

Yours faithfully

For and on behalf of

**Haitong International Securities Company Limited**

**Hui Yee, Wilson**

*Managing Director*