

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

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

If you have sold or transferred all your shares in Quam Limited (the "Company"), you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares or other securities of the Company.

---



華富  
國際

QUAM LIMITED

華富國際控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

**(I) PROPOSED CHANGE OF COMPANY NAME;  
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE;  
AND  
(III) NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to the Company



華富嘉洛  
企業融資

Underwriters of the Rights Issue



Oceanwide Holdings International Financial  
Development Co., Ltd.\*



Guotai Junan Securities (Hong Kong) Limited

**Independent financial adviser to the Independent Board Committee  
and the Independent Shareholders**

SUNWAH KINGSWAY  
新華滙富

Kingsway Capital Limited

---

Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 9 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular. A letter from Kingsway Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue is set out on pages 32 to 56 of this circular.

A notice convening the SGM to be held at Victoria Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong at 10:30 a.m. on Thursday, 29 June 2017 is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the meeting is also enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional on, among other things, the Underwriting Agreement having become unconditional upon the fulfillment or waiver (if capable of being waived) of the conditions of the Underwriting Agreement set out in the sub-paragraph headed "Underwriting Arrangements — Conditions of the Underwriting Agreement" on pages 20 to 21 of this circular. In particular, the Rights Issue is conditional, among other things, upon:

- (i) the approval of the Rights Issue by the Independent Shareholders at the SGM; and
- (ii) the Listing Committee granting and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares in both nil-paid and fully-paid forms by no later than the first day of their dealings, which is expected to be 9:00 a.m. on Tuesday, 18 July 2017 and 9:00 a.m. on Tuesday, 8 August 2017, respectively.

The Underwriters are entitled under the Underwriting Agreement to terminate the Underwriting on the occurrence of certain events (including force majeure) as set out in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this circular. Accordingly, the Rights Issue may or may not proceed.

The Shares will be dealt in on an ex-rights basis from Thursday, 6 July 2017. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 18 July 2017 to Tuesday, 25 July 2017 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived on or before 4:00 p.m. on Wednesday, 2 August 2017 (or such later time and/or date as the Company and the Underwriters may determine in writing), or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue will not proceed and the Rights Issue will lapse. Any persons dealing in the Rights Shares in their nil-paid form between Tuesday, 18 July 2017 to Tuesday, 25 July 2017 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

\* For identification purpose only

31 May 2017

---

## CONTENTS

---

	<i>Page</i>
<b>EXPECTED TIMETABLE FOR THE RIGHTS ISSUE .....</b>	<b>1</b>
<b>DEFINITIONS .....</b>	<b>3</b>
<b>TERMINATION OF THE UNDERWRITING AGREEMENT .....</b>	<b>7</b>
<b>LETTER FROM THE BOARD .....</b>	<b>9</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....</b>	<b>30</b>
<b>LETTER FROM KINGSWAY CAPITAL .....</b>	<b>32</b>
<b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP .....</b>	<b>I-1</b>
<b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP .....</b>	<b>II-1</b>
<b>APPENDIX III — GENERAL INFORMATION .....</b>	<b>III-1</b>
<b>NOTICE OF SGM .....</b>	<b>SGM-1</b>

---

## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

---

*The expected timetable of the Rights Issue is set out below. All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable may be subject to change, and any such change will be further announced by the Company as and when appropriate.*

Event	2017
Latest time for lodging transfers of Shares to attend and vote at the SGM . . . . .	4:30 p.m. on Friday, 23 June
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive) . . . .	From Monday, 26 June to Thursday, 29 June
Latest time for lodging proxy forms to qualify for attendance and voting at the SGM . . . . .	10:30 a.m. on Tuesday, 27 June
Expected date and time of the SGM . . . . .	10:30 a.m. on Thursday, 29 June
Announcement of results of the SGM . . . . .	Thursday, 29 June
Last day of dealing in Shares on a cum-rights basis . . . . .	Wednesday, 5 July
First day of dealing in Shares on an ex-rights basis . . . . .	Thursday, 6 July
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Friday, 7 July
Register of members of the Company closes (both dates inclusive). . . . .	From Monday, 10 July to Thursday, 13 July
Record Date . . . . .	Thursday, 13 July
Register of members of the Company re-opens . . . . .	Friday, 14 July
Despatch of the Prospectus Documents. . . . .	Friday, 14 July
First day of dealings in nil-paid Rights Shares. . . . .	Tuesday, 18 July
Latest time for splitting of nil-paid Rights Shares . . . . .	4:30 p.m. on Thursday, 20 July
Last day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 25 July

---

## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

---

Event	2017
Latest time for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares . . . . .	4:00 p.m. on Friday, 28 July
Latest time for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Wednesday, 2 August
Announcement of results of acceptance of and excess applications for the Rights Issue . . . . .	Friday, 4 August
Despatch of refund cheques, if any, in respect of unsuccessful or partially unsuccessful applications for excess Rights Shares on or before . . . . .	Monday, 7 August
Despatch of certificates for fully-paid Rights Shares on or before . . . . .	Monday, 7 August
Commencement of dealings in fully-paid Rights Shares. . . . .	9:00 a.m. on Tuesday, 8 August

### EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (1) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares does not take place on the Final Acceptance Date, the dates mentioned in the expected timetable above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable in this regard.

---

## DEFINITIONS

---

*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed thereto under the Codes on Takeovers and Mergers and Share Buy-backs published by the SFC
“Announcement”	the announcement of the Company dated 28 April 2017 in relation to, among other things, the Proposed Change of Company Name and the Rights Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Quam Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“core connected persons”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“Excluded Shareholder(s)”	Overseas Shareholder(s) who the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
“Final Acceptance Date”	Friday, 28 July 2017, being the last day for acceptance and payment of the Rights Shares and application for the excess Rights Shares as will be set out in the Prospectus, or such other time or date as the Company and the Underwriters may agree
“Group”	the Company and its subsidiaries

---

## DEFINITIONS

---

“GTJAS”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation for carrying on type 1 (dealings in securities) and type 4 (advising on securities) regulated activities under the SFO
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui, Mr. HUANG Yajun and Mr. Robert CHAN Tze Leung, established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the SGM under the Listing Rules
“Kingsway Capital”	Kingsway Capital Limited, a licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Last Trading Day”	Friday, 28 April 2017, being the last full trading day for the Shares immediately prior to the release of the Announcement
“Latest Practicable Date”	26 May 2017, being the latest practicable date prior to the despatch of this circular for ascertaining certain information contained herein
“Latest Time for Termination”	4:00 p.m. on the Settlement Date or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Oceanwide Holdings IF”	Oceanwide Holdings International Financial Development Co., Ltd.* (泛海控股國際金融發展有限公司), a company incorporated in BVI with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, BVI
“Oceanwide Holdings IF Undertaking”	an irrevocable undertaking dated 28 April 2017 given by Oceanwide Holdings IF in favour of the Company and GTJAS as described in the sub-paragraph headed “Underwriting Arrangements — Oceanwide Holdings IF Undertaking”

---

## DEFINITIONS

---

“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Issue
“Posting Date”	Friday, 14 July 2017 or such later day as may be agreed between the Company and the Underwriters, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Excluded Shareholder(s) (as the case may be)
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Change of Company Name”	the proposed change of the English name of the Company from “Quam Limited” to “China Oceanwide International Financial Limited” and the adoption of the Chinese name “中國泛海國際金融有限公司” as the secondary name of the Company in place of its existing Chinese name “華富國際控股有限公司” which is currently used by the Company for identification purposes only
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriters
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Thursday, 13 July 2017, the record date to determine entitlements to the Rights Issue
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, which is Tricor Tengis Limited, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of 4,666,536,915 Rights Shares at the Subscription Price on the basis of three Rights Shares for every one existing Share held on the Record Date payable in full on acceptance
“Rights Share(s)”	new Share(s) to be allotted and issued under the Rights Issue

---

## DEFINITIONS

---

“Settlement Date”	Wednesday, 2 August 2017, being the third Business Day after the Final Acceptance Date or such other time or date as the Company and the Underwriters may agree in writing as the day for settlement of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on Thursday, 29 June 2017 at which resolutions will be proposed to consider, and, if thought fit, to approve the Proposed Change of Company Name, the Rights Issue and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of Hong Kong one third of one cent each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$1.10 per Rights Share
“Underwriters”	collectively, Oceanwide Holdings IF and GTJAS
“Underwriting Agreement”	the underwriting agreement entered into among the Company and the Underwriters dated 28 April 2017 in relation to the Rights Issue
“Underwritten Rights Shares”	1,445,095,866 Rights Shares underwritten by the Underwriters pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	any Rights Shares not taken up by Qualifying Shareholders or their renounees by 4:00 p.m. on the Final Acceptance Date
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent



---

## TERMINATION OF THE UNDERWRITING AGREEMENT

---

The Underwriters reserve the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriters to the Company at any time prior to the Latest Time for Termination, if in the opinion of the Underwriters:

- (i) the success of the Rights Issue or the taking up of the Rights Shares by members of the Company would be in all material respects adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in all material respects adversely affect the business or the financial or trading position or prospects of the Group as a whole or the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities, armed conflict or act of terrorism, or affecting local securities market or the occurrence of any combination of circumstances which in all material respects adversely affects the business or the financial or trading position or prospects of the Group as a whole or in all material respects adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the members of the Company or otherwise makes it inexpedient or inadvisable for the Company or the Underwriters to proceed with the Rights Issue; or
- (ii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which in all material respects affect the success of the Rights Issue (such success being the taking up of the Rights Shares by members of the Company) or otherwise in the reasonable opinion of the Underwriters makes it inexpedient or inadvisable or inappropriate for the Company or the Underwriters to proceed with the Rights Issue; or
- (iii) any change in the circumstances of the Company, its controlling Shareholder or any members of the Group which may have a material adverse effect on the financial condition, prospects, assets, business, results of operations or liabilities of the Group, taken as a whole, whether or not arising in the ordinary course of business; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in all material respects adversely affect the business or the financial or trading position or prospects of the Group as a whole or the Rights Issue.

---

## TERMINATION OF THE UNDERWRITING AGREEMENT

---

Upon the giving of notice of termination pursuant to the Underwriting Agreement, all obligations of the Underwriters hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to GTJAS any reasonable out-of-pocket expenses incurred by GTJAS in connection with the Rights Issue (excluding legal costs). If the Underwriters exercise their right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.



**QUAM LIMITED**

**華富國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 952)**

*Executive Directors:*

Mr. HAN Xiaosheng (*Chairman*)  
Mr. ZHANG Bo (*Deputy Chairman*)  
Mr. Bernard POULIOT (*Deputy Chairman*)  
Mr. ZHANG Xifang  
Mr. LIU Hongwei  
Mr. Kenneth LAM Kin Hing  
Mr. Richard David WINTER

*Non-executive Directors:*

Mr. LIU Bing  
Mr. FENG Henian  
Mr. ZHAO Xiaoxia

*Independent Non-executive Directors:*

Mr. Roy LO Wa Kei  
Mr. KONG Aiguo  
Mr. HE Xuehui  
Mr. HUANG Yajun  
Mr. Robert CHAN Tze Leung

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*

18th and 19th Floors  
China Building  
29 Queen's Road Central  
Hong Kong

31 May 2017

*To the Shareholders,*

Dear Sir or Madam,

**(I) PROPOSED CHANGE OF COMPANY NAME;  
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE;  
AND  
(III) NOTICE OF SPECIAL GENERAL MEETING**

\* For identification purpose only

---

## LETTER FROM THE BOARD

---

### INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Proposed Change of Company Name and the Rights Issue.

The purpose of this circular is to provide you with further information in relation to, among other things, (i) the Proposed Change of Company Name; (ii) the Rights Issue and the Underwriting Agreement; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; (iv) a letter of advice from Kingsway Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder; and (v) a notice convening the SGM.

### PROPOSED CHANGE OF COMPANY NAME

The Board proposed to change the English name of the Company from “Quam Limited” to “China Oceanwide International Financial Limited” and to adopt the Chinese name “中國泛海國際金融有限公司” as the secondary name of the Company in place of the existing Chinese name “華富國際控股有限公司” which is currently used by the Company for identification purposes only.

#### Conditions for the Proposed Change of Company Name

The Proposed Change of Company Name is subject to the following conditions:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Proposed Change of Company Name; and
- (ii) the Registrar of Companies in Bermuda approving the Proposed Change of the Company Name.

Subject to the satisfaction of the conditions set out above, the Proposed Change of Company Name will take effect from the date the Registrar of Companies in Bermuda registers the proposed new English name of the Company in place of its existing English name and registers the proposed secondary name of the Company as set out in the certificate of incorporation on change of name and the certificate of secondary name to be issued by the Registrar of Companies in Bermuda. Thereafter, the Company will comply with the necessary filing procedures in Hong Kong.

#### Reasons for the Proposed Change of Company Name

The Board considered the Proposed Change of Company Name as an important symbolic step to mark a milestone for the Company as it enters into a new chapter. The proposed new name of the Company will provide the Company a better identification and strengthen the Company’s corporate image. The Board believes that the Proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### Effect of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the Shareholders. All existing share certificates of the Company in issue bearing the existing name of the Company will, upon the Proposed Change of Company Name becoming effective, continue to be effective and as documents of title to the Shares and will remain valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for the free exchange of the existing Share certificates for new Share certificates bearing the new name of the Company. Upon the Proposed Change of Company Name becoming effective, any new Share certificates will be issued under the new name of the Company.

The Company will make further announcement(s) on the Proposed Change of the Company Name and the effective dates of the Proposed Change of Company Name and the new stock short name of the Company under which the Shares will be traded on the Stock Exchange and the address of the new website of the Company as and when appropriate.

The Proposed Change of Company Name will not affect the Group's daily business operations and its financial position.

### PROPOSED RIGHTS ISSUE

The Company proposed to raise approximately HK\$5,133,191,000, before expenses, by way of a rights issue of 4,666,536,915 Rights Shares on the basis of three Rights Shares for every one existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$1.10 per Rights Share payable in full on acceptance. Rights Shares will not be issued to the Excluded Shareholder(s).

#### Issue Statistics

Basis of the Rights Issue	:	Three Rights Shares for every one existing Share held by the Qualifying Shareholders on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	1,555,512,305 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	4,666,536,915 Rights Shares (assuming no change in the number of issued Shares on or before the Record Date)
Subscription Price	:	HK\$1.10 per Rights Share
Aggregate nominal value of the Rights Shares to be issued	:	HK\$15,555,123.05 (assuming no change in the number of issued Shares on or before the Record Date)

---

## LETTER FROM THE BOARD

---

Enlarged issued share capital upon completion of the Rights Issue	:	6,222,049,220 Shares (based on the number of existing Shares in issue as at the Latest Practicable Date, and assuming no change in the number of issued Shares on or before the Record Date)
Fund to be raised before expenses	:	Approximately HK\$5,133,191,000

The Company has no outstanding derivatives, options, warrants, conversion securities or other similar securities which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of issued Shares on or before the Record Date, the 4,666,536,915 Rights Shares to be issued pursuant to the terms of the Rights Issue represented 300% of the issued share capital of the Company as at the Latest Practicable Date and 75% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders (other than Oceanwide Holdings IF) who do not subscribe for the Rights Issue is 75%.

The Directors consider that, despite the potential dilution impact of the Rights Issue on the shareholding interests of the Qualifying Shareholders who do not take up their provisional allotment, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil-paid rights in the market and/or through an EAF; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue gives the Qualifying Shareholders an opportunity to subscribe for their pro rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a discount price as compared to the recent market prices of the Shares.

### **Subscription Price**

The subscription price of HK\$1.10 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

---

## LETTER FROM THE BOARD

---

The Subscription Price represents:

- (i) a discount of approximately 7.56% to the closing price of HK\$1.19 per Share as quoted on the Stock Exchange on 28 April 2017, being the Last Trading Day;
- (ii) a discount of approximately 5.17% to the average closing price of HK\$1.16 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 5.17% to the average closing price of approximately HK\$1.16 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 1.79% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 1.79% to the theoretical ex-rights price of approximately HK\$1.12 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a premium of approximately 189.47% over the unaudited consolidated net tangible asset value per Share of approximately HK\$0.38 (based on the latest published consolidated net tangible asset value of the Group of approximately HK\$584,366,000 as at 30 September 2016 and 1,555,512,305 Shares in issue as at the Latest Practicable Date).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriters with reference to the recent market prices of the Shares, prevailing market conditions, and taking into account other issuers' rights issue in the market in the preceding four months. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The conditions to the Underwriting Agreement are set out in the sub-paragraph headed "Underwriting Arrangements — Conditions of the Underwriting Agreement" below.

### **Basis of the provisional allotment**

The basis of the provisional allotment shall be three Rights Shares (in nil-paid form) for every one existing Share held by the Qualifying Shareholders as at the close of business on the Record Date. Accordingly, no fractional entitlements to the Rights Shares will arise.



---

## LETTER FROM THE BOARD

---

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Final Acceptance Date.

### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue at that time. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by not later than 4:30 p.m. (Hong Kong time) on Friday, 7 July 2017 at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. It is expected that the last day of dealings in the Shares on a cum-rights basis is Wednesday, 5 July 2017 and the Shares will be dealt with on an ex-rights basis from Thursday, 6 July 2017.

According to the register of members of the Company as at the Latest Practicable Date, there was one Overseas Shareholder whose address was located in the PRC, holding 1,557 Shares. The Company has received preliminary advice from its legal advisers in the PRC that the Prospectus Documents would not be required to be registered with any regulatory authorities or the stock exchanges of the PRC. Based on such preliminary advice, the Directors currently intend to extend the Rights Issue to the Overseas Shareholders located in the PRC, who will accordingly be a Qualifying Shareholder.

If the Rights Issue becomes unconditional, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date. The Company will send only the Prospectus to the Excluded Shareholder(s) (if any) for their information only on the same date. A copy of the Prospectus Documents will also be made available on the respective websites of the Company ([www.quamlimited.com](http://www.quamlimited.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### **Excluded Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company will ascertain whether there will be any Overseas Shareholders at the close of business on the Record Date. Such Overseas Shareholders may or may not be eligible to participate in the Rights Issue. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the



---

## LETTER FROM THE BOARD

---

requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries and based on legal opinions provided by the legal advisers of the Company, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholder(s). The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus.

Further information in this connection will be set out in the Prospectus to be issued. Prospectus Documents containing, among other things, details of the Rights Issue, are expected to be despatched to the Qualifying Shareholders on Friday, 14 July 2017. The Company will send copies of the Prospectus to the Excluded Shareholder(s) for their information only, but no PALs or EAFs will be sent to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form, to be sold in open market as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholder(s) will be made available for excess application by the Qualifying Shareholders.

**Overseas Shareholder(s) should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholder(s) should exercise caution when dealing in the Shares.**

### **Closure of register of members**

The register of members of the Company will be closed from Monday, 26 June 2017 to Thursday, 29 June 2017 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The register of members of the Company will be closed from Monday, 10 July 2017 to Thursday, 13 July 2017 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of the Shares will be registered during the above book closure periods.

---

## LETTER FROM THE BOARD

---

### **Application for excess Rights Shares**

Qualifying Shareholders are entitled to apply for, by way of excess application, any unsold entitlements of the Excluded Shareholder(s) and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis as far as practicable on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
- (ii) subject to availability of the excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a sliding scale basis with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of excess Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of excess Rights Shares are allocated with a lower percentage of successful application but will receive a greater number of Rights Shares) with board lot allocations to be made on a best-effort basis.

Shareholders with their Shares held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar for completion of the relevant registration not later than 4:30 p.m. on Friday, 7 July 2017.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment or waiver of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent to those entitled thereto on or before Monday, 7 August 2017 by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or does not become unconditional

---

## LETTER FROM THE BOARD

---

or in respect of wholly or partially unsuccessful applications for excess Rights Shares, refund cheques (if any) are expected to be posted on or before Monday, 7 August 2017 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

### **Application for listing and permission to deal in the Shares**

The Company will apply to the Listing Committee for the listing on the Stock Exchange of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 10,000 Shares in one board lot.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

### **UNDERWRITING ARRANGEMENTS**

#### **Oceanwide Holdings IF Undertaking**

As at the Latest Practicable Date, Oceanwide Holdings IF, the controlling Shareholder, held 1,073,813,683 Shares, representing approximately 69.03% of the existing issued share capital of the Company.

On 28 April 2017, Oceanwide Holdings IF (in its capacity as the controlling Shareholder) has agreed to give the Oceanwide Holdings IF Undertaking in favour of the Company and GTJAS. Pursuant to the Oceanwide Holdings IF Undertaking, Oceanwide Holdings IF has irrevocably undertaken (i) to subscribe or procure subscription of 3,221,441,049 Rights Shares to be provisionally allotted to Oceanwide Holdings IF pursuant to the terms of the Rights Issue; and (ii) without the prior written consent of the Company and GTJAS, not to transfer or dispose of the 1,073,813,683 Shares which are registered in its name or in the name of its nominee(s) between the date of the Underwriting Agreement and the Underwriting Agreement becoming unconditional.

---

## LETTER FROM THE BOARD

---

Oceanwide Holdings IF has further undertaken that it shall not and shall use its reasonable endeavours to procure that companies controlled by it shall not, without first having obtained the prior written consent of GTJAS and the Company, transfer or otherwise dispose of (including without limitation by the creation of any option, charge or other encumbrances or rights (save for any existing charge or encumbrances or rights) over or in respect of) or acquire (except by taking up Rights Shares provisionally allotted in respect of its beneficial shareholding interest in the Company pursuant to the Rights Issue or pursuant to the Underwriting Agreement or acquiring nil-paid rights) any Share or any interest therein or any option, right or warrant in respect of any Share between the date of the Underwriting Agreement and the date of the Underwriting Agreement becoming unconditional.

Save for the Oceanwide Holdings IF Undertaking, the Company had not obtained undertakings from any other Shareholders that they would subscribe for any or all of the Rights Shares to be provisionally allotted to them as at the Latest Practicable Date.

### **Underwriting Agreement**

Date	:	28 April 2017
Issuer	:	The Company
Underwriters	:	(i) Oceanwide Holdings IF (ii) GTJAS
Number of Underwritten Rights Shares	:	Oceanwide Holdings IF: 278,461,637 Rights Shares GTJAS: 1,166,634,229 Rights Shares
Underwriting fee	:	No underwriting fee is payable to Oceanwide Holdings IF and HK\$4,000,000 is payable to GTJAS as its underwriting fee in the Rights Issue
Subscription Price	:	HK\$1.10 per Rights Share

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite all the Rights Shares other than those agreed to be taken up by Oceanwide Holdings IF and/or its nominees pursuant to the Oceanwide Holdings IF Undertaking subject to the terms and conditions set out in the Underwriting Agreement. For the avoidance of doubt, the number of the Rights Shares which Oceanwide Holdings IF has agreed to underwrite in the Rights Issue, together with the 3,221,441,049 Rights Shares which Oceanwide Holdings IF has undertaken to subscribe or procure subscription of pursuant to the Oceanwide Holdings IF Undertaking, the then shareholding of Oceanwide Holdings IF in the Company and the aggregate shareholdings of the other core connected persons of the Company, shall under no circumstances result in a breach of the public float requirement under Rule 8.08 of the Listing Rules. GTJAS has undertaken to use its

---

## LETTER FROM THE BOARD

---

reasonable endeavors to cooperate with the Company and Oceanwide Holdings IF to take the necessary actions to ensure that its procurement of subscribers or purchasers pursuant to the Underwriting Agreement would not cause any breach of the public float requirement under Rule 8.08 of the Listing Rules.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint and several). The ordinary course of business of Oceanwide Holdings IF does not include underwriting securities. It is the ordinary course of business for GTJAS to underwrite issues of securities. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, save for certain directors of the Group held in aggregate approximately 0.0086% of the issued share capital of the holding company of a sub-underwriter, Mason Financial Holdings Limited, which is a company listed on the Stock Exchange (the "**Sub-underwriter**"), GTJAS, the Sub-underwriter and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The directors do not have any arrangement, understanding and agreement with the Sub-underwriter in respect of the sub-underwriting arrangement and they do not have any directorship or managerial role in the Sub-underwriter.

The terms of the Underwriting Agreement, including the underwriting fee payable to GTJAS, were determined after arm's length negotiations between the Company and GTJAS with reference to, among other things, the size of the Rights Issue, the current market conditions and the prevailing market rate for the underwriting fee of comparable transactions.

For the purpose of the Rights Issue, save for Oceanwide Holdings IF accepted to act as one of the Underwriters with no underwriting fee, the Company has contacted three other financial institutions which could act as underwriters (including GTJAS) and indicative quotes were obtained for comparison. Taking into account the considerable scale and size of the Rights Issue and the recent rights issues undertaken by other issuers in the market, the Company considered that the underwriting fee of HK\$4,000,000 as negotiated between the Company and GTJAS was exceptionally competitive and therefore entered into the Underwriting Agreement with GTJAS.

The Directors (including members of the Independent Board Committee who have considered the advice of Kingsway Capital but excluding Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. ZHANG Xifang, Mr. LIU Hongwei, Mr. LIU Bing, Mr. FENG Henian and Mr. ZHAO Xiaoxia, being Directors nominated to the Board by Oceanwide Holdings IF, who were in support of the Underwriting Agreement, but so as to avoid a perception of a conflict of interest, has abstained from voting on the Underwriting Agreement) consider that the terms of the Underwriting Agreement (including the Subscription Price and the underwriting fee) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### Conditions of the Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement are conditional on, among others:

- (i) the meeting(s) of the Board properly and validly convened to approve and implement the Rights Issue;
- (ii) the passing of all the necessary resolution(s) by the Independent Shareholders at the SGM duly approving and confirming the Rights Issue and the transactions contemplated thereunder and authorising the Board to allot and issue the Rights Shares (in their nil-paid and fully paid-forms) each in accordance with the bye-laws and the Listing Rules;
- (iii) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, at least one Business Day prior to the Posting Date, each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies Ordinance;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholder(s), if any, and for information purposes only, on or before the Posting Date;
- (v) the Listing Committee granting and not having changed materially or revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Main Board of the Stock Exchange either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and such listings and permission to deal not having been withdrawn or revoked prior to the Latest Time for Termination (the “**Listing Approval**”);
- (vi) the Shares remaining listed on the Stock Exchange at all times and the current listing of the Shares not having been withdrawn and no indication being received before the Latest Time for Termination from the Stock Exchange and/or the SFC to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (vii) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the Listing Approval) have been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;



---

## LETTER FROM THE BOARD

---

- (viii) the representations and warranties or undertakings referred to in the Underwriting Agreement being true and accurate and not misleading in all material respects on and as of the date of the Underwriting Agreement and at any time before the Latest Time for Termination, as though they have been given and made at such time by reference to the facts and circumstances then subsisting;
- (ix) the issue of the Rights Shares and the obligations of the Underwriters to underwrite the Underwritten Rights Shares not being prohibited by any statute, order, rule, directive or regulation promulgated after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of Hong Kong and/or Bermuda; compliance by the sub-underwriters(s) with all their respective obligations under the sub-underwriting agreement to be entered into by the Underwriters with such sub-underwriters(s), if any, and such sub-underwriting agreement being in full force and effect and not being terminated;
- (x) the obligations of the Underwriters under the Underwriting Agreement not being terminated by the Underwriters in accordance with the terms thereof;
- (xi) no stop order or similar order having been issued by any court or other judicial, governmental or regulatory authority in relation to the Rights Issue nor the sale and subscription and/or purchase of the Rights Shares in accordance with the provisions of any of Underwriting Agreement and the execution and performance of the Underwriting Agreement by the Company being prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any legislative, executive or regulatory body or authority of Hong Kong; and
- (xii) the compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement.

If any of the conditions above has not been fulfilled, becomes incapable of fulfilment, or waived by the Underwriters (if capable of being waived) on or before the relevant date specified in that respective condition or, if no such date is so specified or referred to, is not fulfilled on or prior to the Latest Time for Termination (or such later time or date as the Underwriters and the Company may agree in writing), all liabilities of the parties to the Underwriting Agreement shall terminate. In such event, none of the parties shall have any claim against the other parties (other than for antecedent breaches and claims) provided that, among other things, the Company shall remain liable to pay to GTJAS's reasonable out-of-pocket expenses in accordance with the Underwriting Agreement. As at the Latest Practicable Date, condition (i) had been fulfilled.

---

## LETTER FROM THE BOARD

---

### **GTJAS undertaking**

GTJAS has undertaken to the Company that it shall use its reasonable endeavours to ensure that each of the subscribers or purchasers (in each case together with their respective ultimate beneficial owners) of the Untaken Shares procured by it:

- (i) shall be third party (parties) independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial Shareholders or their respective associates; and
- (ii) will not own 10% or more of the issued share capital of the Company immediately after the Rights Issue and are not otherwise core connected persons of the Company.

GTJAS has also agreed that it shall procure, and shall use its reasonable endeavours to ensure that its sub-underwriters to procure independent places to take up the Rights Shares pursuant to the Listing Rules.

### **Termination of the Underwriting Agreement**

The Underwriters reserve the right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriters to the Company at any time prior to the Latest Time for Termination, if in the opinion of the Underwriters:

- (i) the success of the Rights Issue or the taking up of the Rights Shares by members of the Company would be in all material respects adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in all material respects adversely affect the business or the financial or trading position or prospects of the Group as a whole or the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities, armed conflict or act of terrorism, or affecting local securities market or the occurrence of any combination of circumstances which in all material respects adversely affects the business or the financial or trading position or prospects of the Group as a whole or in all material respects adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the members of the Company or otherwise makes it inexpedient or inadvisable for the Company or the Underwriters to proceed with the Rights Issue; or



---

## LETTER FROM THE BOARD

---

- (ii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which in all material respects affect the success of the Rights Issue (such success being the taking up of the Rights Shares by members of the Company) or otherwise in the reasonable opinion of the Underwriters makes it inexpedient or inadvisable or inappropriate for the Company or the Underwriters to proceed with the Rights Issue; or
- (iii) any change in the circumstances of the Company, its controlling Shareholder or any members of the Group which may have a material adverse effect on the financial condition, prospects, assets, business, results of operations or liabilities of the Group, taken as a whole, whether or not arising in the ordinary course of business; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in all material respects adversely affect the business or the financial or trading position or prospects of the Group as a whole or the Rights Issue.

Upon the giving of notice of termination pursuant to the Underwriting Agreement, all obligations of the Underwriters hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to GTJAS any reasonable out-of-pocket expenses incurred by GTJAS in connection with the Rights Issue (excluding legal costs). If the Underwriters exercise their right to terminate the Underwriting Agreement pursuant to the terms therein, the Rights Issue will not proceed.

### WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional on, among other things, the Underwriting Agreement having become unconditional upon the fulfillment or waiver (if capable of being waived) of the conditions of the Underwriting Agreement set out in the sub-paragraph headed “Underwriting Arrangements — Conditions of the Underwriting Agreement” in this circular. In particular, it is conditional, among other things, upon:

- (i) the approval of the Rights Issue by the Independent Shareholders at the SGM; and
- (ii) the Listing Committee granting and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares in both nil-paid and fully-paid forms by no later than the first day of their dealings, which is expected to be 9:00 a.m. on Tuesday, 18 July 2017 and 9:00 a.m. on Tuesday, 8 August 2017, respectively.

The Underwriters are entitled under the Underwriting Agreement to terminate the Underwriting on the occurrence of certain events as set out in the section headed “Termination of the Underwriting Agreement” in this circular.

---

## LETTER FROM THE BOARD

---

The Shares will be dealt in on an ex-rights basis from Thursday, 6 July 2017. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 18 July 2017 to Tuesday, 25 July 2017 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived on or before 4:00 p.m. on Wednesday, 2 August 2017 (or such later time and/or date as the Company and the Underwriters may determine in writing), or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as the case may be), and any dealings in the Rights Shares in their nil-paid form between Tuesday, 18 July 2017 to Tuesday, 25 July 2017 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders and potential investors contemplating dealing in Shares and/or Rights Shares in their nil-paid form are advised to exercise caution when dealing in the Shares and/or the Rights Shares in their nil-paid form. Any person who is in doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

### EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the number of issued Shares on or before the Record Date, the expected changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders (other than Oceanwide Holdings IF))		Immediately after completion of the Rights Issue (assuming full acceptance by the Shareholders)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Oceanwide Holdings IF	1,073,813,683	69.03	4,573,716,369	73.51	4,295,254,732	69.03
Mr. Bernard Pouliot (Note 1)	34,031,757	2.19	34,031,757	0.55	136,127,028	2.19
Mr. Kenneth Lam Kin Hing (Note 1)	38,375,560	2.47	38,375,560	0.61	153,502,240	2.47
Mr. Richard David Winter (Note 1)	10,028,126	0.64	10,028,126	0.16	40,112,504	0.64
Directors of the subsidiaries of the Company	500,000	0.03	500,000	0.01	2,000,000	0.03
Public Shareholders	398,763,179	25.64	398,763,179	6.41	1,595,052,716	25.64
GTJAS and its sub-underwriter(s) (Notes 2, 3)	—	—	1,166,634,229	18.75	—	—
Total	<u>1,555,512,305</u>	<u>100.00</u>	<u>6,222,049,220</u>	<u>100.00</u>	<u>6,222,049,220</u>	<u>100.00</u>

---

## LETTER FROM THE BOARD

---

*Notes:*

- 1) Mr. Bernard Pouliot, Mr. Kenneth Lam Kin Hing and Mr. Richard David Winter are executive Directors.
- 2) GTJAS, as one of the Underwriters, has undertaken that it shall use its reasonable endeavours to cooperate with the Company and Oceanwide Holdings IF to take necessary actions to ensure that its procurement of subscribers or purchasers to subscribe for Untaken Shares to such an extent as will cause the Company to remain in compliance with the public float requirements under Rule 8.08 of the Listing Rules. Please refer to the sub-paragraph headed “GTJAS undertaking” above for details.
- 3) GTJAS has entered into a sub-underwriting arrangement with one sub-underwriter, being a securities brokerage firm, with respect to the sub-underwriting of 545,051,512 Rights Shares or approximately 8.76% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue. The sub-underwriter shall take up a maximum of 545,051,512 Rights Shares from GTJAS. The sub-underwriter has unconditionally and irrevocably confirmed, warranted and undertaken that it (together with its respective ultimate beneficial owners) (i) is not a connected party of the Company and shall be third party independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial Shareholders or their respective associates; and (ii) will not own 10% or more of the issued share capital of the Company or 30% or more of the voting rights of the Company immediately after the Rights Issue.

### REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in (i) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) investor relation, online advertising and financial information services; and (v) investment holding and securities trading.

The Company, through its subsidiaries, operates the businesses of securities and insurance brokerage, corporate finance, and asset management and money lending, and has established extensive business networks in related industries. These businesses need to be supported with a strong capital base. In view of the increasing demand for comprehensive financial services in the investment banking sector and an expected increase in the Company’s business volume as a result of the anticipated collaborations with our new controlling Shareholder and its associates (which operates in the financial services industry in the PRC), new funding will be required by the Company. The proceeds from Rights Issue will strengthen the Company’s capital base, improve its balance sheet position to enable it to undertake a larger volume of business, with a view to expand and establish a leading role in underwriting in debt and equity offerings and in structured financing businesses in Hong Kong. This will in turn help increase the Company’s competitiveness in the local and the PRC market. The Board believes that its strong financing capability is a key factor for instilling confidence in its clients and to secure new advisory, sponsorship, structured finance and underwriting deals.

---

## LETTER FROM THE BOARD

---

The Board has considered other fund raising alternatives before resolving to the Rights Issue and other types of equity financings. Debt financing such as bank borrowings was not a viable option given that the gross proceeds from the Rights Issue are HK\$5,133,191,000 and the latest consolidated net tangible asset value of the Group amounted to approximately HK\$584,366,000 as at 30 September 2016. The Company will not be able to obtain such scale of borrowings with reasonable interest rate from financial institutions. Furthermore, the principal amount of any debt financing would eventually require repayment upon maturity. As the Rights Issue is an equity fund raising, it would not create any financial burden on the Group in the form of repayment of principal. For other types of equity financing such as placing of new Shares, it would immediately dilute the shareholding of the existing Shareholders without giving them a chance to participate in the fund raising exercise and maintain their respective pro rata shareholding as in the case of the Rights Issue. Having considered the factors set out above, the Directors are of the view that the Rights Issue is an appropriate means of fund raising for the Company amongst the other financing alternatives.

The gross proceeds from the Rights Issue are expected to be approximately HK\$5,133,191,000 before expenses. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$5,126,794,000. The net Subscription Price per Rights Share is expected to be approximately HK\$1.10.

The Company currently intends to use the net proceeds from the Rights Issue as follows:

- (i) as to about 65% of the net proceeds to support, develop and expand its securities brokerage business, including share margin financing, structured finance, futures and options brokerage, wealth management products and equity capital market business. The Company expects to capitalise about half of which in the operating subsidiary within 12 months to increase its regulatory capital in order to fulfill the financial and capital requirements as required under the SFO for undertaking larger scale and size of business. The Company expects to allocate about a quarter of the allocation towards developing and expanding structured finance business which includes the provision of comprehensive investment and financing solutions especially to listed corporate clients for their corporate actions and shareholders' activities, including in particular securities backed lending, bridge loans, mergers and acquisitions loans and other short-term loans within 24 months. The Company expects to allocate the remaining proceeds in this category to develop its debt capital market business, expand its capability in equity capital market business, including the underwriting capability of equity offerings, and enhance the trading of fixed income instruments for its clients and institutions within 12 months;
- (ii) as to about 15% of the net proceeds to support and develop its asset management business, including in particular two-thirds of which will be used as seed money for launching new funds within the 12 months under existing fund platforms and

---

## LETTER FROM THE BOARD

---

the remaining amount will be used as seed money for launching other funds and expanding the Company's distribution centers and fund management operations under new fund structure platforms; and

- (iii) as to about 20% of the net proceeds for strategic acquisitions which can complement the existing services offered by the Group and for use as general working capital. As at the Latest Practicable Date, no target had been identified for acquisition. The Board will continue to assess potential opportunities which complement and add synergies to the Group's business.

Accordingly, the Directors (including members of the Independent Board Committee who have considered the opinion of Kingsway Capital but excluding Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. ZHANG Xifang, Mr. LIU Hongwei, Mr. LIU Bing, Mr. FENG Henian and Mr. ZHAO Xiaoxia, being Directors nominated to the Board by Oceanwide Holdings IF, who were in support of the Rights Issue, but so as to avoid a perception of a conflict of interest, had abstained from voting on the Rights Issue) consider that it is in the interests of the Group and the Shareholders as a whole to strengthen the Group's financial position and to enlarge its capital base by way of the Rights Issue, which will allow all Shareholders (other than the Excluded Shareholder(s)) the opportunity to participate in further development of the Group and maintain their respective pro-rata shareholding interests in the Company.

Based on the Group's latest estimation, the expected funding needs for the next 12 months will be financed by the proceeds from the Rights Issue and internal financial resources. The key assumptions and factors used to prepare the forecast include the following:

- (i) the Group's business need for strong capital base for its growth strategy as mentioned above;
- (ii) there being no premature termination or reduction of its existing loan facilities from financial institutions;
- (iii) there being no material adverse change in its financial services business; and
- (iv) there will be no material change in the economic environment or market conditions in Hong Kong, the PRC or other countries in which the Group operates or intends to operate.

The Directors consider that the proceeds from the Rights Issue can satisfy the Company's expected funding needs for the next 12 months. As the Company is engaged in financial services business, it is a general practice for the Company to obtain funding to facilitate its services including debt financing and equity financing. Taking into consideration the procedures and the length of time to complete the Rights Issue, it will be envisaged that the Company will also look towards various forms of debt funding including bank facility and/or short to medium term debt issues as additional means to support its businesses when the immediate funding needs arises.

---

## LETTER FROM THE BOARD

---

### FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted other equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

### LISTING RULES IMPLICATIONS

As the Rights Issue will result in an increase of the number of issued Shares by more than 50%, the Rights Issue is subject to, among other things, the approval by the Independent Shareholders at the SGM. Pursuant to Rule 7.19(6)(a) of the Listing Rules, any controlling Shareholders and their associates, or where there is no such controlling shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution relating to the Rights Issue. Oceanwide Holdings IF is the controlling Shareholder, held 1,073,813,683 Shares as at the Latest Practicable Date, representing approximately 69.03% of the issued share capital of the Company. Oceanwide Holdings IF and its associates shall abstain from voting in favour of the resolution relating to the Rights Issue at the SGM.

### SGM

The SGM will be convened and held to consider and, if thought fit, to approve the Proposed Change of Company Name, the Rights Issue and the transactions contemplated thereunder. A notice convening the SGM to be held at Victoria Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong at 10:30 a.m. on Thursday, 29 June 2017 is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you will be able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire and in such event, the instrument appointing the proxy shall be deemed to have been revoked. Voting on the proposed resolutions at the SGM will be taken by poll.

Subject to the Rights Issue being approved at the SGM, the Prospectus Documents containing further information on the Rights Issue are expected to be despatched to the Qualifying Shareholders (only the Prospectus will be despatched to the Excluded Shareholder(s) for information only), where appropriate, on or before Friday, 14 July 2017.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the Rights Issue, and the letter from Kingsway Capital on pages 32 to 56 of this circular which contains its advice to the

---

## LETTER FROM THE BOARD

---

Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, as well as the principal factors and reasons considered by Kingsway Capital in arriving thereat.

The Directors consider that the Proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole. The Directors (including members of the Independent Board Committee who have considered the advice of Kingsway Capital) consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders (or the Shareholders as the case may be) to vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Change of Company Name and the Rights Issue and the transactions contemplated respectively thereunder. You are advised to read the letter from the Independent Board Committee and the letter from Kingsway Capital before deciding how to vote on the resolutions to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**Quam Limited**  
**HAN Xiaosheng**  
*Chairman*





**QUAM LIMITED**  
**華富國際控股有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 952)**

31 May 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE**

We refer to the circular dated 31 May 2017 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, capitalised terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue (including the Underwriting Agreement) are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue (including the Underwriting Agreement) is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Kingsway Capital has been appointed as the independent financial adviser to advise the Independent Shareholders and us in this respect.

Having taken into account the principal factors and reasons considered by, and the advice and recommendation of Kingsway Capital as set out in its letter of advice to the Independent Shareholders and us on pages 32 to 56 of the Circular, we are of the opinion that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue

\* *For identification purpose only*



---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

(including the Underwriting Agreement) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder.

Yours faithfully,  
**Independent Board Committee**  
**Mr. Roy LO Wa Kei, Mr. KONG Aiguo,**  
**Mr. HE Xuehui, Mr. HUANG Yajun,**  
**Mr. Robert CHAN Tze Leung**  
*Independent non-executive Directors*

---

## LETTER FROM KINGSWAY CAPITAL

---

*The following is the full text of the letter from Kingsway Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, which has been prepared for the purpose of inclusion in this circular.*

### SUNWAH KINGSWAY 新華滙富

7/F, Tower One, Lippo Centre  
89 Queensway, Hong Kong

31 May 2017

*The Independent Board Committee and Independent Shareholders*  
Quam Limited  
18th and 19th Floors, China Building  
29 Queen's Road Central  
Hong Kong

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

#### **I. INTRODUCTION**

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Rights Issue. The Company proposed to raise approximately HK\$5,133,191,000, before expenses, by way of a rights issue of 4,666,536,915 Rights Shares on the basis of three Rights Shares for every one existing Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$1.10 per Rights Share payable in full on acceptance. Rights Shares will not be issued to the Excluded Shareholder(s). Capitalised terms used in this letter shall have the same meanings as those defined in the circular unless the context otherwise requires.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the SGM and any controlling shareholder and their respective associates or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, Oceanwide Holdings IF is the controlling shareholder, held 1,073,813,683 Shares, representing approximately 69.03% of the issued share capital of the Company. Accordingly, Oceanwide Holdings IF and its associates shall abstain from voting in favour of the resolution relating to the Rights Issue at the SGM.

---

## LETTER FROM KINGSWAY CAPITAL

---

The Independent Board Committee, which comprises Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui, Mr. HUANG Yajun and Mr. Robert CHAN Tze Leung, all being independent non-executive Directors, has been established to give advice and recommendation to the Independent Shareholders in relation to the terms of the Rights Issue and the Underwriting Agreement.

Kingsway Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned; (ii) give our recommendations as to whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) advise whether the Independent Shareholders should vote in favour of the resolution(s) relating to the Rights Issue at the SGM.

### II. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could be reasonably be regarded as relevant to our independence. In the last two years, Kingsway Capital Limited has acted as an independent financial adviser to the independent board committee and independent shareholders in the Company's continuing connected transactions, the details of which are set out in the Company's circular dated 26 April 2016 (the "**Previous Appointment**").

With regards to our independence from the Company, it is noted that (i) apart from the normal professional fees paid to Kingsway Capital Limited in relation to the Previous Appointment by the Company and the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence; (ii) the aggregate professional fees paid/to be paid to Kingsway Capital Limited do not make up a significant portion of our revenue during the relevant period which would affect our independence; and (iii) we have maintained our independence from the Company during the Previous Appointment, and our independence from the Company has not been compromised because of the Previous Appointment. Accordingly, we consider that the Previous Appointment would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

### III. BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the information, statements, opinions and representations which are set out in the circular or supplied to us by the Directors and the management of the Company. We have no reason to doubt the truth, accuracy and completeness of the information and representation provided to us by the Directors and the management of the Company. We have also relied on certain publicly available information and we have assumed such information to be accurate and reliable.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would

render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us reaching an informed view and justifying our reliance on the information provided, so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their information and knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the circular, including this letter, misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Rights Issue.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Share or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Shares and, if in any doubt, should consult their own professional advisers.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

#### **IV. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons:

##### **1. Background**

###### ***Principal business***

The Group is principally engaged in (i) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) investor relations, online advertising and financial information services; and (v) investment holding and securities trading.

---

## LETTER FROM KINGSWAY CAPITAL

---

### *Historical financial information*

Set out below is a summary of the financial information of the Group extracted from the interim report of the Company for the six months ended 30 September 2016 (the “**2016/17 Interim Report**”) and the annual report of the Company for the year ended 31 March 2016 (the “**2016 Annual Report**”):

	For the year ended 31 March		For the six months ended 30 September	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	423,686	532,527	320,739	175,056
Profit/(loss) for the year/period, attributable to owners of the Company	36,037	24,688	40,772	(1,023)

  

	As at 31 March		As at 30 September
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)
Non-current assets	146,532	119,671	162,573
Current assets	3,383,055	3,127,485	3,169,933
Non-current liabilities	95,612	98,564	—
Current liabilities	3,007,117	2,540,551	2,727,386
Net assets and total equity attributable to owners of the Company	426,858	608,041	605,120

#### *(i) Financial performance of the Group*

As disclosed in 2016 Annual Report, the revenue of the Group increased from approximately HK\$423.7 million for the year ended 31 March 2015 to approximately HK\$532.5 million for the year ended 31 March 2016, representing approximately 25.7% growth. The increase was primarily due to the solid first half performance in the securities and asset management units coupled with robust markets and high market turnover in Hong Kong. The profit attributable to owners of the Company decreased from approximately HK\$36.0 million for the year ended 31 March 2015 to approximately HK\$24.7 million for the year ended 31 March 2016, representing approximately 31.5% drop. The decrease was primarily due to the onetime non recurrent tax expense of approximately HK\$7.6 million.

As disclosed in 2016/17 Interim Report, the revenue of the Group decreased from approximately HK\$320.7 million for the six months ended 30 September 2015 to approximately HK\$175.1 million for the six months ended 30 September 2016, representing approximately 45.4% drop. The decrease was primarily due to the lower trading volumes and capital market activity, driven from the combination of the Brexit vote and the uncertainty associated with the United

States presidential election result during the six months ended 30 September 2016. With the decrease in revenue, the Group recorded loss attributable to owners of the Company with amount of approximately HK\$1.0 million for the six months ended 30 September 2016, while recorded profit attributable to owners of the Company with amount of approximately HK\$40.8 million for the six months ended 30 September 2015.

*(ii) Financial position of the Group*

As disclosed in the 2016 Annual Report, as at 31 March 2016, the Group had non-current assets, current assets, non-current liabilities and current liabilities amounted to HK\$119.7 million, HK\$3,127.5 million, HK\$98.6 million and HK\$2,540.6 million respectively and with net assets and total equity attributable to owners of the Company amounted to HK\$608.0 million.

As disclosed in the 2016/17 Interim Report, as at 30 September 2016, the Group had non-current assets, current assets, non-current liabilities and current liabilities amounted to HK\$162.6 million, HK\$3,170.0 million, Nil and HK\$2,727.4 million respectively and with net assets and total equity attributable to owners of the Company amounted to HK\$605.1 million.

**2. Reasons for the Rights Issue and the use of proceeds**

As stated in the Letter from the Board, the Company intends to strengthen its capital base, improve its financial position to undertake larger volume of business, and expand its underwriting in debt and equity offerings and in structured financing business in Hong Kong.

The gross proceeds from the Rights Issue are expected to be approximately HK\$5,133,191,000 before expenses. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$5,126,794,000. The net Subscription Price per Rights Share is expected to be approximately HK\$1.10.

Per discussion with the management, we understand that Oceanwide Holdings IF will conduct a detailed strategic review of the operations of the Group and formulate feasible business strategies with a view to optimise the value of the Group, which may include but not limited to exploring new business opportunities in the field of brokerage, investment banking, margin financing and asset management, relying on the strong reputation, expertise and capability of 泛海控股股份有限公司 (Oceanwide Holdings Co., Ltd., “OHCL”). Per the annual report of OHCL for the year ended 31 December 2016, OHCL planned to strengthen its capability in providing financial services in both PRC market and overseas market in 2017. With the Group’s long established history in providing financial services in Hong Kong, OHCL will be expected to collaborate with the Group and utilise the competitive strength of the Group in order to achieve its goal. It is further noted that the revenue from financial services of OHCL has significantly increased from RMB4,303.7 million for the year ended 31 December 2015 to RMB6,049.0 million for the year ended 31 December 2016,

representing an increase of approximately 40.6%. This illustrates the OHCL's effort in strengthening its business in the financial services sector and it is reasonably expected that OHCL will further enhance their capability in the future.

We further noted that the Group has recorded negative cash generated from operating activities of approximately HK\$210.6 million and HK\$3.1 million for the year ended 31 March 2016 and the six months ended 30 September 2016 respectively. Furthermore, according to the Company's profit warning announcement dated 28 April 2017, the Group is expected to report a loss for the year ended 31 March 2017. The loss was mainly due to the one-time expenses incurred as a result of the change of control event that occurred in January 2017 as well as challenging trading conditions. We are of the view that the Rights Issue with the use of proceeds plan as stated below can provide additional capital base to the Company, which allows the Company to capture potential business in the near future, and in return, would improve its profitability and cash generated ability.

Having considered that (i) the strategic plan of OHCL to strengthen its capability in providing financial services in both PRC market and overseas market and the potential collaboration between OHCL and the Group in financial services business in the future; and that (ii) the Group recorded negative cash generated from operating activities for the year ended 31 March 2016 and the six months ended 30 September 2016, and the expected a loss for the year ended 31 March 2017, we are of the view that the Group is in the genuine need for funding in order to capture more financial services business in the future.

#### *Use of proceeds*

The Company currently intends to use the net proceeds from the Rights Issue as follow:

- (i) as to about 65% of the net proceeds to support, develop and expand its securities brokerage business, including share margin financing, structured finance, futures and options brokerage, wealth management products and equity capital market business. The Company expected to capitalise about half of which in the operating subsidiary within 12 months to increase its regulatory capital in order to fulfill the financial and capital requirements as required under the SFO for undertaking larger scale and size of business. The Company expected to allocate a quarter of the allocation towards developing and expanding structured finance business which includes the provision of comprehensive investment and financing solutions especially to listed corporate clients for their corporate actions and shareholders' activities, including in particular securities backed lending, bridge loans, mergers and acquisitions loans and other short-term loans within 24 months. The Company expected to allocate the remaining proceeds in this category to develop its debt capital market business, expand its capability in equity



---

## LETTER FROM KINGSWAY CAPITAL

---

market business, including the underwriting capability of equity offerings, and enhance the trading of fixed income instruments for its clients and institutions within 12 months;

- (ii) as to about 15% of the net proceeds to support and develop its asset management business, including in particular two-thirds of which will be used as seed money for launching of new funds within the 12 months under existing fund platforms and the remaining amount will be used as seed money for launching other funds and expanding the Company's distribution centers and fund management operations under new fund structure platforms; and
- (iii) as to about 20% of the net proceeds for strategic acquisitions which can complement the existing services offered by the Group and for use as general working capital. As at the Latest Practicable Date, no target had been identified for acquisition. The Board will continue to assess potential opportunities which complement and add synergies to the Group's business.

We noted that a majority of the estimated net proceeds will be utilised to support, develop and expand its current major business, including securities brokerage business and equity capital market business.

According to the 2016/17 Interim Report, the Group recorded a revenue of HK\$102.6 million from commission and brokerage income on securities, futures and options dealing, accounting for 58.6% of its total revenue. The Group has launched Quam Direct Initiative, an online platform for brokerage unit in November 2016, which is expected to lead to profit growth in securities brokerage business. This illustrated that securities brokerage business is a core business of the Group and demonstrated the Group's effort in developing its securities brokerage business.

In the year of 2016, both the Brexit vote and the uncertainty associated with the United States presidential election result did not lead to an active market. In fact, the sentiment turned risk adverse which led to a lower of both trading volumes and capital market activities. According to the HKEX Fact Book 2016, the total equity funds raised in the stock market decreased from approximately HK\$1,115.64 billion in 2015 to approximately HK\$490.05 billion in 2016, or by approximately 56.07%. Moreover, the total turnover value of the stock market decreased from approximately HK\$26,090.62 billion in 2015 to approximately HK\$16,396.42 billion in 2016, or by approximately 37.16%. Despite the poor market sentiment in 2016, the Group managed to make its presence felt in the market through a number of successful deals in equity capital markets. Besides, in anticipation of the future collaborations with the new controlling Shareholder and its associates, a group providing financial services in the PRC, the Group plans to expand its capital base for its capital market business. The Group will continue to capitalise on its edge and expand this current business lines in securities brokerage



and capital markets. Therefore, we believe that it is reasonable for the Group to invest the majority of the proceeds in these current businesses with proven track record.

The Group also plans to develop debt capital market business which will include facilitating debt issuers with underwriting, and enhancing the trading of fixed income instruments for its clients and institutions. According to HKEX Fact Book 2016, for the years ended 31 December 2015 and 2016, the total turnover in value of debt securities increased from HK\$9,380.57 million to HK\$21,278.25 million, or by 126.83%, and the number of new listings of debt securities increased from 177 to 211, or by 19.21%. As the debt capital market has shown promising growth in recent years, we also believe that it is reasonable for the Group to develop debt capital market business.

In addition, pursuant to Securities and Futures (Financial Resources) Rules (“**the Rules**”), the Group, as a licensed corporation under several regulated activities, shall meet the liquid capital requirements, which is the higher of the minimum amount of required liquid capital stipulated by the Rules or its variable required liquid capital. The variable required liquid capital is calculated as the 5% of the basic amount, which includes its adjusted liability, the initial margin requirements or amount of margin required to be deposited. To fulfill the requirement, the Group will utilise portion of the proceeds to the operating subsidiary for increasing its regulatory capital, as a result of higher variable required liquid capital needed for its business expansion.

Having considered the above, we believe that the Company’s plan to put more resources in its securities brokerage business and to use the proceeds of the Rights Issue to develop a debt capital market business, and meanwhile to increase its regulatory capital is reasonable.

We also noted that the Company intended to allocate the proceeds of the Rights Issue to develop a structured finance business in provision of comprehensive investment and financing solutions especially to listed corporate clients for their corporate actions and shareholders’ activities.

With the aim of developing into a leading financial service provider in Hong Kong, the Group will engage in structured finance, to provide customised financing service or risk management solutions to corporate clients. The business of structured finance will strengthen its market position with the Group’s comprehensive financial service. Structured finance market presents new opportunities for growth and helps diversify the Group’s business portfolio. With the Group’s knowledge and experience in capital markets and finance advisory, the Group is believed to enjoy the first-mover advantage in this structured finance business.

Compared to the normal money lending service provided by the Group, structured finance is expected to generate a higher return, because the Group’s structured finance business targets listed corporate clients for their funding needs

arising from corporate actions and shareholders' activities, including but not limited to bridge loans and mergers and acquisitions loans. Those loans are characterised more risky than conventional loans and therefore are normally compensated for a higher risk premium in its return. The diversifying of business portfolio by introducing structured finance business also helps in hedging market risks arising from other business lines. Unlike the strong positive correlation between its securities dealing and equity capital market businesses, structured finance business is less correlated with them. Besides, provision of structured finance may enhance its customer base and create synergy among other financial services provided by the Group. It is reasonable that the Group plans to expand into the structured finance business for benefits of seeking new growth opportunities in the financial industry.

Around 15% of the net proceeds will be used to support and develop its asset management business, including in particular providing seed money for launching new funds under existing fund platforms and providing seed money for launching other funds and expanding its distribution centers and fund management operations under new fund structure platforms.

According to the 2016 Annual Report, the Group has launched the UCITS (Undertakings for the collective investment in transferable securities) fund in Europe; the Directors considered that the fund will be popular with European investors by giving them access to an approved fund dedicated to investing in China. The establishment of this UCITS structure will lead to the addition of a number of different themed funds generated either through their Global Alliance Partners (GAP) network or internally with the setting up of a China fixed income fund. This illustrates that the Group has its ability to expand its global distribution reach for funds under management.

Furthermore, with the approval of the first batch of cross-border funds under the Mainland and Hong Kong Mutual Recognition of Funds (MRF) scheme in December 2015, mainland investors may now broaden their offshore investment portfolio via investment fund products from Hong Kong. This provides a greater incentive to set up more Hong Kong — domiciled funds targeting mainland investors. This has come on top of the continued expansion of RMB investment products in Hong Kong. It is reasonably expected that the MRF will lead to the increasing launch of new funds in the near future and we believe it is reasonable for the Group to use its proceed from the Rights Issue to support and develop its asset management business.

The remaining proceeds will be used for strategic acquisition which can complement the existing services offered by the Group and as general working capital. As discussed with the management, the Group considers that with the further development of the existing business, including (i) dealing services for securities, futures and options; (ii) corporate finance advisory and general advisory services; (iii) fund management; (iv) investor relation, online advertising and financial information services and (v) investment holding and securities

trading, the Group may have to incur additional administrative expenses and other operating expenses for the development and administrative of such business. Having considered the Group's latest record of negative cash generated from operating activities of approximately HK\$210.6 million and HK\$3.1 million for the year ended 31 March 2016 and the six months ended 30 September 2016 respectively, we are of the view that it will be beneficial to the Group to have additional working capital for its business operation and development.

### **3. Principal terms of Rights Issue**

#### ***Issue Statistics***

Basis of Rights Issue	:	Three Rights Shares for every one existing Share held by the Qualifying Shareholders on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	1,555,512,305 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	4,666,536,915 Rights Shares (assuming no change in the number of issued Shares on or before the Record Date)
Subscription Price	:	HK\$1.10 per Rights Share
Aggregate nominal value of the Rights Shares to be issued	:	HK\$15,555,123.05 (assuming no change in the number of issued Shares on or before the Record Date)
Enlarged issued share capital upon completion of the Rights Issue	:	6,222,049,220 Shares (based on the number of existing Shares in issue as at the Latest Practicable Date, and assuming no change in the number of issued Shares on or before the Record Date)
Fund to be raised before expenses	:	Approximately HK\$5,133,191,000

The Company has no outstanding derivatives, options, warrants, conversion securities or other similar securities which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

Assuming no change in the number of issued Shares on or before the Record Date, the 4,666,536,915 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 300% of the issued share capital of the Company as at the date of this announcement and 75% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders (other than Oceanwide Holdings IF) who do not subscribe for the Rights Issue is 75%.

The Directors consider that, despite the potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil-paid rights in the market and/or through an EAF; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue gives the Qualifying Shareholders an opportunity to subscribe for their pro rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a discount price as compared to the recent market prices of the Shares.

#### ***Subscription Price***

The subscription price of HK\$1.10 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 7.56% to the closing price of HK\$1.19 per Share as quoted on the Stock Exchange on 28 April 2017, being the Last Trading Day;
- (ii) a discount of approximately 5.17% to the average closing price of HK\$1.16 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 5.17% to the average closing price of approximately HK\$1.16 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

---

## LETTER FROM KINGSWAY CAPITAL

---

- (iv) a discount of approximately 1.79% to the closing price of HK\$1.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 1.79% to the theoretical ex-right price of approximately HK\$1.12 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a premium of approximately 189.47% over the unaudited consolidated net tangible asset value per Share of approximately HK\$0.38 (based on the latest published consolidated net tangible asset value of the Group of approximately HK\$584,366,000 as at 30 September 2016 and 1,555,512,305 Shares in issue as at the Latest Practicable Date).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to the recent market prices of the Shares and the prevailing market conditions, and taking into account other issues' rights issue in the market in the preceding four months. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the company held on the Record Date.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price of the Shares during the period from 29 April 2015, being 24 months immediately preceding the date of the Underwriting Agreement, to the Last Trading Day (the "**Review Period**"). We consider that a period of 24 months is adequate to illustrate the price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price. The closing prices of the Shares during the Review Period are depicted in Chart 1 below:

*Chart 1: Closing prices of the Shares during the Review Period*



Source: The Stock Exchange

---

## LETTER FROM KINGSWAY CAPITAL

---

As illustrated in the above chart, the highest and the lowest closing price of the Shares in the Review Period were HK\$2.44 (on 17 June 2015) and HK\$0.485 (on 24 May 2016) respectively with an average closing price of the Shares of approximately HK\$1.20.

The share price was significantly affected by the event in relation to the lapsed offer from CMBC International Holdings Limited, a subsidiary of China Minsheng Bank since August 2015, with the Shares closing at HK\$1.45 per Share on 1 September 2015 (i.e. being the first trading day after the publication of the announcement in relation the lapsed offer), and decreased sharply on 2 March 2016 after the publication of the announcement in relation to the lapse of the first subscription agreement and the employees subscription agreements on 2 March 2016, and further dropped to HK\$0.52 on 13 May 2016 after the publication of the announcement in relation to the lapse of the previous offer and profit warning for the 2015 annual results.

The Subscription Price represents a discount of approximately 54.92% to the highest and a premium of approximately 126.80% to the lowest closing price of the Shares in the Review Period respectively and a discount of approximately 8.33% to the average closing price of the Shares in the Review Period.

We noted that it is a common market practice that the subscription price of a rights issue normally represents a discount to the prevailing market prices of the relevant shares, in order to enhance the attractiveness of a rights issue exercise and to encourage the qualifying shareholders to participate in a rights issue and maintain their respective pro-rata shareholding interests for the future growth of the Company. Hence, we considered the fact that the Subscription Price is lower than the prevailing market prices of the Shares is in line with general market practice and is acceptable.

We have also reviewed the net tangible assets published in latest two years of interim or annual results announcement with compared to the price of Shares as shown in Table 1 below.

*Table 1: Price to Net Tangible Assets Value (NTAV) ratios*

Period <sup>(Note 1)</sup>	NTAV <sup>(Note 3)</sup> date	Published NTAV <sup>(Note 3)</sup> (HK\$'000)	NTAV <sup>(Note 3)</sup> per Share (HK\$)	Share price			Premium over NTAV <sup>(Note 3)</sup>		
				Low	High	Average	Low	High	Average
				(HK\$)	(HK\$)	(HK\$)	(%)	(%)	(%)
06/07/2015 to 09/11/2015	31/3/2015	411,891	0.35	1.02	1.87	1.430	194.34	439.63	312.72
10/11/2015 to 18/07/2016	30/9/2015	625,582	0.43	0.485	1.36	0.992	12.90	216.60	130.87
19/07/2016 to 13/12/2016	31/03/2016	593,134	0.40	0.65	1.33	0.984	61.92	231.30	145.02
14/12/2016 to Latest Practicable Date <sup>(Note 2)</sup>	30/09/2016	589,840	0.38	1.03	1.41	1.234	171.63	271.84	225.52

*Sources: Bloomberg, interim and annual result announcements of the Company for the relevant periods*

---

## LETTER FROM KINGSWAY CAPITAL

---

*Notes:*

1. The periods refer to the various periods when the net tangible asset value of the Company was published either by way of its interim or annual results announcements.
2. The calculation of unaudited NTAV per Share for this period is based on 1,555,512,305 shares in issue as at Latest Practicable Date.
3. NTAV refers to Net Tangible Asset Value, where goodwill and other intangible assets are subtracted from net asset value.

Table 1 above shows that the Shares consistently traded at premium of above 130% of the published net tangible asset value of the Company since 6 July 2015 and up to the Latest Practicable Date. As stated above, the Subscription Price represents a premium of 189.47% to the unaudited net tangible asset value of the Company per Share of HK\$0.38 as at 30 September 2016. It is noted that this premium falls within the range of the premium to net tangible asset value as represented by the closing price of the Shares from 6 July 2015 to the Latest Practicable Date.

Furthermore, we have reviewed the historical trading volume of the Shares during the twelve-month period from 29 April 2016 to 28 April 2017. We consider that a twelve-month period is fair and reasonable to have recent data illustrating the current trend of the average trading volume of the Shares, which allows us to assess and analyse the liquidity of the Shares. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the period are shown in Table 2 below.



---

## LETTER FROM KINGSWAY CAPITAL

---

*Table 2: Historical average daily trading volume of the Shares*

	Total trading volume of the Shares in the period/month	Number of trading days in the period/ month	Average daily trading volume of the Shares in the period/month (Shares)	Number of issued Shares as at end of the period/ month (Shares)	Approximate % of average daily trading volume to the number of issued Shares as at end of the period/ month (%) <sup>(Note 3)</sup>
<b>2016</b>					
April <sup>(Note 1)</sup>	8,890,000	1	8,890,000	1,511,331,159	0.59
May	324,313,333	21	15,443,492	1,511,331,159	1.02
June	226,117,599	21	10,767,505	1,511,331,159	0.71
July	118,567,652	20	5,928,383	1,511,331,159	0.39
August	206,184,126	22	9,372,006	1,511,331,159	0.62
September	198,383,740	21	9,446,845	1,511,331,159	0.63
October	351,997,489	19	18,526,184	1,515,391,105	1.22
November	296,074,176	22	13,457,917	1,515,391,105	0.89
December	69,345,321	20	3,467,266	1,515,391,105	0.23
<b>2017</b>					
January	114,746,305	19	6,039,279	1,515,391,105	0.40
February	122,552,701	20	6,127,635	1,517,813,505	0.40
March	99,555,100	23	4,328,483	1,555,294,705	0.28
April <sup>(Note 2)</sup>	17,926,000	17	1,054,471	1,555,512,305	0.07

*Source: The Stock Exchange*

*Notes:*

1. This period commenced on 29 April 2016.
2. This period ends on 28 April 2017.
3. Based on the total number of issued Shares as at end of the period/month.

For illustrative purpose, Table 2 demonstrates that during the twelve-month period preceding the Last Trading Date, the average daily trading volume of the Shares was in the range of approximately 0.07% to approximately 1.22% of the total number of issued Shares as at the Latest Practicable Date. The above statistics show that the liquidity of the Shares was relatively low during the twelve-month period.

The generally thin liquidity of the Shares during the twelve-month period indicates the potential difficulties in initiating the Qualifying Shareholders to participate in the Rights Issue should the subscription price have been set at a premium to the closing price as quoted on the Stock Exchange on Last Trading Day (“**Last Closing Price**”). Considering that, among others, the discount of the Subscription Price to the Last Closing Price would attract the Qualifying

Shareholders to participate in the Rights Issue, which would in turn allow them to maintain their shareholding interests in, and participate in the future growth of the Company.

As such, we consider that the setting of the Subscription Price at a discount to the theoretical closing price of the Shares as at the Last Trading Day is in line with general market practice.

***Comparison with other rights issues***

To further assess the fairness and reasonableness of the Rights Issue, we have selected and identified a list of 18 rights issues conducted by companies (the “**Comparables**”) listed on the Stock Exchange for the four-month period from 29 December 2016 to 28 April 2017 (the “**Comparable Period**”). To the best of our endeavour, we believe that the list of the Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues. We are of the view that the Comparable Period would provide us with the recent relevant information on the market sentiment, which plays an important role in the determination of the subscription price of a rights issue in general. We also noted that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the rights issue of the Comparables may vary from companies with different financial standings, business performance and future prospects. That said, since the Comparables are the recent transactions announced to the public, we consider that the Comparables could represent the recent trend of the rights issue transactions in the prevailing market condition and could provide a general reference for the terms of the Rights Issue. Our relevant findings are summarised in the table below.

# LETTER FROM KINGSWAY CAPITAL

Table 3: Recent Rights Issue transactions comparison

Date of announcement	Company	Stock Code	Basis of provisional allotment	Premium/ (Discount) of subscription price to the closing price on the last trading date prior to the release of rights issue announcement (Approximate %) (Note 2)	Premium/ (Discount) of subscription price to the theoretical ex-entitlement price on the last trading date prior to the release of the rights issue announcement (Approximate %) (Note 3)	Maximum Dilution	Underwriting Commission (%) (Note 1)	Excess Application
4-Jan-17	Celebrate International Holdings Ltd	8212	3 for 1	(15.15)	(4.27)	75.00	3.0	Yes
12-Jan-17	Automated Systems Holdings Ltd	771	1 for 2	(42.11)	(32.65)	33.33	11.1	Yes
12-Jan-17	International Standard Resources Holdings Ltd	91	1 for 2	(43.75)	(34.15)	33.33	2.5	Yes
16-Jan-17	Landing International Development Ltd	582	5 for 1	(41.86)	(10.71)	83.33	2.1	Yes
24-Jan-17	Vision Values Holdings Ltd	862	1 for 2	(38.96)	(29.87)	33.33	2.5	Yes
26-Jan-17	AKM Industrial Co Ltd	1639	1 for 4	(16.67)	(13.79)	20.00	1.5	No
27-Jan-17	Global Tech Holdings Ltd	143	1 for 2	(30.89)	(22.96)	33.33	4.8	Yes
21-Feb-17	Golden Power Group Holdings Ltd	8038	1 for 2	(59.18)	(49.15)	83.33	2.5	No
3-Mar-17	China Kingstone Mining Holdings Ltd	1380	5 for 1	(44.70)	(11.87)	20.00	2.0	No
14-Mar-17	C C Land Holdings Ltd	1224	1 for 2	(12.28)	(8.54)	33.33	0.3	Yes
14-Mar-17	Lerado Financial Group Company Ltd	1225	2 for 1	(36.31)	(15.97)	66.67	1.5	Yes
17-Mar-17	Min Xin Holdings Ltd	222	3 for 10	(11.37)	(8.89)	23.08	Nil	Yes
29-Mar-17	Hong Kong International Construction Investment Management Group Co Ltd	687	2 for 1	0.99	0.33	66.67	2.5	Yes
29-Mar-17	Global Energy Resources International Group Ltd	8192	1 for 2	(21.05)	(15.09)	33.33	3.5	Yes
10-Apr-17	Chinese Strategic Holdings Ltd	8089	1 for 2	(32.89)	(24.62)	33.33	2.0	Yes
12-Apr-17	China Ground Source Energy Industry Group Ltd	8128	2 for 5	(58.33)	(50.00)	28.57	2.5	Yes
19-Apr-17	Xinyi Solar Holdings Ltd	968	1 for 10	(10.04)	(9.21)	9.09	Nil	Yes
27-Apr-17	Epicurean and Co Ltd	8213	1 for 2	(52.00)	(41.94)	33.33	Nil	Yes
			<b>Minimum</b>	(59.18)	(50.00)	83.33	0.3	
			<b>Maximum</b>	0.99	0.33	9.09	11.1	
			<b>Average</b>	(31.48)	(21.30)	41.99	3.1	
	<b>The Company</b>	952	3 for 1	(7.56)	(1.79)	75.00	0.31 for GTJAS Nil for Oceanwide Holdings IF	Yes

Source: The Stock Exchange

Notes:

1. In the case that the underwriter will receive a fixed or mixed underwriting fee, the commission percentage has been calculated with the gross proceeds of the Rights Issue based on the maximum number of underwritten shares.
2. The discount of the closing price is calculated by subtracting the closing price from the subscription price, and divided by the closing price. Taking the Company's as an example, (the subscription price – the closing price per share)/(the closing price per share) (i.e.  $(1.1 - 1.19)/(1.19) = -7.56\%$ ).

3. The theoretical ex-entitlement price is calculated by adding the market value of all the issued shares (based on the closing price of the shares on the last trading day) with the gross amount of subscription proceeds expected to be received from the rights issue (before expenses), and then divided by the total number of issued shares as enlarged by the rights issue. Taking the Company's as an example, in case of every 3 rights share for every 1 share,  $(3 \times \text{the subscription price}) + 1 \times (\text{the theoretical closing price per share based on the closing price per share}) / (3 + 1)$  (i.e.  $(3 \times \text{HK\$}1.1 + 1 \times \text{HK\$}1.18) / (3 + 1) = 1.12$ .) The discount of the theoretical ex-entitlement price is calculated by subtracting the theoretical ex-entitlement price from the subscription price, and then divided by the theoretical ex-entitlement price. Taking the Company's as an example,  $(\text{the subscription price} - \text{the theoretical ex-entitlement price per share}) / (\text{the theoretical ex-entitlement price})$  (i.e.  $(1.1 - 1.12) / (1.12) = -1.79\%$ ).

Given that the rights issue exercises of the Comparables were not announced on the same trading date, and that the determination of subscription prices of the rights issue exercises were also made with reference to the arm's length commercial negotiation between the companies and the underwriters, the share price performance, financial positions of the companies and the then prevailing market condition, we are of the view that the discount of subscription price to the closing price and/or the theoretical ex-entitlement price on the last trading date prior to the release of rights issue announcement sets a benchmark for our comparison on the recent market practice in relation to the setting of subscription price under other proposed rights issues. Based on the above table, we noted that: (i) the subscription prices to the closing price on the last trading day prior to the rights issue announcement of the Comparables ranged from a maximum discount of approximately 59.18% to a premium of approximately 0.99%, with the mean at discount of approximately 31.48%. The discount of the Subscription Price of the Rights Issue to the closing price on the Last Trading Day is approximately 7.56%, which is within the range of the Comparables and lower than the mean of the Comparables. Comparison made between the Comparables for their subscription prices to the closing prices on the last trading date prior to the release of rights issue announcement is to indicate that some Comparables also set the issue price of their rights shares at a discount to the prevailing market prices of the relevant shares before the relevant announcements; and (ii) the subscription prices to the theoretical ex-entitlement prices per share based on the last trading day prior to the rights issue announcement of the Comparables ranged from a maximum discount of approximately 50.00% to a premium of approximately 0.33%, with the mean at a discount of approximately 21.30%. The discount of the Subscription Price of the Rights Issue to the theoretical ex-entitlement price per Share on the last trading day is approximately 1.79%, which is within the range of the Comparables and lower than the mean of the Comparables. The comparison made between the Comparables for their subscription prices to the theoretical ex-entitlement price on the last trading date prior to the release of the rights issue announcement further indicates that 9 out of 18 proposed rights issue of the Comparables set the issue price of the rights shares at a discount less than the average discount of the Comparables.

Having considered that (i) the section headed “Reasons for the Rights Issue and the use of proceeds” in this letter; (ii) the discount represented by the Subscription Price to the closing price of the shares on the Last Trading Day falls within the relevant range of the Comparables; (iii) the common practice by the Comparables to set their rights issue at a discount to the prevailing market prices of the relevant shares before the relevant announcements; and (iv) the fact that all Qualifying Shareholders are allowed to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group, we are of the view that the discount of the Subscription Price is fair and reasonable, and thus is in the interests of the Company and the Shareholders as a whole.

#### **4. Underwriting Agreement**

The treatment of all Underwritten Rights Shares, being 1,445,095,866 Rights Shares, shall be in accordance with the terms of the Underwriting Agreement. Pursuant to the Underwriting Agreement, Oceanwide Holdings IF has (in addition to its obligations under the Irrevocable Undertaking) conditionally agreed to underwrite 278,461,637 Rights Shares, whereas GTJAS has conditionally agreed to underwrite 1,166,634,229 Rights Shares.

We have reviewed the Underwriting Agreement, and noted that no underwriting fee is payable to Oceanwide Holdings IF and HK\$4,000,000 is payable to GTJAS as its underwriting fee in the Rights Issue by the Company. The commission fee payable to GTJAS was determined after arm’s length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and unexpected market condition.

With reference to the above paragraph headed “Comparison with other rights issue”, the underwriting commission of the Comparables ranged from 0.3% to 11.1% with a mean of approximately 3.1% (excluding those where the underwriter is a connected person of the Comparable and no underwriter commission fee is payable). Oceanwide Holdings IF is a controlling shareholder and a connected person of the Company as defined under the Listing Rules. The nil underwriting commission payable to Oceanwide Holdings IF was arrived at after arm’s length negotiations between the Company and Oceanwide Holdings IF on the basis that such arrangement can demonstrate the support from Oceanwide Holdings IF in the Rights Issue and reduce the Company’s cost of implementing the Rights Issue, which is in the interest of the Company and the Shareholders as a whole.

The commission fee of HK\$4,000,000 payable to GTJAS represents approximately 0.31% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares underwritten by GTJAS. On this basis, we noted that the underwriting commission payable by the Company to GTJAS pursuant to the Underwriting Agreement is lower than the mean and within the range of the

commission of the Comparables. As such, we are of the view that the commission charged by GTJAS is under normal commercial terms and is fair and reasonable so far as the Company and the Shareholders are concerned.

#### **5. The Oceanwide Holdings IF Undertaking**

Pursuant to the Oceanwide Holdings IF Undertaking, among others, Oceanwide Holdings IF has irrevocably undertaken (i) to subscribe or procure subscription of 3,221,441,049 Rights Shares to be provisionally allotted to Oceanwide Holdings IF pursuant to the terms of the Rights Issue; and (ii) without the prior written consent of the Company and GTJAS, not to transfer or dispose of the 1,073,813,683 Shares which are registered in its name or in the name of its nominee(s) between the date of the Underwriting Agreement and the Underwriting Agreement becoming unconditional. Further details of the irrevocable undertakings are set out in the section headed “Underwriting Arrangements — Oceanwide Holdings IF Undertaking” in the Letter from the Board.

We consider that the Oceanwide Holdings IF Undertaking demonstrate the confidence of the controlling Shareholder in the future prospect of the Group and its support in the Rights Issue, an exercise which in our view is beneficial to the Company and the Shareholders as explained in the section headed “Reasons for the Rights Issue and the use of proceeds” in this letter, and therefore are in the interests of the Company and the Shareholders as a whole.

#### **6. Termination of the Underwriting Agreement**

It should also be noted that the Rights Issue would not proceed if the Underwriters exercise their termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriters such termination rights are set out in the section headed “Termination of the Underwriting Agreement” in this circular. After reviewing the announcement and/or the circulars of the Comparables, we consider such termination provisions are on normal commercial terms and are in line with the market practice.

#### **7. Application for excess Rights Shares**

As stated in the Letter from the Board, the Qualifying Shareholders are entitled to apply for, by way of excess application, any unsold entitlements of the Excluded Shareholder(s) and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis as far as practicable. Further details of the basis of allocation of excess Rights Shares are set forth in the Letter from the Board.

As illustrated in table 3 stated in section 3 of this letter, the qualifying shareholders of 15 out of the 18 Comparable were entitled to apply for excess rights shares and we are not aware of any unusual arrangement in the Rights Issue as

---

## LETTER FROM KINGSWAY CAPITAL

---

compared to the Comparables. We therefore consider that the allocation of excess Rights Shares to Qualifying Shareholders is in line with the market practice and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 8. Effect of the Rights Issue on the shareholding structure of the Company

Assuming there is no change in the number of issued Shares on or before the Record Date, we set out below is the shareholding structures of the Company (for illustration purpose only) (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue, assuming nil acceptance by the Qualifying Shareholders (other than Oceanwide Holdings IF); and (iii) immediately after completion of the Rights Issue, assuming full acceptance by the Qualifying Shareholders:

*Table 4: Dilution Effect of the Rights Issue on Shareholding interests*

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders (other than Oceanwide Holdings IF))		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Oceanwide Holdings IF	1,073,813,683	69.03	4,573,716,369	73.51	4,295,254,732	69.03
Mr. Bernard Pouliot <sup>(Note 1)</sup>	34,031,757	2.19	34,031,757	0.55	136,127,028	2.19
Mr. Kenneth Lam Kin Hing <sup>(Note 1)</sup>	38,375,560	2.47	38,375,560	0.61	153,502,240	2.47
Mr. Richard David Winter <sup>(Note 1)</sup>	10,028,126	0.64	10,028,126	0.16	40,112,504	0.64
Directors of the subsidiaries of the Company	500,000	0.03	500,000	0.01	2,000,000	0.03
Public Shareholders	398,763,179	25.64	398,763,179	6.41	1,595,052,716	25.64
GTJAS and its sub-underwriter(s) <sup>(Notes 2, 3)</sup>	—	—	1,166,634,229	18.75	—	—
Total	<u>1,555,512,305</u>	<u>100.00</u>	<u>6,222,049,220</u>	<u>100.00</u>	<u>6,222,049,220</u>	<u>100.00</u>

*Notes:*

1. Mr. Bernard Pouliot, Mr. Kenneth Lam Kin Hing and Mr. Richard David Winter are executive Directors.
2. GTJAS, as one of the Underwriters, has undertaken that it shall use its reasonable endeavours to cooperate with the Company and Oceanwide Holdings IF to take necessary actions to ensure that its procurement of subscribers or purchasers to subscribe for Untaken Shares to such an extent as will cause the Company to remain in compliance with the public float requirements under Rule 8.08 of the Listing Rules. Please refer to the sub-paragraph headed “GTJAS undertaking” in the Letter from the Board.
3. GTJAS has entered into a sub-underwriting agreement with one sub-underwriter, being a securities brokerage firm, with respect to the sub-underwriting of 545,051,512 Rights Shares or approximately 8.76% of the enlarged issued share capital of the Company immediately



---

## LETTER FROM KINGSWAY CAPITAL

---

upon completion of the Rights Issue. The sub-underwriter shall take up a maximum of 545,051,512 Rights Shares from GTJAS. The sub-underwriter has unconditionally and irrevocably confirmed, warranted and undertaken that it (together with its respective ultimate beneficial owners) (i) is not a connected party of the Company and shall be third party independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial Shareholders or their respective associates; and (ii) will not own 10% or more of the issued share capital of the Company or 30% or more of the voting rights of the Company immediately after the Rights Issue.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, the Shareholders should note that their shareholdings in the Company will be diluted upon Completion.

As at the Latest Practicable Date, the existing public Shareholders held 25.64% of the total issued share capital of the Company. If all the Qualifying Shareholders (other than Oceanwide Holdings IF) do not take up the Rights Shares to which they are entitled and the Underwriters take up all the Rights Shares (other than the Rights Shares which Oceanwide Holdings IF has irrecoverably undertaken to subscribe for or procure subscription of), the percentage of shareholding (assuming that there is no Share being repurchased, on or before the Record Date) of the existing public Shareholders will be reduced to approximately 6.41%, representing a dilution (the “**Potential Maximum Dilution**”) of 75.0% in their shareholding interests arising from the Rights Issue. In all cases of rights issues, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issues is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since a higher offering ratio of new shares to existing shares has a greater dilution effect on the shareholding. However, unlike other equity fund raising alternative such as placing of new Shares where the shareholding of qualifying shareholders are immediately diluted, the Rights Issue at least provides an opportunity for Qualifying Shareholders to maintain or to increase (by way of excess applications) their respective shareholdings in the Company.

In justifying the fairness and reasonableness of the Potential Maximum Dilution, we have, among others, made reference to the results of the Comparable Analysis. As shown in Table 3 above, the Potential Maximum Dilution is ranged from approximately 9.09% to approximately 83.33% with an average of approximately 41.99%. Therefore, the Potential Maximum Dilution of approximately 75.00% is within the range of the dilutions of the Comparables.

Taking into account (i) that all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issues so as to maintain their respective shareholding interest in the Company, and to participate in the future growth of the Company; (ii) the inherent dilutive nature of rights issues in general if the existing

shareholders do not take up their pro-rata entitlements thereunder in full; (iii) the Potential Maximum Dilution is within the range of the corresponding dilutions in public shareholding interests arising from the Comparables; (iv) the fact that the net proceeds from the Rights Issue will help enhance the financial position of the Group and strengthen its capital base, we are of the view that the Potential Maximum Dilution is justifiable.

#### **9. Other financing alternatives**

From our discussion with the management of the Company, we understand that the Board has considered other fund raising alternatives before resolving to the Rights Issue and other types of equity financings. Debt financing such as bank borrowings was not a viable option given that the gross proceeds from the Rights Issue are HK\$5,133,191,000 and the latest consolidated net tangible asset value of the Group amounted to approximately HK\$584,366,000 as at 30 September 2016. The Company will not be able to obtain such scale of borrowings with reasonable interest rate from financial institutions. Furthermore, the principal amount of any debt financing would eventually require repayment upon maturity. As the Rights Issue is an equity fund raising, it would not create any financial burden on the Group in the form of repayment of principal. For other types of equity financing such as placing of new Shares, it would immediately dilute the shareholding of the existing Shareholders without giving them a chance to participate in the fund raising exercise and maintain their respective pro rata shareholding as in the case of the Rights Issue.

Having considered that (a) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata entitlement of the Rights Shares and thereby avoiding dilution, and to participate as fully as they wish in the growth opportunity of the Company by way of applying for excess Right Shares; (b) the Rights Issue allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for their financial benefits; and (c) the Rights Issue allows the Company to strengthen its capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio. We concur with the Directors' view that raising funds by way of the Rights Issue is more cost effective, efficient and beneficial to the Company and the Shareholders as a whole as compared to raising funds by any other means.

#### **10. Financial effects of the Rights Issue**

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent the financial position of the Group upon the completion of the Rights Issue.

##### ***(a) Net assets value***

Reference is made to the unaudited pro forma financial information of the Group as set out in Appendix II to the circular. As at 30 September 2016, based on (i) the unaudited consolidated net tangible assets of the Group of approximately HK\$584.37 million; and (ii) the 1,511,331,159 Shares in issue,

the unaudited consolidated net tangible assets of the Group per Share amounted to approximately HK\$0.39. On the assumptions that completion of the Rights Issues had taken place on 30 September 2016 and 4,666,536,915 Rights Shares had been issued, immediately upon completion of the Rights Issue, (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group would become approximately HK\$5,711.16 million; and (ii) the number of Shares in issue would become 6,177,868,074 Shares, resulting in the unaudited pro forma adjusted consolidated net tangible assets per Share of approximately HK\$0.92.

***(b) Liquidity***

Following completion of the Rights Issue, the net proceeds from the Rights Issue (after deducting the expenses) are estimated to be approximately HK\$5,126,794,000. As such, immediately upon completion of the Rights Issue, the cash level of the Group will be increased and hence it is expected to have a positive effect on the working capital of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue.

**V. CONCLUSION**

Having taken into consideration of, amongst other things, the following principal factors regarding the major terms of the Rights Issue:

- i. the net proceeds from the Rights Issue will strengthen the Company's capital base;
- ii. the Rights Issue will be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Company;
- iii. the discount represented by the Subscription Price to the theoretical entitlement price of the Shares on the Last Trading Day falls within the range of the corresponding discounts of the Comparables;
- iv. the major terms and conditions of the Underwriting Agreement are in line with the market practice;
- v. the dilution effect will not be prejudicial to the Shareholders' interests in the Company provided that they choose to subscribe for their pro rata entitlement of the Rights Shares under the Rights Issue in full; and
- vi. the Rights Issue will enhance the net tangible assets value of the Group and improve the liquidity position of the Group;

---

## LETTER FROM KINGSWAY CAPITAL

---

we are of the opinion that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Kingsway Capital Limited**  
**Jennifer WU**  
*Director*

**1. FINANCIAL INFORMATION**

The financial information of the Group for each of the three financial years ended 31 March 2014, 2015 and 2016 and six months ended 30 September 2016 were disclosed in the annual reports of the Company for the years ended 31 March 2014 (pages 55 to 139), 2015 (pages 57 to 143) and 2016 (pages 57 to 143) and the interim report of the Company for the six months ended 30 September 2016 (pages 2 to 32). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.quamlimited.com](http://www.quamlimited.com)). Please refer to the hyperlinks as stated below:

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0708/LTN20140708153.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0706/LTN201507061231.pdf>

2016 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719350.pdf>

2016 interim report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1214/LTN20161214369.pdf>

**2. INDEBTEDNESS**

At the close of business on 31 March 2017, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Bank loans and note payables totalling approximately HK\$476,334,000, comprising:

- (a) bank loans of approximately HK\$374,527,000, which were secured by marketable securities as at 31 March 2017 and the Company's guarantee. The marketable securities include securities collaterals provided by the margin clients to the Group; and
- (b) unsecured and unguaranteed note payables of approximately HK\$101,807,000.

As mentioned in the interim report of the Company for the six months ended 30 September 2016, the Hong Kong Inland Revenue Department (the "IRD") reviewed the salaries tax positions of the executive Directors and some senior management of the Group and indicated that it might impose a penalty on the Group for any incorrect filing of employer's returns. As of 31 March 2017, revised salaries tax assessments were issued by the IRD. After discussion with the tax advisors, management believes no penalty will be imposed on the Group by the IRD in respect to this matter.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire purchases commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 March 2017.

To the best knowledge of the Directors, having made all reasonable enquiries, there had been no material change in indebtedness or contingent liabilities of the Group since 31 March 2017 and up to Latest Practicable Date.

### 3. MATERIAL ADVERSE CHANGES

Save for (i) the lapse of possible subscription of new Shares by CMBC International Holdings Limited and the possible unconditional mandatory cash offers as announced by the Company on 12 May 2016 (the offer period subsequently came to an end); (ii) the significant decrease in the profitability of the Group for the six months ended 30 September 2016, which recorded a loss for the period attributable to the owners of the Company of approximately HK\$1.0 million and showed a turn from recording a profit of approximately HK\$40.8 million for the corresponding period in 2015 as shown in the unaudited consolidated financial results of the Group for the six months ended 30 September 2016 as disclosed in the Company's interim report for the six months ended 30 September 2016; (iii) due to the recent change of control of the Company, approximately HK\$17.4 million, being 50% of the first payment pursuant to the terms of the Company's phantom share scheme, was paid to the holders of the phantom shares who are the senior management of the Group (other than Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER), after the proposed payment was approved by the Board on 29 August 2016. In addition, compensation payments of approximately HK\$21.6 million in aggregate were entitled, of which HK\$12.0 million in aggregate was made to Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER upon the completion of the sale and purchase agreement dated 28 October 2016 (the "**Sale and Purchase Agreement**") pursuant to their respective Director's service agreements which they entered into with the Company in 2014; (iv) HK\$17.4 million, being the remaining 50% of the final payment of the phantom share scheme, will be paid to the holders of the phantom shares (other than Mr. Bernard POULIOT, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER) upon the completion of their services for the Company or other members of the Group for a twelve-month period following the date of completion of the Sale and Purchase Agreement, or if any holder is terminated by the Group without cause during the twelve months' service period; and (v) the profit warning announcement of the Company dated 28 April 2017 which stated that the Group is expected to report loss for the year ended 31 March 2017 as compared with the audited consolidated profit for the year ended 31 March 2016 of approximately HK\$24.7 million which was mainly due to the one-time expenses incurred as a result of the change of control event that occurred in January 2017 as described above as well as challenging trading conditions, the Directors confirm that there has been no material adverse changes in the financial or trading position or outlook of the Group since 31 March 2016, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.



**4. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the present financial resources, the borrowings and the estimated net proceeds to be raised from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for at least twelve months from the date of this circular.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in (i) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) investor relation, online advertising and financial information services; and (v) investment holding and securities trading.

As mentioned in the composite offer and response document of the Company dated 2 February 2017, Oceanwide Holdings IF will conduct a detailed strategic review of the operations of the Group and formulate feasible business strategies with a view to optimize the value of the Group, which may include but not limited to exploring new business opportunities in the field of brokerage, investment banking, margin financing and asset management, relying on the strong reputation, expertise and capability of 泛海控股股份有限公司 (Oceanwide Holdings Co., Ltd.\*). In this regard, the Group will continue with its existing businesses and look to expand in wider array and quantum of financial service business including debt capital markets, structured financing and expanding the asset management business and funds under management. The proceeds from Rights Issue will strengthen the Company's capital base which will enable the Group to facilitate such new business in this intensive regulatory capital industry. By being at a comparable size to that of industry peers, we will be in much stronger position to garner a share of the deal pipeline and business. In addition, we will be on the look out to make strategic acquisitions which can complement the Groups existing financial business.

The Group will continue to provide its existing brokerage, advisory including initial public offering sponsorship and merger and acquisitions business, asset management businesses as well as website business via Quamnet. The launch of Quam Direct online brokerage platform and additional UCITs (Undertakings for the Collective Investment of Transferable Securities) funds in Europe are in the ordinary course of new streams of business within our existing brokerage and asset management services, respectively. The Directors believe that the business outlook of the Group will be influenced by the global economic climate, in addition to macro strategic initiatives in Asia, including the "One Belt One Road" plan and the establishment of the AIIB (Asia Infrastructure Investment Bank) to drive macro-economic investment and attribute to the market performance of Hong Kong and the region.

\* For identification purpose only



As at the Latest Practicable Date, the Company had not identified any potential targets and had no agreement, arrangement, understanding or negotiation on any potential acquisition, and had no plan, arrangement, understanding, intention, negotiation (either concluded or in process) on any disposal or scale down of existing assets or business of the Group.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED  
NET TANGIBLE ASSETS OF THE GROUP**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as at 30 September 2016, as if it had been completed on 30 September 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed on 30 September 2016 or any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on unaudited consolidated net tangible assets of the Group as at 30 September 2016 and the unaudited pro forma adjustments to reflect the effect of the Rights Issue described below:

	Unaudited consolidated net tangible assets of the Group as at 30 September 2016 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 5)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Rights Issue <i>HK\$'000</i>
Based on 4,666,536,915 Rights Shares at subscription price of HK\$1.1 per Rights Share	<u>584,366</u>	<u>5,126,794</u>	<u>5,711,160</u>
Unaudited consolidated net tangible assets per Share prior to the completion of the Rights Issue <i>(Note 6)</i>	<u>HK\$0.39</u>		
Unaudited pro forma adjusted consolidated net tangible assets per Share after the completion of the Rights Issue <i>(Note 7)</i>			<u>HK\$0.92</u>

*Notes:*

1. The unaudited consolidated net tangible assets of the Group as at 30 September 2016 is calculated as follows:

	Unaudited consolidated net assets of the Group as at 30 September 2016 HK\$'000 (Note 2)	Adjustment for intangible assets HK\$'000 (Note 3)	Unaudited consolidated net tangible assets of the Group as at 30 September 2016 HK\$'000
Net assets/net tangible assets	605,120	(20,754)	584,366

2. The unaudited consolidated net assets of the Group of approximately HK\$605,120,000 as at 30 September 2016 is extracted from the published interim report of the Group for the six months ended 30 September 2016.
3. Extracted from the published interim report of the Group for the six months ended 30 September 2016, an adjustment for intangible assets represents the deduction of the Group's goodwill, development costs and other intangible assets of approximately HK\$14,695,000, HK\$5,474,000 and HK\$585,000 respectively.
4. The Rights Issue involves the issue of 4,666,536,915 Rights Shares on the basis of three Rights Shares for every one existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$1.10 per Rights Share.

The number of Rights Shares of 4,666,536,915 is arrived at assuming no new Shares will be issued after the announcement dated 28 April 2017 and up to the Record Date. Since no new shares were issued after the date of announcement up to the Latest Practicable Date, the number of existing Shares entitled to the Rights Issue is 1,555,512,305, accordingly, the number of Rights Shares to be issued would be 4,666,536,915.

The number of Shares in issue had been increased from 1,511,331,159 as at 30 September 2016 to 1,555,512,305 as at the Latest Practicable Date by 44,181,146. The increase in the number of the issued Shares comprises shares to certain employees of the Group who exercised their rights to convert their 59,946 share options to 59,946 Shares of the Company and shares to certain warrants holders who exercised their rights to convert their 44,121,200 warrants to 44,121,200 Shares of the Company during 1 October 2016 to the Latest Practicable Date.

5. The estimated net proceeds from the Rights Issue of approximately HK\$5,126,794,000 are based on the gross proceeds of approximately HK\$5,133,191,000 from the issue of 4,666,536,915 Rights Shares (on the basis of three Rights Shares for every one existing Shares held on the Record Date) at a subscription price of HK\$1.10 per Rights Share after deduction of the related expenses\* of approximately HK\$6,397,000.
6. The calculation of unaudited consolidated net tangible assets per Share prior to the completion of the Rights Issue is based on 1,511,331,159 Shares in issue as at 30 September 2016.

7. The calculation of unaudited pro forma adjusted consolidated net tangible assets per Share after the completion of the Rights Issue is based on 6,177,868,074 Shares comprising 1,511,331,159 Shares in issue as at 30 September 2016 and 4,666,536,915 Rights Shares to be issued.
8. Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2016.

*\* Based on management's best estimation, the related expenses include, among others, financial, legal and other professional advisory fees, underwriting commission, printing and translation, application for listing of the Rights Shares expenses, registration fee of the Circular with Stock Exchange and Registrar of Companies in Hong Kong, which are directly attributable to the Rights Issue and will be subject to further changes upon completion of the Rights Issue.*

*The following is the text of a report from BDO Limited, the independent reporting accountant, in respect of the unaudited pro forma financial information of the Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

## **B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF QUAM LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Quam Limited (the “**Company**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Company as at 30 September 2016 and related notes as set out on pages II-1 to II-3 of Appendix II of the Company’s circular dated 31 May 2017 (the “**Circular**”) in connection with the proposed rights issue on the basis of three rights shares for every one existing share of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Rights Issue on the Company’s consolidated financial position as at 30 September 2016 as if the Rights Issue had taken place at 30 September 2016. As part of this process, information about the Company’s consolidated financial position has been extracted by the directors of the Company from the Company’s condensed consolidated financial statements for the six months ended 30 September 2016, on which an interim review report has been published.

### **Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited***Certified Public Accountants*

Hong Kong

31 May 2017



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

### Share capital as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
30,000,000,000	Shares at nominal value of Hong Kong one third of one cent each	100,000,000.00
<i>Issued and fully-paid:</i>		
1,555,512,305	Shares at nominal value of Hong Kong one third of one cent each	5,185,041.02
4,666,536,915	Rights Shares to be issued pursuant to the Rights Issue	15,555,123.05
6,222,049,220	Shares in issue at upon completion of the Rights Issue	20,740,164.07

All the Shares in issue are fully-paid and rank *pari passu* in all respects including as regards to dividends, voting rights and return of capital. All Rights Shares to be issued will rank *pari passu* with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in the Rights Shares (in both their nil-paid and fully-paid forms). No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are/will be waived or agreed to be waived. The Company had no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

### 3. DISCLOSURE OF INTERESTS

#### Interests of the Directors

As at the Latest Practicable Date, interests of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

#### Long position in the Shares and the underlying Shares

Name of Directors	Capacity	Number of Shares held	Approximate % of total interests in the Shares in issue (Note)
Mr. Bernard POULIOT	Beneficial Owner	34,031,757	2.18%
Mr. Kenneth LAM Kin Hing	Beneficial Owner	38,375,560	2.46%
Mr. Richard David WINTER	Beneficial Owner	10,028,126	0.64%

*Note:* The approximate percentage shown was the number of securities the relevant Director was interested expressed as a percentage of the number of issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**Interest of the substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares capital of any other member of the Group:

**Long positions in shares and underlying shares of the Company**

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held immediately after completion of Rights Issue (assuming nil acceptance by Qualifying Shareholders (other than Oceanwide Holding IF))	Approximate % of the total issued share capital of the Company
LU Zhiqiang	Interest of controlled corporations	4,573,716,369 (Note 5)	294.03
HUANG Qiongzi	Interest of controlled corporations	4,573,716,369 (Note 5)	294.03
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	4,573,716,369 (Note 4)	294.03
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	4,573,716,369 (Note 3)	294.03
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	4,573,716,369 (Note 2)	294.03
Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司)	Interest of controlled corporations	4,573,716,369 (Note 1)	294.03
China Oceanwide Group Limited	Interest of controlled corporations	4,573,716,369 (Note 1)	294.03
Oceanwide Holdings IF	Beneficial owner	4,573,716,369	294.03
Guotai Junan International Holdings Limited	Interest of controlled corporations	1,166,634,229 (Note 6)	18.75 (Note 7)
Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司)	Interest of controlled corporations	1,166,634,229 (Note 8)	18.75 (Note 7)
Shanghai International Group Co., Ltd.* (上海國際集團有限公司)	Interest of controlled corporations	1,166,634,229 (Note 9)	18.75 (Note 7)
GTJAS	Beneficial owner	1,166,634,229 (Note 6)	18.75 (Note 7)

\* For identification purpose only

*Notes:*

- 1) Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly owned subsidiary of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司). These Shares include Oceanwide Holdings IF's pro-rata entitlement under the Rights Issue and the maximum number of Underwritten Rights Shares to be underwritten by Oceanwide Holdings IF (upon the basis of nil acceptance by the Qualifying Shareholders other than Oceanwide Holdings IF itself) pursuant to the terms of the Underwriting Agreement. Excluding Oceanwide Holdings IF's pro-rata entitlement and the maximum number of Underwritten Rights Shares to be sub-underwritten by Oceanwide Holdings IF, Oceanwide Holdings IF is interested in 1,073,813,683 Shares. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司) are deemed to be interested in 4,573,716,369 Shares.
- 2) China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司) directly and indirectly holds 69.24% interest in the issued share capital of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司). By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司).
- 3) Oceanwide Group Co., Ltd.\* (泛海集團有限公司) holds 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.\* (泛海集團有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司).
- 4) Tohigh Holdings Co., Ltd.\* (通海控股有限公司) holds the entire issued share capital of Oceanwide Group Co., Ltd.\* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.\* (通海控股有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.\* (泛海集團有限公司).
- 5) Mr. LU Zhiqiang (盧志強) and Ms. HUANG Qiongzi (黃瓊姿) (spouse of Mr. LU Zhiqiang (盧志強)) together holds more than one-third of the voting power at general meetings of Tohigh Holdings Co., Ltd.\* (通海控股有限公司). By virtue of the SFO, Mr. LU Zhiqiang (盧志強) and Ms. HUANG Qiongzi (黃瓊姿) are deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.\* (通海控股有限公司) is interested.
- 6) GTJAS is an indirect wholly-owned subsidiary of Guotai Junan International Holdings Limited. These Shares represents the maximum number of Underwritten Rights Shares GTJAS and/or its sub-underwriter(s) have interest in (upon the basis of nil acceptance by the Qualifying Shareholders other than Oceanwide Holdings IF) pursuant to the terms of the Underwriting Agreement. In addition, GTJAS has entered into a sub-underwriting arrangement with one sub-underwriter, being a securities brokerage firm, with respect to the sub-underwriting of 545,051,512 Rights Shares or approximately 8.76% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue. For more details, please refer to the paragraph headed "Letter from the Board — Effect of the Rights Issue on the Shareholding Structure of the Company" in this circular. By virtue of the SFO, Guotai Junan International Holdings Limited is deemed to have interest in 1,166,634,229 Shares GTJAS and/or its sub-underwriter(s) will hold, to the maximum extent, after the completion of the Rights Issue.
- 7) The percentage is calculated based on the enlarged issued share capital of the Company after completion of the Rights Issue.

\* For identification purpose only

- 8) As of the Latest Practicable Date, Guotai Junan Securities Co., Ltd.\* (國泰君安證券股份有限公司) indirectly held 64.83% interest in the issued share capital of Guotai Junan International Holdings Limited. By virtue of the SFO, Guotai Junan Securities Co., Ltd.\* (國泰君安證券股份有限公司) is deemed to have interest in 1,166,634,229 Shares GTJAS and/or its sub-underwriter(s) will hold, to the maximum extent, after the completion of the Rights Issue.
- 9) As at the Latest Practicable Date, Shanghai International Group Co., Ltd.\* (上海國際集團有限公司) directly and indirectly holds 32.67% interest in the issued share capital of Guotai Junan Securities Co., Ltd.\* (國泰君安證券股份有限公司). By virtue of the SFO, Shanghai International Group Co., Ltd.\* (上海國際集團有限公司) is deemed to have interest in 1,166,634,229 Shares GTJAS and/or its sub-underwriter(s) will hold, to the maximum extent, after the completion of the Rights Issue.
- 10) The following persons, namely Tisé Media Fund LP and China Alliance Properties Limited (and its associates), disclosed to the Company that they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015 pursuant to the subscription agreement entered among the Company, CMBCI International Holdings Limited (“CMBCI”) and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tisé Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together “Co-Investors”) on 28 August 2015 which CMBCI and the Co-Investors had conditionally agreed to subscribe for an aggregate of 23,054,875,391 shares of the Company at the subscription price of HK\$0.565 per Subscription Share (the “First Subscription Agreement”).

As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement ceased to be effective as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at the Latest Practicable Date, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other member of the Group.

#### 4. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

\* For identification purpose only

**5. MATERIAL CONTRACTS**

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within two years preceding the issue of this circular and ending on the Latest Practicable Date, which are or may be material in relation to the business of the Company as a whole:

- (i) the subscription agreement dated 28 August 2015 entered into among the Company, CMBCI and certain co-investors in relation to the subscription of 8,867,256,637 Shares by CMBCI at HK\$0.565 per Share and the subscription of 14,187,618,754 Shares by certain co-investors at HK\$0.565 per Share. The aforesaid subscription agreement has lapsed;
- (ii) the subscription agreement dated 28 August 2015 entered into between the Company and certain employees of CMBCI to subscribe for 156,000,000 new Shares in aggregate at HK\$0.565 per Share. The aforesaid subscription agreement has lapsed;
- (iii) the subscription agreement dated 28 August 2015 entered into between the Company and King Ace Services Limited to subscribe for 164,000,000 new Shares at HK\$0.565 per Share. The aforesaid subscription agreement has lapsed; and
- (iv) the Underwriting Agreement.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any members of the Group within two years preceding the issue of this circular and ending on the Latest Practicable Date and are or may be material.

**6. DIRECTOR'S INTEREST IN CONTRACTS AND ASSETS**

- (i) None of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2016 (being the date to which the latest published annual report for the audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

**7. QUALIFICATION AND CONSENT OF THE EXPERTS**

The following are the qualifications of the professional advisers who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
BDO Limited	Certified Public Accountants
Kingsway Capital	A licensed corporation for carrying on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Kingsway Capital and BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and/or references to its name in the form and context in which they respectively appear.

Each of Kingsway Capital and BDO Limited does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Kingsway Capital and BDO Limited does not and did not have any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016, being the date to which the latest published audited accounts of the Group were made up.

**8. CORPORATE INFORMATION AND THE PARTIES INVOLVED IN THE RIGHTS ISSUE**

<b>Registered Office</b>	Clarendon House 2 Church Street Hamilton HM11 Bermuda
<b>Principal Office in Hong Kong</b>	18th and 19th Floors China Building 29 Queen's Road Central Hong Kong
<b>Authorised Representatives</b>	Mr. HAN Xiaosheng Ms. Hortense CHEUNG Ho Sze
<b>Company Secretary</b>	Ms. Hortense CHEUNG Ho Sze <i>(an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom)</i>



<b>Reporting Accountant</b>	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
<b>Principal Banker</b>	The Bank of East Asia, Limited China CITIC Bank International Limited Dah Sing Bank, Limited Shanghai Commercial Bank Limited Standard Chartered Bank (Hong Kong) Limited
<b>Hong Kong Share Registrar</b>	Tricor Tengis Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Legal Adviser to the Company as to the Rights Issue</b>	Howse Williams Bowers 27/F Alexandra House 18 Chater Road Central Hong Kong
<b>Underwriters</b>	Oceanwide Holdings IF Vistra Corporate Services Centre Wickhams Cay II Road Town Tortola, VG1110 BVI  GTJAS 27/F Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Independent financial adviser to the Independent Board Committee and the Independent Shareholders as to the Rights Issue</b>	Kingsway Capital Limited 7/F, Tower One Lippo Centre 89 Queensway, Hong Kong

## 9. PARTICULARS OF DIRECTORS

## (i) Name and address of the Directors

Name	Address
<i>Executive Directors</i>	
Mr. HAN Xiaosheng (韓曉生)	25th Floor, Tower C, Minsheng Financial Center, No. 28 Jiangguomennei Avenue, Beijing, PRC
Mr. ZHANG Bo (張博)	Room 1906, Tower C, Minsheng Financial Center, No. 28 Jiangguomennei Avenue, Beijing, PRC
Mr. Bernard POULIOT	18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong
Mr. ZHANG Xifang (張喜芳)	11th Floor, Tower B, Minsheng Financial Center, No. 28 Jiangguomennei Avenue, Beijing, PRC
Mr. LIU Hongwei (劉洪偉)	64/F, Bank of China Tower, 1 Garden Road, Hong Kong
Mr. Kenneth LAM Kin Hing (林建興)	18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong
Mr. Richard David WINTER	18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong
<i>Non-executive Directors</i>	
Mr. LIU Bing (劉冰)	23rd Floor, Tower C, Minsheng Financial Center, No. 28 Jiangguomennei Avenue, Beijing, PRC
Mr. FENG Henian (馮鶴年)	20th Floor, Tower A, Minsheng Financial Center, No. 28 Jiangguomennei Avenue, Beijing, PRC
Mr. ZHAO Xiaoxia (趙曉夏)	9th Floor, Tower C, Minsheng Financial Center, No. 28 Jiangguomennei Avenue, Beijing, PRC

Name	Address
<i>Independent Non-executive Directors</i>	
Mr. LO Wa Kei Roy (盧華基)	43/F, Lee Garden One, No. 33 Hysan Avenue, Causeway Bay, Hong Kong
Mr. KONG Aiguo (孔愛國)	Room 212, Siyuan Building, 670 Guoshun Road, Yangpu District, Shanghai, PRC
Mr. HE Xuehui (賀學會)	Room 104, Bocui Building, 1900 Wenxiang Road, Songjiang District, Shanghai, PRC
Mr. HUANG Yajun (黃亞鈞)	Room 627, School of Economics Building, Fudan University, 600 Guoquan Road, Shanghai, PRC
Mr. Robert CHAN Tze Leung (陳子亮)	24 Floor, Shum Tower, 268 Des Voeux Road, Central, Hong Kong

*Senior Management*

The business address of the senior management disclosed below is the same as the Company's head office and principal place of business in Hong Kong located at 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong.

**(ii) Profile of the Directors***Executive Directors*

**Mr. HAN Xiaosheng (韓曉生)**, aged 60, is the Chairman and executive Director with effect from 3 February 2017. He is also currently an executive director, the chairman and chief executive officer of China Oceanwide Holdings Limited (中泛控股有限公司), whose shares are listed on the Stock Exchange (Stock Code: 715). Mr. HAN is currently also the executive director and chief executive officer of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046). He obtained a master's degree in economics from Renmin University of China in July 1996. Mr. HAN is a senior accountant in the PRC. Save as disclosed above, Mr. HAN had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. ZHANG Bo (張博)**, aged 43, is the Deputy Chairman and executive Director with effect from 3 February 2017. He is also currently a director of China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司), a director of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), and a director and the

\* For identification purpose only

president of China Minsheng Trust Co., Ltd.\* (中國民生信託有限公司) and supervisor of China Minsheng Banking Corp. Ltd.\* (中國民生銀行股份有限公司). He served as the deputy general manager of the risk management division, general secretary of the corporate banking marketing committee and general manager of the corporate banking division of CMBC, Taiyuan Branch\* (中國民生銀行太原分行), a member of the integrated operation of corporate business reform group\* (公司業務集中經營改革小組) and head of finance office of the corporate banking division of the head office of CMBC, the deputy chief of the preparatory group of CMBC, Changsha Branch\* (中國民生銀行長沙分行), a member of Party Committee, risk director, the vice president and president of the aircraft leasing unit of Minsheng Financial Leasing Co., Ltd.\* (民生金融租賃股份有限公司). He obtained a master's degree in business administration from Wuhan University in November 2006 and is currently pursuing a doctor's degree in western economics in Fudan University. Save as disclosed above, Mr. ZHANG had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. Bernard POULIOT**, aged 65, joined the Company in 2000 and is currently the Deputy Chairman of the Company. Mr. POULIOT is a responsible officer for Types 4 and 9 regulated activities under the SFO for Quam Asset Management Limited, a responsible officer for Type 4 regulated activity under the SFO for Quam (IA) Limited and a responsible officer for Type 9 regulated activity under the SFO for Quam Securities Company Limited. Mr. POULIOT has more than 30 years of experience in investment, finance and corporate development. He is responsible for formulating the overall business strategy of the Group. Mr. POULIOT was a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to May 2013) and was appointed as the vice-chairman in February 2008. Save as disclosed above, he had not held any directorship in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. ZHANG Xifang (張喜芳)**, aged 44, is the executive Director with effect from 3 February 2017. He is also the director and vice president of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046) and a director and the president of Oceanwide Equity Investment Management Co., Ltd.\* (泛海股權投資管理有限公司). He served as the head of the operation division of the finance and asset management department and the deputy director of the finance and asset management department of State Grid Corporation of China\* (國家電網公司), the deputy general manager of State Grid Asset Management Co., Ltd.\* (國網資產管理有限公司), the deputy general manager of State Grid Yingda International Holdings Group Co., Ltd.\* (國網英大國際控股集團有限公司), the general manager of Yingda Taihe Property Insurance Co., Ltd.\* (英大泰和財產保險股份有限公司) and the chairman of Yingda Insurance Asset Management Co., Ltd.\* (英大保險資產管理有限公司). He studied graduate accounting courses at Capital University of Business and Economics from September 1998 to August 2000 and

\* For identification purpose only

obtained a master's degree in business administration from Tsinghua University in January 2009. Save as disclosed above, Mr. ZHANG had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. LIU Hongwei (劉洪偉)**, aged 50, is the executive Director with effect from 3 February 2017. He is also an executive director of China Oceanwide Holdings Limited (中泛控股有限公司), whose shares are listed on the Stock Exchange (Stock Code: 715), a supervisor of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), a non-executive director of CuDECO Limited, whose shares are listed on the Australian Securities Exchange (Stock Code: CDU) and the vice-president of China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司). He served as a director of Minsheng Holdings Co., Ltd.\* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416). He obtained a bachelor's degree in engineering from Dalian Ocean University (formerly known as Dalian Fisheries College) in July 1989 and a master's degree in management from Massey University in New Zealand in April 2006. Save as disclosed above, Mr. LIU had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. Kenneth LAM Kin Hing (林建興)**, aged 63, joined the Company in 2001, and is currently the executive Director. Since 1994, he has been the Managing Director of Dharmala Capital Holdings Group, a company which was subsequently amalgamated with the Company. Mr. Lam is a responsible officer for Types 1, 2, 4, 6 and 9 regulated activities under the SFO for Quam Securities Company Limited and a responsible officer for Types 4 and 9 regulated activities under the SFO for Quam Asset Management Limited. Mr. Lam had worked for an international bank for 10 years as the head of its PRC and corporate banking operations. Mr. Lam has more than 30 years of experience in corporate finance and banking. He was an independent non-executive director of Hon Kwok Land Investment Company, Limited, a company listed in Hong Kong (March 2014–August 2015) and a director of Seamico Securities Public Company Limited, a company listed in Thailand (September 1997 to August 2013). He is the member of the General Committee of The Chamber of Hong Kong Listed Companies since June 2013 and the Vice Chairman and past Chairman (2009–2010) of the Institute of Securities Dealers Limited. He holds a Bachelor of Science Degree in University of Western Ontario with a double major in Computer Science and Economic (1976), and a Master of Business Administration in the 3-Year MBA Program of The Chinese University of Hong Kong (1983). In 2012, he was conferred on Honorary Fellowship by Canadian Chartered Institute of Business Administration and Honorary Doctor of Laws by Lincoln University. Save as disclosed above, he had not held any directorship in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

\* For identification purpose only

**Mr. Richard David WINTER**, aged 64, joined the Company in 2002 and is currently the executive Director. He is also a member of the remuneration committee of the Company. Mr. WINTER is a responsible officer for Type 6 regulated activity under the SFO for Quam Capital Limited. He has extensive experience in the investment banking and corporate finance advisory field in Hong Kong. Mr. WINTER was previously managing director of Deloitte & Touche Corporate Finance Limited and before that Standard Chartered Investment Banking. He received an Honours Degree in Commerce from Edinburgh University. Mr. WINTER is a member of the Takeovers and Mergers Panel, Takeovers Appeal Committee and Advisory Committee of the SFC. Mr. WINTER is the Chairman of Financial Markets Committee of the British Chamber of Commerce in Hong Kong, fellow of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants, a senior fellow of Hong Kong Securities and Investment Institute and Chairman of Executive Committee of The Outward Bound Trust of Hong Kong Limited. Save as disclosed above, he had not held any directorship in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

*Non-executive Directors*

**Mr. LIU Bing (劉冰)**, aged 59, is the non-executive Director with effect from 3 February 2017. He is currently an executive director of China Oceanwide Holdings Limited, whose shares are listed on the Stock Exchange (Stock Code: 715), vice president of China Oceanwide Holdings Group Co., Ltd.\* (中國泛海控股集團有限公司) and the chairman of the supervisory committee in Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), the vice chairman of the supervisory committee of Minsheng Holdings Co., Ltd.\* (民生控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000416) and president, director and chairman of executive committee of International Data Group, Inc. He obtained a master's degree in business administration from Sacred Heart University in the United States in August 1989. Save as disclosed above, Mr. LIU had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. FENG Henian (馮鶴年)**, aged 55, is the non-executive Director with effect from 3 February 2017. He is currently a director of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), and the chairman and secretary of Party Committee of Minsheng Securities Co., Ltd.\* (民生證券股份有限公司). He served as a director and secretary of Party Committee of Shandong Securities Regulatory Bureau of China Securities Regulatory Commission, a deputy director of the Department of Law of China Securities Regulatory Commission, a director of the Department of Unlisted Public Companies and a director of the Department of

\* For identification purpose only



GEM Public Offering Supervision of China Securities Regulatory Commission. He obtained a master's degree in economic law from China University of Political Science and Law in July 1989. Save as disclosed above, Mr. FENG had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. ZHAO Xiaoxia (趙曉夏)**, aged 53, is the non-executive Director with effect from 3 February 2017. He is currently a director of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046). He served as the sub-manager of international business division and the representative of London liaison office of People's Insurance Company of China\* (中國人民保險總公司), director and the general manager of Huatai Insurance Agency & Consultant Service Ltd.\* (華泰保險代理和諮詢服務公司), director and the executive vice president of AXA-Minmetals Assurance Co., Ltd.\* (金盛人壽保險有限公司), senior vice president of New York Life Insurance (International)\* (美國紐約人壽(國際)保險公司), president and the chief executive officer of Haier New York Life Insurance Co., Ltd.\* (海爾紐約人壽保險有限公司), senior vice president of Asia Capital Holding Group Limited\* (亞洲資本控股集團公司) and executive vice president of North Asia Region and the head of China of ACR Reinsurance Group\* (ACR再保險集團). He obtained a bachelor's degree in law from Peking University in 1985. Save as disclosed above, Mr. ZHAO had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

*Independent Non-executive Directors*

**Mr. LO Wa Kei Roy (盧華基)**, aged 46, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of audit committee of the Company. He is currently the independent non-executive director of several public companies whose shares are listed on the Stock Exchange, including China Oceanwide Holdings Limited (中泛控股有限公司) (Stock Code: 715), Sheen Tai Holdings Group Company Limited (順泰控股集團有限公司) (Stock Code: 1335), Sun Hing Vision Group Holdings Limited (新興光學集團控股有限公司) (Stock Code: 125), China Zhongwang Holdings Limited (中國忠旺控股有限公司) (Stock Code: 1333), Xinming China Holdings Limited (新明中國控股有限公司) (Stock Code: 2699) and Wan Kei Group Holdings Limited (宏基集團控股有限公司) (Stock Code: 1718). He also serves as the managing partner of SHINEWING (HK) CPA Limited (信永中和(香港)會計師事務所有限公司), the member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議上海市浦東新區委員會) and the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association (香港獨立非執行董事協會). He served as an independent non-executive director of North Mining Shares Company Limited (北方礦業股份有限公司) (Stock Code: 433) from September 2004 to November 2015. He obtained a bachelor's degree in business

\* For identification purpose only



administration from University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. Save as disclosed above, Mr. LO had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. KONG Aiguo (孔愛國)**, aged 49, is the independent non-executive Director with effect from 3 February 2017. He is the chairman of remuneration committee of the Company and a member of audit committee of the Company. He is currently an independent director of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000046), and a professor and Ph.D supervisor in School of Management of Fudan University. From July 1989 to August 1992, he was an assistant engineer of Wuxi 721 Factory\* (無錫721廠). He obtained a doctor's degree from Fudan University in December 1996. Save as disclosed above, Mr. KONG had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. HE Xuehui (賀學會)**, aged 45, is the independent non-executive Director with effect from 3 February 2017. He is a member of remuneration committee and audit committee of the Company. He is currently a professor in School of Finance of Shanghai University of International Business and Economics\* (上海對外經貿大學), an executive director of Shanghai Finance Institute\* (上海市金融學會) and a member of Expert Committee on Working Mechanism of Prudential Qualification Appraisal of Risks Relating to Separate Accounting Business in Shanghai Pilot Free Trade Zone\* (上海自貿試驗區分賬核算業務風險審慎合格評估工作機制專家委員會). From December 2012 to September 2016, he was Dean of School of Finance of Shanghai University of International Business and Economics\* (上海對外經貿大學). From May 2009 to August 2012, he was a professor in Shanghai National Accounting Institute\* (上海國家會計學院). From September 2003 to April 2009, he was Deputy Dean of School of Finance of Hunan University\* (湖南大學金融學院). From May 2001 to January 2002, he served as a senior researcher in Shanghai Jin Xin Financial Engineering Research Institute\* (上海金新金融工程研究院). He obtained a master's degree in economics from Hunan University (then known as "Hunan College of Finance and Economics\*") (湖南財經學院(現湖南大學)) in September 2009. He obtained a Ph.D in economics from Fudan University in December 2003. Save as disclosed above, Mr. HE had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

\* For identification purpose only

**Mr. HUANG Yajun (黃亞鈞)**, aged 64, is the independent non-executive Director with effect from 3 February 2017. He is a member of audit committee and remuneration committee of the Company. He is currently the head of the world economy department, School of Economics of Fudan University and a director of Security Institute of Fudan University. He is also an independent director of Donghai Securities (東海證券股份有限公司), an independent director of Shanghai Zi Jiang Enterprise Group Co., Ltd.\* (上海紫江企業集團股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600210), an independent director of Zhongxin Information Development Inc., Ltd. Shanghai\* (上海中信資訊發展股份有限公司), whose shares are listed on the Shanghai Stock Exchange (Stock Code: 300469) and an independent director of Shanxi Yuci Rural Commercial Bank Co. Ltd.\* (山西榆次農商行股份有限公司). He served as Deputy Dean and Dean of School of Economics of Fudan University from July 1992 to December 2000 and Dean of University of Macau from December 2000 to July 2006. He obtained a master's degree in economy from Fudan University in 1985 and a doctor's degree in economy from West Virginia University in 1992. Save as disclosed above, Mr. HUANG had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

**Mr. Robert CHAN Tze Leung (陳子亮)**, aged 70, was appointed as independent non-executive Director in October 2011. He is a member of the remuneration committee of the Company. Mr. CHAN was the chief executive officer of United Overseas Bank Limited, Hong Kong until his retirement in December 2011. He is an experienced banker with almost 40 years of experience in commercial and investment banking. Mr. CHAN is an independent non-executive director of Hutchison Port Holdings Management Pte. Limited, a trustee-manager of Hutchison Port Holdings Trust which is listed in Singapore and a non-executive director of Sibanye Gold Limited, a company listed in Johannesburg and its American Depositary Receipt (ADR) are traded on the New York Stock Exchange. He has resigned as an independent non-executive director of Gold One International Limited in May 2014 following the company's voluntary delisting in the Australian Securities Exchange and the Johannesburg Stock Exchange in January 2014 but remains a public company and retired from Noble Group Limited, a company listed in Singapore as independent non-executive director from April 2017. He is also a senior adviser to Long March Capital Limited, a fund management company based in Beijing and Shanghai in partnership with leading Chinese institutions including CITIC Group. He is currently chairman (non-executive director) of The Hour Glass (HK) Limited. He holds the Bachelor of Science (Economic) Honours from the University of London and a Master of Business Administration from the University of Liverpool and is a fellow of the Hong Kong Institute of Directors. Save as disclosed above, Mr. CHAN had not held any directorships in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date.

\* For identification purpose only

*Senior Management*

**Mr. Adrian John BRADBURY**, aged 53, is the Managing Director, Head of Mergers and Acquisitions and Private Equity of Quam Capital Limited. He is a responsible officer for Type 6 regulated activity under the SFO for Quam Capital Limited. Mr. BRADBURY graduated from the University of Manchester with a degree in Civil Engineering. He has been associated with Quam Capital Limited since 1999. He is a fellow member of the Institute of Chartered Accountants in England and Wales.

**Mr. Calvin CHIU Chun Kit**, aged 46, is the Deputy Chief Executive Officer of the securities and futures businesses of the Group. He is a responsible officer for Types 1, 2 and 9 regulated activities under the SFO for Quam Securities Company Limited. He joined the Group in 2002.

**Mr. Christopher CHOY Kwong Wa**, aged 53, is the Chief Investment Officer of the asset management business of the Group. He is a responsible officer for Types 4 and 9 regulated activities under the SFO for Quam Asset Management Limited. He joined the Group in 2006. Mr. CHOY has more than 20 years of experience in the investment industry and over 10 years of experience in the alternative investment management field. He holds a Bachelor of Arts (Honours) Degree from the Loughborough University of Technology and a Master of Business Administration from the Asia International Open University (Macau).

**Ms. Hortense CHEUNG Ho Sze**, aged 42, is the Company Secretary to the Company. She joined the Group in 2007. Ms. CHEUNG has over 10 years of experience in handling listed company secretarial matters and is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom.

**Ms. HUNG Chun Yee**, aged 46, is the Managing Director and Head of Advisory of Quam Capital Limited. She is a responsible officer for Type 6 regulated activity under the SFO for Quam Capital Limited. She joined the Group in 2002. Ms. HUNG has extensive experience in corporate finance. She is a member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Jane CHAN Ching Yin**, aged 36, is the Managing Director of Quam (H.K.) Limited, in charge of the sales, marketing and operations of Quamnet website business. She joined the company in 2008 and rejoined again in 2012. She has extensive experience in the field of internal and external communication, public relations and marketing.

**Mr. Kevin Graeme SEW HOY**, aged 50, is the Chief Financial Officer to the Group and a Managing Director of Quam Securities Company Limited. He joined the Company in 2001 and had also held the post of Company Secretary of the Company from November 2001 to March 2008. Mr. SEW HOY has over 20 years of experience in audit, compliance and corporate secretarial services. He graduated from the University of Otago, New Zealand with a Degree in

Commerce and further completed a Master of Business Administration from the University of South Australia. Mr. SEW HOY is a member of Chartered Accountants Australia and New Zealand and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member and the honorary treasurer of the New Zealand Chamber of Commerce in Hong Kong since 2006.

**Ms. LAM Yik Fun**, aged 49, is the Chief Operating Officer of asset management business of the Group, overseeing its middle office administration, institutional sales and investor relations. She joined the Group in March 2017, and has over 25 years of experiences in investments, pension schemes advisory and wealth management solutions. Ms. LAM graduated from City University of Hong Kong with B.A (Hons.) Degree in Public and Social Administration and further completed her Master degree in Applied Finance from University of Western Sydney. Recently in 2017, she has awarded with an International Diploma in Governance, Risk and Compliance by International Compliance Association.

**Mr. Philip CHOI Lai Sang**, aged 55, is Head of Information Technology of the Group. He joined the Group in 2007. Mr. CHOI graduated from the University of Saskatchewan with a Bachelor of Science in Computer Science. He has more than 25 years of extensive experience in information technology industry.

**Mr. Sherman CHIU Hin Fung**, aged 41, is the Director and Head of Equity Capital Markets. He is a responsible officer for Types 1 and 6 regulated activities under the SFO for Quam Securities Company Limited. He joined the Group in April 2014. He has over 10 years of experiences in equity capital markets. He holds a Bachelor of Commerce majoring in Accounting and Finance from Murdoch University, Australia and a Master of Business Administration from Deakin University, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

**Mr. TANG Kwok Chuen**, aged 48, is the Executive Director of Private Client Service of the securities and futures businesses of the Group. He is a responsible officer for Types 1 and 2 regulated activities under the SFO for Quam Securities Company Limited. He joined the Group in 2006.

**Mr. TSANG Chung Him**, aged 45, joined the Company in 2007 as the Head of Compliance. He acted as Company Secretary to the Group from April 2008 to October 2015. He has extensive experience of compliance in the financial industry. He worked for the Securities and Futures Commission and several major financial groups. Mr. TSANG holds a Bachelor of Social Sciences and a Master of Laws from The University of Hong Kong and the professional designations of Chartered Financial Analyst, Certified Public Accountant and Financial Risk Manager.

**Ms. TSUI Ka Chi**, aged 47, is the Group Human Resources Manager of the Group. She is responsible for overseeing the overall human resources management and administration of the Group. She joined the Group in 2006. Ms. TSUI has more than 10 years of experience in human resources and administration and is a professional member of the Hong Kong Institute of Human Resource Management.

**Ms. TU Hong Ying**, aged 43, is the Consultant of the Group. She received her Master of Business Administration from Emory University, Atlanta, the United States. Her first degree is in computer science. She has spent her early years in business consulting. While returning to Hong Kong, she was participated in assisting Chinese companies to list in Hong Kong market. Ms. TU joined the group in 2007 and has been actively developing the Group's presence in China. She has extensive experience in marketing and business development. Her recent focus is on Shanghai-Hong Kong Stock Connect and cross boarder mergers and acquisitions initiatives.

Save as disclosed above, all the senior management had not held any directorship in other publicly listed companies whether in Hong Kong or overseas in the past three years preceding the Latest Practicable Date and had no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company as at the Latest Practicable Date.

#### **10. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which were not expiring and determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### **11. EXPENSES**

The expenses in connection with the Rights Issue, including underwriting commission, financial advisers' fees, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$6,397,000, which are payable by the Company.

#### **12. GENERAL**

The English language text of this circular shall prevail over the respective Chinese language text, in case of any inconsistency.

**13. DOCUMENT AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (other than Saturdays, Sundays and public holidays) at 18th Floor, China Building, 29 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the two years ended 31 March 2015 and 31 March 2016;
- (iii) the interim report of the Company for the six months ended 30 September 2016;
- (iv) the "Letter from Kingsway Capital", the text of which is set out on pages 32 to 56 of this circular;
- (v) the "Letter from the Independent Board Committee", the text of which is set out on pages 30 to 31 of this circular;
- (vi) the accountants' report on the unaudited pro forma financial information of the Group issued by BDO Limited set out in Appendix II to this circular;
- (vii) the material contracts (including the Underwriting Agreement) as referred to in the paragraph headed "5. Material Contracts" in this appendix; and
- (viii) the written consents referred to in the paragraph headed "7. Qualification and Consent of the Experts" in this appendix.





**QUAM LIMITED**

**華富國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 952)**

## **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** a special general meeting (the “**SGM**”) of Quam Limited (the “**Company**”) will be held at Victoria Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Thursday, 29 June 2017 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

### **A. ORDINARY RESOLUTION**

“**THAT:**

- 1) the underwriting agreement dated 28 April 2017 (the “**Underwriting Agreement**”) entered into between the Company as issuer and Oceanwide Holdings International Financial Development Co., Ltd and Guotai Junan Securities (Hong Kong) Limited (the “**Underwriters**”) as underwriters (a copy of the Underwriting Agreement, which has been produced to the SGM marked “**A**” and initialled by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder (including but not limited to the arrangement for the taking up of the unsubscribed new shares of the Company (the “**Shares**”) to be allotted and issued under the Rights Issue as defined below, if any, by the Underwriters) be and are hereby approved, confirmed and ratified;
- 2) subject to: (a) the Underwriting Agreement becoming unconditional and the Underwriting Agreement not having been terminated by the Underwriters in accordance with the terms thereof; and (b) The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting its permission for the listing of the Rights Shares as defined below (in their nil-paid and fully-paid forms) and for dealing in the Rights Shares (in their nil-paid and fully-paid forms) on the Main Board of the Stock Exchange and that such permission has not been withdrawn or revoked by the Posting Date (as defined in the circular),
  - (i) the issue by way of rights (the “**Rights Issue**”) to the shareholders of the Company (the “**Shareholders**”) other than the Excluded Shareholders (as defined below) whose names appear on the register of members of the Company on 13 July 2017 or such other date as the Company and the Underwriters may agree by reference to which entitlements to the Rights

\* For identification purpose only



---

## NOTICE OF SGM

---

Issue are to be determined (the “**Record Date**”) (the “**Qualifying Shareholders**”) of 4,666,536,915 Shares (assuming no further issue or repurchase of Shares on or before the Record Date) (each a “**Rights Share**”) at the subscription price of HK\$1.10 per Rights Share on the basis of three Rights Shares for every one Share then held by the Qualifying Shareholders on the Record Date be and is hereby approved; and

- (ii) the board (the “**Board**”) of Directors (or its duly constituted committee) be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid and fully-paid forms) pursuant to the Rights Issue provided that in the case of Shareholders whose addresses as shown on the register of members of the Company at the close of business on the Record Date are in any place outside Hong Kong and upon making enquiries and seeking advice of the Company’s legal advisers, the Directors consider it necessary or expedient not to offer the Rights Shares to such Shareholders (the “**Excluded Shareholders**”) having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in that place, the Rights Shares shall not be issued to the Excluded Shareholders but shall be aggregated and issued to a nominee to be named by the Company in nil-paid form and such Rights Shares shall be sold in the open market as soon as practicable after dealings in Rights Shares in their nil-paid form commence and the net proceeds of sale of such nil-paid Rights Shares (after deducting the expenses of sale, if any) which would otherwise have been provisionally allotted to the Excluded Shareholders shall be distributed pro rata (but rounded down to the nearest cent) to the Excluded Shareholders provided that individual amounts of less than HK\$100 shall be retained by the Company for its own benefit. Any such nil-paid Rights Shares which are not sold as aforesaid will be made available for excess application by the Qualifying Shareholders in accordance with the provisions of the circular; and
- 3) the Board (or its duly constituted committee) be and is hereby authorised to sign and execute such documents and do all such acts and things as it considers necessary, desirable or expedient in connection with or incidental to the implementation of or giving effect to the Rights Issue (including making such other exclusions or arrangements in relation to the Excluded Shareholders), the Underwriting Agreement and the transactions contemplated thereunder and to make or agree such variations, amendments or waiver as may in its discretion consider to be desirable and in the interests of the Company.”

---

## NOTICE OF SGM

---

### B. SPECIAL RESOLUTION

“**THAT** subject to and conditional upon the approval of the Registrar of Companies in Bermuda being obtained, the English name of the Company be changed from “Quam Limited” to “China Oceanwide International Financial Limited”, and the Chinese name “中國泛海國際金融有限公司” be adopted as the secondary name of the Company to replace its existing Chinese name “華富國際控股有限公司” (which has been used for identification purposes only) (collectively, the “**Change of Company Name**”) and that the Directors be and are hereby authorised to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or to implement the Change of Company Name.”

By Order of the Board  
**Quam Limited**  
**Hortense CHEUNG Ho Sze**  
*Company Secretary*

Hong Kong, 31 May 2017

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place of  
Business in Hong Kong:*  
18th and 19th Floors  
China Building  
29 Queen’s Road Central  
Hong Kong

*Notes:*

1. A proxy form to be used for the SGM is enclosed with the circular dated 31 May 2017 issued by the Company.
2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
3. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire. In the event that you attend the SGM after having deposited a form of proxy, your form of proxy shall be deemed to be revoked.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or institution, either under its common seal, or under the hand of any officer or attorney or other person, duly authorised; and the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

---

## NOTICE OF SGM

---

5. In the case of joint holders, any one of such joint holders may attend and vote at the SGM either personally or by proxy, but if more than one of such joint holders are present at the above meeting, the vote, whether personally or by proxy, of the said persons so present whose name stands first by the order stand in the register of members in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint holders.
6. The above resolutions will be put to vote at the SGM by way of poll.

*As at the date of this notice, the Board comprises seven executive directors, namely Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. Bernard POULIOT, Mr. ZHANG Xifang, Mr. LIU Hongwei, Mr. Kenneth LAM Kin Hing and Mr. Richard David WINTER; three non-executive directors, namely Mr. LIU Bing, Mr. FENG Henian and Mr. ZHAO Xiaoxia; and five independent non-executive directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui, Mr. HUANG Yajun and Mr. Robert CHAN Tze Leung.*