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**ZHONGTAI INTERNATIONAL
INVESTMENT GROUP LIMITED**

中泰國際投資集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

QUALI-SMART HOLDINGS LIMITED

滙達富控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1348)

JOINT ANNOUNCEMENT

**(I) PROPOSED SUBSCRIPTION OF NEW SHARES IN
QUALI-SMART HOLDINGS LIMITED BY THE SUBSCRIBERS;**

**(II) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS BY
ZHONGTAI INTERNATIONAL CAPITAL LIMITED AND
WELL LINK INTERNATIONAL CAPITAL LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES
AND ALL OUTSTANDING CONVERTIBLE NOTES, AND TO
CANCEL ALL OUTSTANDING SHARE OPTIONS, OF
QUALI-SMART HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT);**

**(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF
QUALI-SMART HOLDINGS LIMITED;**

AND

**(IV) DISCLOSEABLE AND CONNECTED TRANSACTIONS –
PROPOSED ACQUISITIONS OF THE ZTI COMPANIES**

Joint financial advisers to the Offeror

Financial adviser to the Company



BALLAS
C A P I T A L

(I) THE SUBSCRIPTION AGREEMENT

On 23 February 2018, the Company and the Subscribers entered into the Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 Shares, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, for an aggregate consideration of HK\$799,346,800 in cash at the Subscription Price of HK\$0.35 per Subscription Share. Under the Subscription, (i) the Offeror will subscribe for 1,722,436,000 Shares (representing approximately 116.84% of the issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$602,852,600; (ii) Subscriber A will subscribe for 186,356,000 Shares (representing approximately 12.64% of the issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$65,224,600; and (iii) Subscriber B will subscribe for 375,056,000 Shares (representing approximately 25.44% of the issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$131,269,600. Completion is conditional upon the satisfaction or waiver of the Subscription Conditions as described in the section headed “(I) The Subscription – The Subscription Agreement – Conditions precedent” of this joint announcement on or before the Long Stop Date.

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

The Subscription Shares represent (i) approximately 154.92% of the issued share capital of the Company as at the date of this joint announcement; (ii) approximately 60.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (iii) approximately 54.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming all of the outstanding Share Options and Convertible Notes will be exercised and converted but no other Shares will be allotted or issued at or prior to Completion). The net proceeds of the Subscription are estimated to be approximately HK\$794,000,000 which will be used as set out under the paragraph headed “(I) The Subscription – The Subscription Agreement – Intended use of proceeds” of this joint announcement.

(II) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

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

Immediately following Completion, the Offeror and its Concert Parties (including Subscriber A and Subscriber B and their respective Concert Parties) will be interested in a total of 2,283,848,000 issued Shares, representing (i) approximately 60.77% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (ii) approximately 58.64% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and assuming all the Share Options (except the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion).

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

The Share Offer

For each Offer Share HK\$0.71 in cash

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

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

The Option Offer

- (A) In respect of 50,400,000 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$1.02 per Share:

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

- (B) In respect of 90,511,600 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$0.748 per Share:

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

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

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

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

The CN Offer

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

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

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

Irrevocable undertakings

On 23 February 2018, Smart Investor, Mr Lau and Madam Li have executed the Irrevocable Undertakings in favour of the Offeror, pursuant to which each of Smart Investor, Mr Lau and Madam Li has undertaken to the Offeror, among other things, (i) to accept the Share Offer and/or the Option Offer (as the case may be); and (ii) to vote in favour of the resolutions approving the Subscription, the ZTI Acquisitions and the relevant matters, to the extent permitted under the Listing Rules and permitted by the Stock Exchange.

On 23 February 2018, Benefit Global has executed the CN Irrevocable Undertakings in favour of the Offeror, pursuant to which Benefit Global has undertaken to the Offeror, among other things, (i) to accept the CN Offer; and (ii) not to exercise its rights attaching to any of the Convertible Notes to convert all or any of the Convertible Notes into Shares prior to the close of the Offers.

Further details in respect of the Irrevocable Undertakings and the CN Irrevocable Undertakings are set out in the section headed “(II) Possible unconditional mandatory cash offers – Irrevocable undertakings” of this joint announcement.

Value of the Offers

The Share Offer

As at the date of this joint announcement, there are 1,474,232,000 outstanding Shares in issue, none of which is already held or agreed to be acquired by the Offeror and any of its Concert Parties. For such 1,474,232,000 outstanding Shares, the value of the Share Offer will be HK\$1,046,704,720 assuming that there is no change in the share capital of the Company before the Offer Closing Date, save for the Subscription.

Assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised and new Shares will be allotted and issued as a result of such exercise before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,610,863,600 in aggregate. The value of the Share Offer will be HK\$1,143,713,156, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription and the exercise of the Share Options as aforesaid.

Assuming all outstanding Share Options (including the Lau Options and the Li Options) and Convertible Notes will be exercised and converted, and new Shares will be allotted and issued as a result of such exercise and conversion before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,898,314,881 in aggregate. The value of the Share Offer will be approximately HK\$1,347,803,566, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription and the exercise of the Share Options and conversion of the Convertible Notes as aforesaid.

The Option Offer

Assuming that no Share Option will be exercised before the Offer Closing Date, the total consideration required to satisfy the cancellation of all the outstanding Share Options will be approximately HK\$542,678.

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

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

The CN Offer

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

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

Aggregate value of the Offers

Based on the above, the Offers are in aggregate valued at a maximum of approximately HK\$1,347,803,566.

Confirmation of financial resources

ZTI Capital and WLI Capital have been appointed as the joint financial advisers to the Offeror in respect of the Offers. ZTI Capital and WLI Capital are satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration for the Offeror Subscription Shares pursuant to the Subscription Agreement and its maximum payment obligation upon full acceptance of the Offers.

(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this joint announcement, the existing authorised share capital of the Company is US\$75,000 divided into 3,000,000,000 Shares of which 1,474,232,000 Shares are in issue and fully paid or credited as fully paid. In light of the Subscription and in order to accommodate for future expansion and growth of the Company and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from US\$75,000 (divided into 3,000,000,000 Shares) to US\$150,000 (divided into 6,000,000,000 Shares) by the creation of an additional 3,000,000,000 Shares which shall rank pari passu in all respects with the existing Shares in issue. The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

(IV) DISCLOSEABLE AND CONNECTED TRANSACTIONS – PROPOSED ACQUISITIONS OF THE ZTI COMPANIES

On 23 February 2018, the Company (as purchaser) and ZTI Financial (as vendor) entered into the ZTI Capital Agreement pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of ZTI Capital at completion of the ZTI Agreements for a consideration of HK\$30,000,000.

On 23 February 2018, the Company (as purchaser) and Zhongtai Financial International (as vendor) entered into the ZTI Asset Management Agreement pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of ZTI Asset Management at completion of the ZTI Agreements for a consideration of HK\$102,000,000.

Completion of the ZTI Agreements is subject to the satisfaction or waiver of the conditions precedent of the relevant ZTI Agreements as described in the section headed “(IV) Discloseable and connected transactions – Proposed acquisitions of the ZTI Companies – Conditions precedent” of this joint announcement, including without limitation, all Subscription Conditions having been fulfilled or waived.

Listing Rules implications

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

As one or more of the applicable percentage ratios of the ZTI Acquisitions in aggregate exceeds 5% but all of them are less than 25%, the entering into of the ZTI Agreements and the ZTI Acquisitions also constitute discloseable transactions for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

EGM

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

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in such matters and therefore no Shareholder is required to abstain from voting in relation to the resolutions concerning the Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder, including but not limited to the Specific Mandate for the allotment and issue of the Subscription Shares, and the Increase in Authorised Share Capital to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder; (ii) further details about the Increase in Authorised Share Capital; (iii) the recommendations of the Independent Board Committee (Acquisitions) to the Independent Shareholders regarding the terms of the ZTI Agreements and the transactions contemplated thereunder; (iv) a letter from the independent financial adviser containing its advice to the Independent Board Committee (Acquisitions) and the Independent Shareholders regarding the terms of the ZTI Agreements and the transactions contemplated thereunder; and (v) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 29 March 2018, as additional time is required for preparing the relevant information to be included in the circular.

Independent board committees and independent financial adviser

An Independent Board Committee (Offers) comprising all the non-executive Directors (namely Madam Li, Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward) has been established by the Board for the purpose of making recommendations to the Shareholders, the Optionholders and the CN Holder as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptance of the Offers. An Independent Board Committee (Acquisitions) comprising all the independent non-executive Directors (namely Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward) has been established by the Board for the purpose of advising the Independent Shareholders on the ZTI Agreements and the transactions contemplated thereunder. Madam Li directly holds 9,600,000 Shares and is interested in 482,864,000 Shares held by Smart Investor. Madam Li also holds 1,400,000 outstanding Share Options in respect of 1,400,000 Shares. Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward respectively hold 2,800,000, 2,800,000 and 1,400,000 outstanding Share Options in respect of 2,800,000, 2,800,000 and 1,400,000 Shares.

An independent financial adviser will be appointed to advise (i) the Independent Board Committee (Offers) and the Shareholders, the Optionholders and the CN Holder in relation to the Offers and in particular whether the Offers are fair and reasonable and as to the acceptance of the Offers; and (ii) the Independent Board Committee (Acquisitions) and the Independent Shareholders in relation to the terms of the ZTI Agreements and the transactions contemplated thereunder. Further announcement will be made by the Company upon the appointment of the independent financial adviser. The recommendation of the Independent Board Committee (Offers), the recommendation of the Independent Board Committee (Acquisitions) and the advice of the independent financial adviser to be appointed in respect of the Offers and the ZTI Acquisitions will be respectively included in the Composite Document and a circular of the Company (as the case may be) to be despatched to the Shareholders.

Despatch of the Composite Document

It is the intention of the Offeror and the Company to combine the offer document with the response document in the Composite Document.

The Composite Document containing, among other things, details of the Offers (including the expected timetable in relation to the Offers), a letter from the Independent Board Committee (Offers) and a letter from the independent financial adviser in relation to the Offers, together with the relevant forms of acceptance and transfer, is required to be despatched to the Shareholders, the Optionholders and the CN Holder within 21 days of this joint announcement or such other date as may be permitted by the Takeovers Code and agreed by the Executive and in compliance with the requirements of the Takeovers Code and other applicable regulations. As the making of the Offers is subject to Completion, which is expected to be unable to be satisfied within the time period contemplated by Rule 8.2 of the Takeovers Code, an application will be made by the Offeror for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the offer document within 7 days after the Completion.

WARNING

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

(I) THE SUBSCRIPTION

On 23 February 2018, the Company and the Subscribers entered into the Subscription Agreement pursuant to which the Company conditionally agreed to allot and issue, and the Subscribers conditionally agreed to subscribe for, an aggregate of 2,283,848,000 Shares, free from all Encumbrances and together with all rights and benefits attaching to them at Completion and thereafter, for an aggregate consideration of HK\$799,346,800 in cash at the Subscription Price of HK\$0.35 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are summarised below.

Date : 23 February 2018

Issuer : the Company

- Subscribers : (i) Zhongtai International Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability;
- (ii) Taifu Capital Investments Limited, a company incorporated in the British Virgin Islands with limited liability; and
- (iii) Great Boom Group Limited, a company incorporated in the British Virgin Islands with limited liability.

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

Subscription Shares

Under the Subscription, (i) the Offeror will subscribe for 1,722,436,000 Shares (representing approximately 116.84% of the issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$602,852,600; (ii) Subscriber A will subscribe for 186,356,000 Shares (representing approximately 12.64% of the issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$65,224,600; and (iii) Subscriber B will subscribe for 375,056,000 Shares (representing approximately 25.44% of the issued share capital of the Company as at the date of this joint announcement) for a consideration of HK\$131,269,600.

The Subscription Shares represent:

- (i) approximately 154.92% of the issued share capital of the Company as at the date of this joint announcement;
- (ii) approximately 60.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and
- (iii) approximately 54.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming all of the outstanding Share Options and Convertible Notes will be exercised and converted but no other Shares will be allotted or issued at or prior to Completion).

The aggregate nominal value of the Subscription Shares is US\$57,096.2.

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

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

Subscription Price

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

- (i) a discount of approximately 40.7% to the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on 23 February 2018, being the Last Trading Day;
- (ii) a discount of approximately 39.7% to the average of closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.58 per Share;
- (iii) a discount of approximately 38.6% to the average of closing prices as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.57 per Share;
- (iv) a premium of approximately 22.3% over the audited consolidated net asset value of the Group of approximately HK\$0.2862 per Share as at 31 March 2017 (based on the audited consolidated net asset value of the Group as at 31 March 2017 of approximately HK\$421,859,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement); and
- (v) a premium of approximately 13.8% over the unaudited consolidated net asset value of the Group of approximately HK\$0.3076 per Share as at 30 September 2017 (based on the unaudited consolidated net asset value of the Group as at 30 September 2017 of approximately HK\$453,459,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers which had taken into account, among other things, the recent financial performance of the Group, in particular the continued loss-making position of the Group and the unaudited consolidated net asset value of the Company as at 30 September 2017.

The total consideration for the Subscription Shares of HK\$799,346,800 shall be payable in cash by the Subscribers upon Completion.

Conditions precedent

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

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

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

- (q) up to the Completion Date, there being no non-compliance or breach (or any event which would result in potential non-compliance or breach) by the Company or other members of the Group of the terms of any binding agreements, obligations or instruments (including but not limited to any change of control restriction on the Company) or any approvals obtained by them, which result in any material adverse change or material adverse effect to the Group as a whole.

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

For the avoidance of doubt, Completion is not conditional upon the completion of the ZTI Acquisitions.

As at the date of this joint announcement, save for condition (a), none of the Subscription Conditions has been satisfied. In respect of condition (b), as at the date of this joint announcement, the PRC legal adviser for the Offeror is in the course of preparing the relevant submission materials for the purposes of obtaining the required approvals, and the relevant submissions will be made shortly after the issuance of this joint announcement.

Other material terms

- (a) Subject to compliance with the Listing Rules, the Takeovers Code and the memorandum and articles of association of the Company, the Offeror is entitled, before Completion, to request the Board to consider the appointment of the persons nominated by the Offeror as Directors, effective on the later of the Completion Date and the earliest date permitted under the Takeovers Code.
- (b) On or before 30 April 2018 (or such later date as the Offeror may agree), the Company shall prepare, and deliver to the Offeror, the Audited Interim Account.
- (c) As at the Completion Date, (i) the unaudited consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) will not be less than the audited consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) as at 31 January 2018 as shown in the Audited Interim Account, and (ii) the consolidated cash and bank balance of the Group will not be less than HK\$145,000,000. In the event that the unaudited consolidated tangible net asset value and/or the consolidated cash and bank balance of the Group as at the Completion Date fall(s) below the respective guaranteed amounts set out in (i) and (ii) in this paragraph (c) and such shortfall has been made good by Mr Lau and/or Smart Investor by way of top-up arrangement to the Offeror in accordance with the terms and provisions under the Irrevocable Undertakings, such shortfall shall not be regarded as a breach of the Subscription Agreement.

Completion of the Subscription

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

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

Unless the subscription for all Subscription Shares completes simultaneously, the Subscribers do not have any obligations but have rights to complete the subscription of their respective Subscription Shares. In the event that the Offeror does not complete the subscription of the Offeror Subscription Shares, the Subscription will not proceed and neither Subscriber A nor Subscriber B will complete the subscription of their respective Subscription Shares. For the avoidance of doubt, whether or not Subscriber A or Subscriber B will complete their subscription of the relevant Subscription Shares, neither the Company's obligation to issue the Offeror Subscription Shares nor the Offeror's right to subscribe for the Offeror Subscription Shares will be affected.

Termination of the Subscription Agreement

- (a) If any of the Subscription Conditions is not satisfied or waived on or before the Long Stop Date, any party to the Subscription Agreement may terminate the Subscription Agreement by written notice to the other parties, save for certain surviving clauses relating to confidentiality, notice and other miscellaneous provisions as specified therein and save for any antecedent breach of any provisions therein.
- (b) If (i) the Company fails to deliver the Audited Interim Account to the Offeror on or before 30 April 2018 (or such later date as the Offeror may agree), or (ii) the Audited Interim Account reflects a financial position of the Group being worse than that shown in the due diligence materials provided to the Offeror before the date of the Subscription Agreement, the Offeror shall be entitled, but not obliged, to terminate the Subscription Agreement by notice to the Company.
- (c) In the event that any party to the Subscription Agreement is unable to comply with any of its obligations in respect of Completion under the Subscription Agreement (regardless of whether such non-compliance constitutes a repudiatory breach), other parties to the Subscription Agreement may terminate the Subscription Agreement by written notice to the other parties, save for certain surviving clauses relating to confidentiality, notice and other miscellaneous provisions as specified therein and save for any antecedent breach of any provisions therein.

Intended use of proceeds

The gross proceeds of the Subscription are HK\$799,346,800 and the net proceeds of the Subscription are approximately HK\$794,000,000. The difference of the gross proceeds and net proceeds of the Subscription, which amounts to approximately HK\$5,346,800, comprises the estimated expenses of the Company for the Subscription and the Offers, including financial advisory fees, legal fees, audit fees, fees payable to independent financial adviser, printer fees and other miscellaneous expenses which may be incurred by the Company in connection with the Subscription and the Offers. On such basis, the net issue price per Subscription Share is approximately HK\$0.35. Following discussions between the Subscribers and the Company, it is intended that the net proceeds from the Subscription will be applied in the manner stated below:

- (a) approximately HK\$132,000,000 will be used for settling the consideration of the ZTI Acquisitions;
- (b) approximately HK\$550,000,000 will be used for the expansion of the Group's financial services business under the Crosby Group, in particular for (i) providing more funding to expand its margin financing business, underwriting and placement of securities in both IPO projects and fund raising of listed companies in anticipation of the recent market development and opportunities; and (ii) developing its principal investment business in potential pre-IPO projects or other investment projects as the Company expects more deal origination for such business arisen from the business opportunities as a result of the Shanghai and Shenzhen Stock-Connect channels, the Belt and Road initiative and the latest listing reform initiatives in Hong Kong; and
- (c) the remaining balance will be used as the general working capital of the Group for daily operations.

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

References are made to the announcements of the Company dated 2 May 2017, 11 May 2017, 22 May 2017 and 2 June 2017 in relation to the issue and subscription of 6% convertible notes in the aggregate principal amount of HK\$110,000,000 due 2020 by the Company. The gross and net proceeds from the CN Subscriptions were approximately HK\$110,000,000 and approximately HK\$110,000,000, respectively. The net proceeds from the CN Subscriptions were used as intended as to (i) approximately HK\$58,000,000 for the repayment of the liabilities of the Group; and (ii) approximately HK\$52,000,000 for the expansion and working capital of the Group's financial services business under the Crosby Group.

(II) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS

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

Immediately following Completion, the Offeror and its Concert Parties (including Subscriber A and Subscriber B and their respective Concert Parties) will be interested in a total of 2,283,848,000 issued Shares, representing (i) approximately 60.77% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and assuming no outstanding Share Options or Convertible Notes will be exercised or converted and no other Shares will be allotted or issued at or prior to Completion); and (ii) approximately 58.64% of the enlarged issued share capital of the Company (as enlarged by the Subscription Shares and assuming all the Share Options (except the Lau Options and the Li Options) will be exercised but no Convertible Notes will be converted and no other Shares will be allotted or issued at or prior to Completion).

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

As at the date of this joint announcement, there are 1,474,232,000 Shares in issue and 142,031,600 outstanding Share Options in respect of 142,031,600 Shares. The respective exercise prices of the outstanding Share Options and the period in which they are exercisable are as follows:

Exercise price (HK\$)	Number of outstanding Share Options	Exercise period
1.02	50,400,000	From 3 July 2015 to 2 July 2025
0.748	90,511,600	From 24 March 2016 to 23 March 2026
0.25	1,120,000	From 17 March 2014 to 16 March 2024

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

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

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

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

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

The Share Offer

For each Offer Share HK\$0.71 in cash

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

The Share Offer Price

Under the Share Offer, the Share Offer Price represents:

- (a) a premium of approximately 20.3% over the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on 23 February 2018, being the Last Trading Day;
- (b) a premium of approximately 22.4% over the average of the closing prices as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.58 per Share;
- (c) a premium of approximately 24.6% over the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.57 per Share;
- (d) a premium of approximately 29.1% over the average of the closing prices as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.55 per Share;

- (e) a premium of approximately 148.1% over the audited consolidated net asset value of the Group of approximately HK\$0.2862 per Share as at 31 March 2017 (based on the audited consolidated net asset value of the Group as at 31 March 2017 of approximately HK\$421,859,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement);
- (f) a premium of approximately 130.8% over the unaudited consolidated net asset value of the Group of approximately HK\$0.3076 per Share as at 30 September 2017 (based on the unaudited consolidated net asset value of the Group as at 30 September 2017 of approximately HK\$453,459,000 and 1,474,232,000 Shares in issue as at the date of this joint announcement); and
- (g) a premium of approximately 102.9% over the Subscription Price.

In relation to the Share Offer Price, the Offeror considers that a premium of the Share Offer Price to the Subscription Price would be fair and reasonable and the Share Offer Price was arrived at after taking into account, among others, (i) the proposed allotment and issue of the Subscription Shares, which represents approximately 154.92% of the existing issued share capital of the Company, will result in dilution of the shareholding interests of the existing Shareholders; (ii) such premium to the Subscription Price and to the recent market price of the Shares may be a sweetener to the Shareholders when considering their voting decisions for the Subscription and other resolutions to be proposed at the EGM, which will in turn facilitate the collaboration and expansion of the financial services division of the Group; and (iii) such premium would compensate the Shareholders who decide to accept the Share Offer and would therefore not be able to enjoy the synergy effect among the Group, Zhongtai Securities and Zhongtai Financial International.

Highest and lowest closing prices of the Shares

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

	Share price (HK\$)	Date quoted on Stock Exchange
Highest	0.60	25 September 2017
Lowest	0.47	4 January 2018

The Option Offer

- (A) In respect of 50,400,000 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$1.02 per Share:

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

- (B) In respect of 90,511,600 Share Options, each entitling the holder to subscribe for one Share at an exercise price of HK\$0.748 per Share:

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

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

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

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

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

The CN Offer

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

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

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

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

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

Irrevocable undertakings

Irrevocable undertakings in relation to the Shares and the Share Options

As at the date of this joint announcement, (i) Smart Investor, Mr Lau and Madam Li are legally and beneficially interested in 482,864,000 Shares, 9,600,000 Shares and 9,600,000 Shares, representing approximately 32.75%, 0.65% and 0.65% of the existing issued share capital of the Company, respectively; and (ii) Mr Lau and Madam Li hold 4,000,000 Share Options and 1,400,000 Share Options respectively.

On 23 February 2018, Smart Investor, Mr Lau and Madam Li executed the Irrevocable Undertakings in favour of the Offeror, details of which are briefly summarised below.

Pursuant to the Irrevocable Undertakings, Smart Investor has unconditionally and irrevocably undertaken to the Offeror that:

- (a) it will accept the Share Offer in connection with all of the Smart Investor Shares within five business days after the despatch of the Composite Document; and
- (b) it will continue to be the sole beneficial owner of all of the Smart Investor Shares; and other than accepting the Share Offer, it will not directly or indirectly sell, dispose of or transfer, or engage in any discussion or negotiation to sell, dispose of or transfer the Smart Investor Shares in any manner, or otherwise create any Encumbrance on all or any of the Smart Investor Shares.

Pursuant to the Irrevocable Undertakings, Mr Lau has undertaken to the Offeror that,

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

Pursuant to the Irrevocable Undertakings, Madam Li has undertaken to the Offeror that,

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

Pursuant to the Irrevocable Undertakings,

- (a) each of Smart Investor, Mr Lau and Madam Li has undertaken to vote in favour of the resolutions approving the Subscription, the ZTI Acquisitions and the relevant matters, to the extent permitted under the Listing Rules and permitted by the Stock Exchange;
- (b) each of Smart Investor and Mr Lau has undertaken to the Offeror that:
 - (i) certain corporate guarantees given by the Company (including guarantees executed in favour of banks to secure obligations under facility agreements entered into by members of the Group) will be discharged within 90 days after the Completion Date;
 - (ii) in the event that the Audited Interim Account reflects a financial position of the Group being worse than that shown in the due diligence materials provided to the Offeror before the date of the Subscription Agreement and the Offeror did not elect to terminate the Subscription Agreement, Smart Investor and Mr Lau shall jointly and severally pay to the Offeror such compensation as the Offeror may require upon receipt of the proceeds from the Offers;
 - (iii) as at the Completion Date, the consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) will not be less than the consolidated tangible net asset value of the Group (excluding goodwill and intangible assets and assuming the Convertible Notes have been fully converted) as shown in the Audited Interim Account, and the consolidated cash and bank balance of the Group will not be less than HK\$145,000,000;

- (iv) as at 31 March 2020 (or in the event of any change in the financial year-end date of the Company, the Company's financial year-end date for the 2019/2020 financial year), the combined tangible net asset value of Turbo Gain and Qualiman Industrial (excluding goodwill and intangible assets) will not be less than such amount of combined tangible net asset value of Turbo Gain and Qualiman Industrial (excluding goodwill and intangible assets) as at the Completion Date ^(Note 1);
- (c) in the event that the consolidated tangible net asset value and/or the consolidated cash and bank balance of the Group as at the Completion Date fall(s) below the respective guaranteed amounts set out in paragraph (b)(iii) above, Smart Investor and Mr Lau shall pay the Offeror an amount equivalent to the aggregate of (i) the shortfall for consolidated tangible net asset value; and (ii) the shortfall for consolidated cash and bank balance (where applicable) upon receipt of the proceeds from the Offers; and
- (d) in the event that the combined tangible net asset value of Turbo Gain and Qualiman Industrial as at 31 March 2020 (or in the event of any change in the financial year-end date of the Company, the Company's financial year-end date for the 2019/2020 financial year) falls below the guaranteed amount set out in paragraph (b)(iv) above, Smart Investor and Mr Lau shall pay the Offeror an amount equivalent to such shortfall.

The Irrevocable Undertakings shall terminate if and only if the Subscription Agreement is terminated in accordance with its terms. For further details in respect of the terms relating to termination of the Subscription Agreement, please refer to the section headed “(I) The Subscription – The Subscription Agreement – Termination of the Subscription Agreement” of this joint announcement.

Irrevocable undertakings in relation to the Convertible Notes

As at the date of this joint announcement, Benefit Global is the CN Holder holding all of the Convertible Notes. On 23 February 2018, Benefit Global executed the CN Irrevocable Undertakings in favour of the Offeror, pursuant to which Benefit Global has undertaken to the Offeror that:

- (a) it will not exercise its rights attaching to any of the Convertible Notes to convert all or any of the Convertible Notes into Shares;
- (b) it will accept the CN Offer in connection with all of the Convertible Notes within five business days of the despatch of the Composite Document; and

¹ Turbo Gain is the holding company holding all the issued shares of Qualiman Industrial and has no operations, while Qualiman Industrial is currently one of the key operating subsidiaries of the Group and operates its toy division.

- (c) it will continue to be the sole beneficial owner of all of the Convertible Notes; and other than accepting the CN Offer, it will not directly or indirectly sell, transfer or dispose of, or engage in any discussion or negotiation to sell, transfer or dispose of the Convertible Notes in any manner, or otherwise create any Encumbrance on all or any of the Convertible Notes.

The CN Irrevocable Undertakings shall terminate if the Subscription Agreement is terminated in accordance with its terms.

Save for the Irrevocable Undertakings and the CN Irrevocable Undertakings, the Offeror has not received any indication or irrevocable commitment from any Shareholders or Optionholders or CN Holder.

Value of the Offers

The Share Offer

As at the date of this joint announcement, there are 1,474,232,000 outstanding Shares in issue, all of which are not already held or agreed to be acquired by the Offeror and any of its Concert Parties. For such 1,474,232,000 outstanding Shares, the value of the Share Offer will be HK\$1,046,704,720 assuming that there is no change in the share capital of the Company before the Offer Closing Date, save for the Subscription.

Assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised and new Shares will be allotted and issued as a result of such exercise before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,610,863,600 in aggregate. The value of the Share Offer will be HK\$1,143,713,156, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription and the exercise of the Share Options as aforesaid.

Assuming all outstanding Share Options (including the Lau Options and the Li Options) and Convertible Notes will be exercised and converted, and new Shares will be allotted and issued as a result of such exercise and conversion before the Offer Closing Date, the number of outstanding Shares not already held or agreed to be acquired by the Offeror and any of its Concert Parties (and subject to the Share Offer) will be 1,898,314,881 in aggregate. The value of the Share Offer will be approximately HK\$1,347,803,566, assuming that there will be no change in the share capital of the Company before the Offer Closing Date, save for the Subscription and the exercise of the Share Options and conversion of the Convertible Notes as aforesaid.

The Option Offer

As at the date of this joint announcement, there are 142,031,600 outstanding Share Options conferring the rights to the Optionholders to subscribe for an aggregate of 142,031,600 Shares. As mentioned in the paragraph headed “(II) Possible unconditional mandatory cash offers – Irrevocable undertakings in relation to the Shares and the Share Options” above, each of Mr Lau and Madam Li has irrevocably undertaken that each of them will (i) not exercise any rights attaching to the Lau Options and the Li Options, respectively, prior to the close of the Offers; (ii) not sell, transfer or otherwise dispose of any of the Lau Options and the Li Options, respectively, prior to the close of the Offers; and (iii) will accept the Option Offer for cancellation of the Lau Options and the Li Options, respectively.

Assuming that no Share Option will be exercised before the Offer Closing Date, the total consideration required to satisfy the cancellation of all the outstanding Share Options (including the Lau Options and the Li Options) will be approximately HK\$542,678.

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

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

The CN Offer

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

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

Aggregate value of the Offers

Based on the above, the Offers are in aggregate valued at a maximum of approximately HK\$1,347,803,566.

Confirmation of financial resources

The consideration for the Offeror Subscription Shares payable by the Offeror pursuant to the Subscription Agreement is HK\$602,852,600. Taking into account the Irrevocable Undertakings and the CN Irrevocable Undertakings, the financial resources of the Offeror to satisfy the maximum consideration of the Offers shall amount to HK\$1,343,970,619. The Offeror intends to finance the consideration for the Offeror Subscription Shares and the maximum entire consideration payable under the Offers from its own internal cash resources. Subscriber A and Subscriber B intend to finance their respective consideration of HK\$65,224,600 and HK\$131,269,600 for their respective Subscription Shares from their respective own internal cash resources.

ZTI Capital and WLI Capital have been appointed as the joint financial advisers to the Offeror in respect of the Offers. Save for WLI Capital having been appointed as one of the joint financial advisers to the Offeror, WLI Capital does not have any relationship with the Offeror and its Concert Parties (including Subscriber A, Subscriber B and their respective Concert Parties). ZTI Capital and WLI Capital are satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the consideration for the Offeror Subscription Shares pursuant to the Subscription Agreement and its maximum payment obligation upon full acceptance of the Offers, and that sufficient financial resources are, and will remain, available to each of Subscriber A and Subscriber B to satisfy their respective consideration for their respective Subscription Shares pursuant to the Subscription Agreement as described above.

INFORMATION ON THE GROUP

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

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

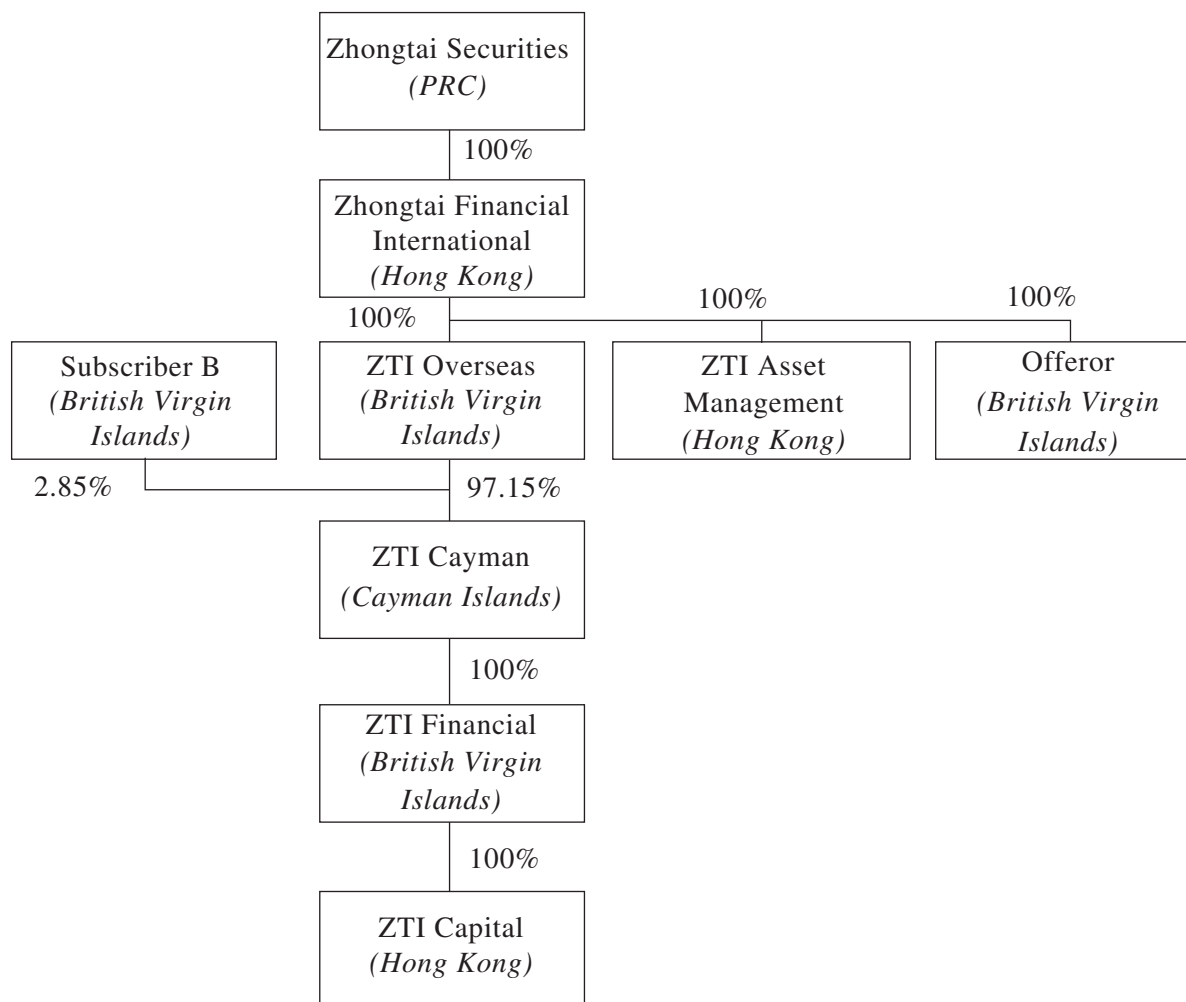
The table below sets forth a summary of the audited consolidated financial information of the Group for each of the two financial years ended 31 March 2016 and 31 March 2017, as extracted from the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual reports for the years ended 31 March 2016 and 2017, respectively; and the unaudited consolidated financial information of the Group for the six months ended 30 September 2017, as extracted from the Company's interim report for the six months ended 30 September 2017:

	For the year ended 31 March		For the six months ended
	2016	2017	30 September
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	770,409	787,704	559,038
Loss before taxation	(72,772)	(93,436)	(17,422)
Loss attributable to the owners of the Company	(77,572)	(94,143)	(19,950)
	As at 31 March		As at
	2016	2017	30 September
			2017
Consolidated net assets	482,348	421,859	453,459
Consolidated balance of cash and cash equivalents	221,633	129,987	240,706

INFORMATION ON THE SUBSCRIBERS

The Offeror

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



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

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

Zhongtai Securities is currently held as to approximately 69.04% in aggregate by six state-owned enterprises, including as to approximately 45.92% by Laiwu Steel Group Ltd.# (萊蕪鋼鐵集團有限公司) (“**Laiwu Steel**”), as to approximately 7.30% by Yankuang Group Co. Ltd.# (兗礦集團有限公司), as to approximately 5.61% by Jigang Group Co. Ltd.# (濟鋼集團有限公司), as to approximately 4.43% by Shandong Luxin Investment Holding Co., Ltd.# (山東省魯信投資控股集團有限公司), as to approximately 3.85% by Xinwen Mining Group Co., Ltd.# (新汶礦業集團有限責任公司), and as to approximately 1.93% by Shandong State-owned Assets Investment Holding Co., Ltd.# (山東省國有資產投資控股有限公司). Other than Laiwu Steel, each of the aforementioned state-owned enterprises which holds interest in Zhongtai Securities is in turn ultimately held as to 70% by Shandong SASAC and 30% by Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會) (“**Shandong SSF**”). Laiwu Steel is held as to 20% by Fujian Xingyin Equity Investment Management Co., Ltd.# (福建興銀股權投資管理有限公司) and 80% by Shandong Iron & Steel Group Co., Ltd.# (山東鋼鐵集團有限公司), which is in turn also held as to 70% by Shandong SASAC and 30% by Shandong SSF. The remaining 30.96% of the issued share capital of Zhongtai Securities is currently held by 34 minority corporate shareholders, each with a shareholding in Zhongtai Securities in the range of 0.02% to 3.85%.

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

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

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

Subscriber A

Subscriber A is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned by 27 individuals as at the date of this joint announcement. Each of such 27 individuals is an existing employee of Zhongtai International Group and most of them are senior management of Zhongtai International Group. Individuals holding more than 5% of the issued share capital of Subscriber A include Mr. Gao Feng, Mr. Lyu Taojiang, Mr. Zhang Yanfeng, Mr. Ren Yanqing and Mr. Han Dong (being the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, and the Director of Investment and Financing and Chief Executive Officer for China Region of Zhongtai International Group, respectively).

Subscriber B

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

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

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

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

Following the close of the Offers, the Offeror intends to continue the operation of the toy division of the Group (the “**Toy Division**”) as one of the core business divisions of the Group as it has been a stable profit and cashflow generating division of the Group. As for the financial services division of the Group (the “**Financial Services Division**”), with the enlarged capital base by the Subscription, the Offeror intends to expand the business scale and product offerings of the Financial Services Division through leveraging on the reputation, financial resources and business network of Zhongtai Securities and Zhongtai Financial International. The Offeror intends to:

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

- (ii) develop collaboration between the Financial Services Division, Zhongtai Securities and Zhongtai Financial International to explore business opportunities in the PRC, Hong Kong and overseas markets. Founded in 1984, Crosby Group was among the first batch of international investment banks to open in the PRC, Thailand and Malaysia and foreign underwriters of B-shares in the PRC's onshore capital market. As at the date of this joint announcement, Crosby Group, which comprises Crosby Asia, Crosby Asset Management, Crosby Securities and Crosby Financial Products (each being a wholly-owned subsidiary of the Company), constitutes the Financial Services Division of the Group. On the other hand, Zhongtai Securities is a financial conglomerate in the PRC with over 250 offices in 28 provinces, cities or autonomous regions. The Offeror believes there would be synergy between the long history and well-established brand and reputation of Crosby Group and the strong presence in the PRC and the financial resources of Zhongtai Securities and Zhongtai Financial International when exploring business opportunities in the PRC and overseas markets;
- (iii) broaden the product offerings of corporate finance business of the Financial Services Division through the ZTI Capital Acquisition. Although Crosby Securities can conduct Type 6 (advising on corporate finance) regulated activities under SFO, licensing conditions are imposed on Crosby Securities and it shall not act as sponsor in respect of an application for the listing on a recognised stock market of any securities, including the Stock Exchange, and it shall not advise on matters/transactions falling within the ambit of the Takeovers Code. As ZTI Capital is permitted to advise on matters/transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Buy-backs and is eligible to act as sponsor in respect of an application for the listing on the Stock Exchange, upon completion of the acquisition of ZTI Capital, ZTI Capital will be under the Financial Services Division and, hence, the Financial Services Division shall be able to commence engagements in relation to sponsorship and the Takeovers Code, complementing the current product offerings of the Financial Services Division;
- (iv) strengthen the team of the asset management business of the Financial Services Division through the ZTI Asset Management Acquisition. ZTI Asset Management (currently with a team comprising 16 licensed persons) currently provides various asset management services, including but not limited to active management services, investment advisory services and RMB Qualified Foreign Institutional Investor (RQFII) business, to its clients. The Offeror believes the synergy between the asset management business of the Financial Services Division and ZTI Asset Management shall enhance the development of the asset management business; and

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

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

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

PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD

The Board is currently made up of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. Upon Completion, the Offeror intends to nominate new directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the date of this joint announcement, the Offeror has not decided on the future composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules, and further announcement will be made by the Company as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

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

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

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

EFFECT OF ACCEPTING THE OFFERS

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

Effect of accepting the Share Offer

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

Effect of accepting the Option Offer

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

Effect of accepting the CN Offer

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

Settlement of consideration

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

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

HONG KONG STAMP DUTY

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

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

TAXATION ADVICE

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

OVERSEAS SHAREHOLDERS, OVERSEAS OPTIONHOLDERS AND OVERSEAS CN HOLDER

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

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

OTHER INFORMATION

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

The Offeror confirms that, as at the date of this joint announcement, save for the Subscription Agreement, Irrevocable Undertakings and the CN Irrevocable Undertakings:

- (a) the Offeror and its Concert Parties do not own, control or have direction over any voting rights in any Shares nor own, control or have direction over any other rights or interests in the issued share capital or voting rights of the Company;
- (b) the Offeror and its Concert Parties do not hold any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company;
- (c) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror or any of its Concert Parties;

- (d) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (e) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any of its Concert Parties has borrowed or lent;
- (f) none of the Offeror nor any of its Concert Parties has received any other irrevocable commitment to accept or reject the Offers; and
- (g) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a pre-condition or a condition to the Offers.

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

SHAREHOLDING STRUCTURE OF THE COMPANY

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

Name of the Shareholder	(i) As at the date of this joint announcement		(ii) Immediately after Completion but before any acceptance of Offers (assuming no outstanding Share Options and Convertible Notes will be exercised or converted at or prior to Completion)		(iii) Immediately after Completion but before any acceptance of Offers (assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised and no Convertible Notes will be converted at or prior to Completion) (Note 3)	
	<i>Approximate</i>					
	<i>Number of Shares</i>	<i>percentage (%) (Note 1)</i>	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>
Smart Investor	482,864,000	32.75%	482,864,000	12.85%	482,864,000	12.40%
Mr Lau (Note 2)	9,600,000	0.65%	9,600,000	0.26%	9,600,000	0.25%
Madam Li (Note 2)	9,600,000	0.65%	9,600,000	0.26%	9,600,000	0.25%
Subtotal	<u>502,064,000</u>	<u>34.05%</u>	<u>502,064,000</u>	<u>13.37%</u>	<u>502,064,000</u>	<u>12.9%</u>
Other major Shareholder						
Silver Pointer Limited	<u>106,880,000</u>	<u>7.25%</u>	<u>106,880,000</u>	<u>2.84%</u>	<u>106,880,000</u>	<u>2.74%</u>

Name of the Shareholder	(i) As at the date of this joint announcement		(ii) Immediately after Completion but before any acceptance of Offers (assuming no outstanding Share Options and Convertible Notes will be exercised or converted at or prior to Completion)		(iii) Immediately after Completion but before any acceptance of Offers (assuming all outstanding Share Options (other than the Lau Options and the Li Options) will be exercised and no Convertible Notes will be converted at or prior to Completion) (Note 3)	
	Approximate					
	Number of Shares	percentage (%) (Note 1)	Number of Shares	Approximate percentage (%)	Number of Shares	Approximate percentage (%)
Other Directors						
Mr. Poon Pak Ki, Eric	2,000,000	0.14%	2,000,000	0.05%	14,900,000	0.38%
Mr. Ng Kam Seng	3,200,000	0.22%	3,200,000	0.09%	16,100,000	0.41%
Mr. Chu Raymond	27,448,000	1.86%	27,448,000	0.73%	40,295,800	1.03%
Mr. Leung Po Wing, Bowen Joseph	–	–	–	–	2,800,000	0.07%
Mr. Chan Siu Wing, Raymond	–	–	–	–	2,800,000	0.07%
Mr. Wong Wah On, Edward	–	–	–	–	1,400,000	0.04%
Subtotal	32,648,000	2.22%	32,648,000	0.87%	78,295,800	2.00%
Offeror and its Concert Parties						
Offeror	–	–	1,722,436,000	45.83%	1,722,436,000	44.23%
Subscriber A	–	–	186,356,000	4.96%	186,356,000	4.78%
Subscriber B	–	–	375,056,000	9.98%	375,056,000	9.63%
Subtotal	–	–	2,283,848,000	60.77%	2,283,848,000	58.64%
Mr. Chu Sheng Yu, Lawrence (Note 4)	672,000	0.05%	672,000	0.02%	672,000	0.02%
Other Shareholders	831,968,000	56.43%	831,968,000	22.14%	922,951,800	23.70%
Total	1,474,232,000	100.00%	3,758,080,000	100.00%	3,894,711,600	100.00%

Notes:

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

DEALINGS DISCLOSURE

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

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

“Responsibilities of stockbrokers, banks and other intermediaries

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

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

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

(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this joint announcement, the existing authorised share capital of the Company is US\$75,000 divided into 3,000,000,000 Shares of which 1,474,232,000 Shares are in issue and fully paid or credited as fully paid. In light of the Subscription, and in order to accommodate future expansion and growth of the Company and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from US\$75,000 (divided into 3,000,000,000 Shares) to US\$150,000 (divided into 6,000,000,000 Shares) by the creation of an additional 3,000,000,000 Shares which shall rank pari passu in all respects with the existing Shares in issue. The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

(IV) DISCLOSEABLE AND CONNECTED TRANSACTIONS – PROPOSED ACQUISITIONS OF THE ZTI COMPANIES

THE ZTI AGREEMENTS

On 23 February 2018, the Company and ZTI Financial entered into the ZTI Capital Agreement pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and ZTI Financial conditionally agreed to dispose of, all issued shares of ZTI Capital at completion of the ZTI Agreements for a consideration of HK\$30,000,000.

On 23 February 2018, the Company and Zhongtai Financial International entered into the ZTI Asset Management Agreement pursuant to which the Company conditionally agreed to acquire or procure one of its wholly-owned subsidiaries to acquire, and Zhongtai Financial International conditionally agreed to dispose of, all issued shares of ZTI Asset Management at completion of the ZTI Agreements for a consideration of HK\$102,000,000.

The principal terms of the ZTI Agreements are summarised below.

Conditions precedent

Completion of each ZTI Agreement is conditional upon the following conditions precedent being satisfied and/or waived on or before 31 October 2018 (or any other date as may be agreed by the relevant parties in writing):

- (a) save for the approvals set out in paragraph (e) below, any necessary approvals, authorisations, consents, waivers, orders, exemptions and notices from all relevant governmental and regulatory authorities or any other third parties (including but not limited to the authorities in the PRC (where applicable)) required for the vendor in respect of the relevant ZTI Agreements and the transactions contemplated thereunder having been obtained, and not having been revoked before completion date;

- (b) the Company having obtained all necessary Shareholders' approval in accordance with the Listing Rules, the Company's articles of association and applicable laws and regulations in relation to each of the ZTI Agreements and the transaction contemplated thereunder;
- (c) completion of the Subscription Agreement having taken place;
- (d) (in respect of ZTI Asset Management Agreement only) the conditions precedent as set out in ZTI Capital Agreement, other than the condition precedent requiring the ZTI Asset Management Agreement to be unconditional, having been fulfilled or waived; (in respect of ZTI Capital Agreement only) the conditions precedent as set out in ZTI Asset Management Agreement, other than the condition precedent requiring the ZTI Capital Agreement to be unconditional, having been fulfilled or waived;
- (e) the SFC having granted the necessary consent and/or approval for the Company and/or its controlling shareholders to become the substantial shareholders of ZTI Capital or ZTI Asset Management (as the case may be) under the SFO;
- (f) the warranties given by ZTI Financial or Zhongtai Financial International (as the case may be) under the respective ZTI Agreements remaining true, accurate, complete and not misleading as given as at the date of the respective ZTI Agreements and as at the completion date, and there being no breach of its and/or the relevant ZTI Company's obligations and undertakings under the respective ZTI Agreements;
- (g) the warranties given by the Company under each of the ZTI Agreements remaining true, accurate, complete and not misleading as given as at the date of the respective ZTI Agreements and as at the completion date, and there being no breach of its obligations and undertakings under the respective ZTI Agreements;
- (h) the licences granted by the SFC to ZTI Capital or ZTI Asset Management (as the case may be) remaining valid and effective and not having been revoked, terminated or suspended by the relevant authorities, and no representation, notice or statement in relation to the revocation, termination or suspension of such licences having been received on or before the date of completion; at completion, no additional conditions having been imposed by the SFC to ZTI Capital or ZTI Asset Management (as the case may be) by way of notice or otherwise on or before completion which may or will result in material adverse change or material adverse effect on ZTI Capital or ZTI Asset Management (as the case may be);

- (i) on or prior to the completion date, no binding order, injunction or prohibition having been obtained, applied for or threatened to be obtained by any person (other than a party to the relevant ZTI Agreements) at any competent authorities to restrict or prohibit any party to complete the relevant ZTI Agreements or seek damages, or which adversely affect the Company's legal and beneficial ownership over the shares to be acquired free from any Encumbrances; and the relevant ZTI Agreements and the transactions contemplated thereunder being in compliance with the requirements under applicable laws and regulations;
- (j) (i) there being no material adverse effect on the financial position, prospects and operations of ZTI Capital or ZTI Asset Management (as the case may be); and (ii) there being no change in the laws applicable to ZTI Capital or ZTI Asset Management (as the case may be) which may result in material adverse change to it as a whole (irrespective of whether such change is effective on or before the completion date); and
- (k) on or before the completion date, there being not less than two persons holding valid licence for each of the regulated activities under the SFO in respect of ZTI Capital or ZTI Asset Management (as the case may be), and at least one of which being an executive director as defined under the SFO.

The Company may waive any of the above conditions in whole or in part other than conditions (a), (b) and (e) as set out above. ZTI Financial or Zhongtai Financial International (as the case may be) may waive conditions (g) and (i) above in whole or in part. If any of the above conditions is not satisfied or waived on or before 31 October 2018, one party to the ZTI Agreements may terminate the ZTI Agreements by written notice to the other party, save for certain surviving clauses as specified therein and save for any antecedent breach of any provisions therein.

Consideration

The consideration for the ZTI Capital Acquisition and the ZTI Asset Management Acquisition pursuant to the ZTI Capital Agreement and ZTI Asset Management Agreement is HK\$30,000,000 and HK\$102,000,000, respectively. The consideration for the ZTI Acquisitions shall be payable by the Company to ZTI Financial or Zhongtai Financial International (as the case may be), in cash at completion of the relevant ZTI Agreements.

The consideration for each of the ZTI Acquisitions was determined after arm's length negotiations between the Company and the relevant vendors to the ZTI Agreements with reference to, among other things, the unaudited net asset value of each ZTI Company as at 31 December 2017. The consideration will be paid out of the net proceeds from the Subscription.

Completion

Completion of each of the ZTI Agreements is expected to take place on the third business day after the day on which all the conditions precedent of the relevant ZTI Agreement having been fulfilled (or, where applicable, waived). Upon completion of the ZTI Acquisitions, each of ZTI Capital and ZTI Asset Management will become a wholly-owned subsidiary of the Company.

Information on ZTI Financial

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

Information on Zhongtai Financial International

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

Information on the ZTI Companies

ZTI Capital

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

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

	For the year ended	
	31 December	
	2016	2017
	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	29,676	20,080
Loss before taxation	(29,617)	(15,926)
Loss after taxation	(24,834)	(16,096)

The audited net asset value of ZTI Capital as at 31 December 2016 and the unaudited net asset value of ZTI Capital as at 31 December 2017 were approximately HK\$26,967,000 and HK\$30,870,000, respectively.

ZTI Asset Management

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

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

	For the year ended	
	31 December	
	2016	2017
	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	26,693	55,469
Profit/(Loss) before taxation	(339)	27,066
Profit/(Loss) after taxation	(339)	26,066

The audited net assets of ZTI Asset Management as at 31 December 2016 and the unaudited net assets of ZTI Asset Management as at 31 December 2017 were approximately HK\$79,077,000 and HK\$102,634,000 respectively.

Pursuant to Rule 10 of the Takeovers Code, the unaudited net asset value of, and net profits or losses (before and after taxation) of each of ZTI Capital and ZTI Asset Management as set out above, which are required to be disclosed pursuant to Rule 14.58 of the Listing Rules (“**Required Financial Information**”), constitute a profit forecast and must be reported on by the Company’s financial adviser and its auditors or accountants in accordance with the Takeovers Code and such reports must be lodged with the Executive in accordance with Rule 10.4 of the Takeovers Code.

As additional time is required for the Company’s financial adviser and the Company’s auditors or accountants to report on the Required Financial Information in compliance with the requirements of Rule 10 of the Takeovers Code, the Required Financial Information disclosed in this joint announcement has not been prepared as required by Rule 10 of the Takeovers Code. According to practice note 2 to the Takeovers Code on issues relating to profit forecasts under Rule 10 of the Takeovers Code dated 31 March 2015, as the only reason for the disclosure of these unaudited figures is the requirement of the Listing Rules, the Executive is prepared to permit publication of the Required Financial Information in this joint announcement without full compliance with Rule 10 of the Takeovers Code.

Shareholders and potential investors should, however, exercise caution in placing reliance on the Required Financial Information in assessing the merits and demerits of the ZTI Acquisitions and the Offers. The Required Financial Information will be reported on as soon as possible and the relevant reports will be contained in the next document to be sent to the Shareholders (i.e. the circular) and in compliance with the requirements of Rule 10 of the Takeovers Code.

LISTING RULES IMPLICATIONS

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

As one or more of the applicable percentage ratios of the ZTI Acquisitions in aggregate exceeds 5% but all of them are less than 25%, the entering into of the ZTI Agreements and the ZTI Acquisitions also constitute discloseable transactions for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder (or its associates) has any material interest in the ZTI Acquisitions.

As none of the Directors has any material interest in the ZTI Agreements and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the board resolutions approving the ZTI Acquisitions. The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) are of the view that although the ZTI Acquisitions are not in the ordinary course of business of the Group, the ZTI Agreements and the transactions contemplated thereunder are on normal commercial terms or better, and the terms of the ZTI Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Please refer to the section headed "General – Independent board committees and independent financial adviser" of this joint announcement for details relating to the Independent Board Committee (Acquisitions), the Independent Board Committee (Offers) and the independent financial adviser.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE ZTI ACQUISITIONS

There has been a remarkable improvement in the Hong Kong securities markets in recent months with the Hang Seng Index reached its record high in January 2018. Average daily turnover value of the Stock Exchange increased by approximately 116.6% from about HK\$74.3 billion in for the four months ended 30 April 2017 to about HK\$160.9 billion for the month ended 31 January 2018. The market capitalisation of the Hong Kong securities market also increased by about 36.8% from approximately HK\$27.2 trillion as of closing on 31 March 2017 to approximately HK\$37.2 trillion as of closing on 31 January 2018. As set out in the Company's interim report for the six months ended 30 September 2017, the operations of the Financial Services Division is limited particularly for those operations requiring extensive deployment of capital, including margin financing and underwriting. The Subscription will substantially increase the capital base of the Company, and thus increase its capabilities to participate in more principal-based activities.

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

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

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

- (a) the gross proceeds of the Subscription of HK\$799,346,800, representing approximately 1.76 times the Company's unaudited consolidated net asset value of approximately HK\$453,459,000 as at 30 September 2017, will be settled in cash upon the Completion, which will substantially increase the Group's capital base and will be crucial for the future growth of its businesses;
- (b) the basis for determination of the Subscription Price as set out in the section headed "(I) The Subscription – The Subscription Agreement – Subscription Price" above;
- (c) Completion will lead to the Offers which will be extended to all Shareholders, Optionholders and CN Holder (other than the Offeror and its Concert Parties) and the Share Offer Price of HK\$0.71 represents a premium of approximately 130.8% over the unaudited consolidated net asset value of the Company of approximately HK\$0.3076 per Share as at 30 September 2017; and
- (d) the dilution effect on the shareholding interests of the existing Shareholders is acceptable in view of the aforesaid reasons and factors,

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

GENERAL

EGM

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

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in such matters and therefore no Shareholder is required to abstain from voting in relation to the resolutions concerning the Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder, including but not limited to the Specific Mandate for the allotment and issue of the Subscription Shares, and the Increase in Authorised Share Capital to be proposed at the EGM.

A circular containing, among other things, (i) further information on the Subscription Agreement, the ZTI Agreements, and the transactions contemplated thereunder; (ii) further details about the Increase in Authorised Share Capital; (iii) the recommendation of the Independent Board Committee (Acquisitions) to the Independent Shareholders regarding the terms of the ZTI Agreements and the transactions contemplated thereunder; (iv) a letter from the independent financial adviser containing their advice to the Independent Board Committee (Acquisitions) and the Independent Shareholders regarding the terms of the ZTI Agreements and the transactions contemplated thereunder; and (v) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 29 March 2018, as additional time is required for preparing the relevant information to be included in the circular.

Independent board committees and independent financial adviser

An Independent Board Committee (Offers) comprising all the non-executive Directors (namely Madam Li, Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward) has been established by the Board for the purpose of making recommendations to the Shareholders, the Optionholders and the CN Holder as to whether the terms of the Offers are, or are not, fair and reasonable and as to acceptance of the Offers. An Independent Board Committee (Acquisitions) comprising all the independent non-executive Directors (namely Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward) has been established by the Board for the purpose of advising the Independent Shareholders on the ZTI Agreements and the transactions contemplated thereunder. Madam Li directly holds 9,600,000 Shares and is interested in 482,864,000 Shares held by Smart Investor. Madam Li also holds 1,400,000 outstanding Share Options in respect of 1,400,000 Shares. Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward respectively holds 2,800,000, 2,800,000 and 1,400,000 outstanding Share Options in respect of 2,800,000, 2,800,000 and 1,400,000 Shares.

An independent financial adviser will be appointed to advise (i) the Independent Board Committee (Offers) and the Shareholders, the Optionholders and the CN Holder in relation to the Offers and in particular whether the Offers are fair and reasonable and as to the acceptance of the Offers; and (ii) the Independent Board Committee (Acquisitions) and the Independent Shareholders in relation to the terms of the ZTI Agreements and the transactions contemplated thereunder. Further announcement will be made by the Company upon the appointment of the independent financial adviser. The recommendation of the Independent Board Committee (Offers), the recommendation of the Independent Board Committee (Acquisitions) and the advice of the independent financial adviser to be appointed in respect of the Offers and the ZTI Acquisitions will be respectively included in the Composite Document and a circular of the Company (as the case may be) to be despatched to the Shareholders.

Despatch of the Composite Document

It is the intention of the director of the Offeror and the Company to combine the offer document and the response document into a Composite Document.

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, details of the Offers (including the expected timetable in relation to the Offers), a letter from the Independent Board Committee (Offers) and a letter from the independent financial adviser in relation to the Offers, together with the relevant forms of acceptance and transfer, will be despatched to the Shareholders, the Optionholders and the CN Holder within 21 days of this joint announcement or such other date as may be permitted by the Takeovers Code and agreed by the Executive and in compliance with the requirements of the Takeovers Code and other applicable regulations. As the making of the Offers is subject to Completion, which is expected to be unable to be satisfied within the time period contemplated by Rule 8.2 of the Takeovers Code, an application will be made by the Offeror for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the offer document within 7 days after the Completion.

WARNING

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

DEFINITIONS

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

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

“Audited Interim Account”	a consolidated statement of financial position of the Group as at 31 January 2018 to be prepared by the Company in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and on the same accounting principles and on the same basis as those adopted in the preparation of the consolidated statement of financial position of the Group as at 31 March 2017, which shall be audited by the auditors of the Company and certified by an executive Director
“Benefit Global”	Benefit Global Limited, a company incorporated in the British Virgin Islands with limited liability, the CN Holder, and a company ultimately wholly-owned by Mr. Chu Sheng Yu, Lawrence, who is a third party independent of the Company, its connected persons and its Concert Parties
“Board”	the board of Directors
“CN Holder”	the holder of the Convertible Notes
“CN Offer”	the possible unconditional mandatory cash offer to be made by ZTI Capital and WLI Capital on behalf of the Offeror to the CN Holder to acquire all the Convertible Notes
“CN Irrevocable Undertakings”	the irrevocable undertakings dated 23 February 2018 given by Benefit Global to the Offeror in relation to the Convertible Notes
“CN Subscriptions”	(i) the subscription of the Convertible Note A pursuant to a subscription agreement dated 2 May 2017 between the Company and Benefit Global; and (ii) the subscription of the Convertible Note B pursuant to a subscription agreement dated 22 May 2017 between the Company and Benefit Global
“Company”	Quali-Smart Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1348)
“Completion”	completion of the Subscription

“Completion Date”	date of Completion
“Composite Document”	the composite offer and response document to be issued jointly by the Offeror and the Company to the Shareholders, the Optionholders and the CN Holder in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offers
“Concert Party(ies)”	party(ies) acting in concert with the person or party as specified and as determined in accordance with the Takeovers Code, and for the purpose of the Offeror, include Subscriber A, Subscriber B and their respective concert parties
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Note A”	6% convertible note due 2020 in the principal amount of HK\$80,000,000 issued by the Company on 11 May 2017, which are convertible into 205,128,205 new Shares
“Convertible Note B”	6% convertible note due 2020 in the principal amount of HK\$30,000,000 issued by the Company on 2 June 2017, which are convertible into 76,923,076 new Shares
“Convertible Notes”	the Convertible Note A and the Convertible Note B
“Crosby Asia”	Crosby Asia Limited, being a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Crosby Asset Management”	Crosby Asset Management (Hong Kong) Limited (高誠資產管理(香港)有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and an indirect wholly-owned subsidiary of the Company
“Crosby Financial Products”	Crosby Financial Products Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Crosby Group”	Crosby Asia, Crosby Asset Management, Crosby Securities and Crosby Financial Products
“Crosby Securities”	Crosby Securities Limited (高誠證券有限公司), a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purposes of approving, among other things, the Subscription Agreement, the ZTI Agreements and the transactions contemplated thereunder including but not limited to the granting of Specific Mandate for the allotment and issue of the Subscription Shares and the Increase in Authorised Share Capital, or any adjournment thereof
“Encumbrances”	mortgage, charge, pledge, lien, option, restriction, purchase right, right of first refusal, right of pre-emption, voting trust or agreement, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in authorised share capital of the Company from US\$75,000 (divided into 3,000,000,000 Shares) to US\$150,000 (divided into 6,000,000,000 Shares) by the creation of an additional 3,000,000,000 Shares

“Independent Board Committee (Acquisitions)”	the independent committee of the Board, comprising Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward (representing all the independent non-executive Directors), established for the purposes of advising the Independent Shareholders on the ZTI Agreements and the transactions contemplated thereunder
“Independent Board Committee (Offers)”	the independent committee of the Board, comprising Madam Li, Mr. Leung Po Wing, Bowen Joseph GBS, JP, Mr. Chan Siu Wing, Raymond and Mr. Wong Wah On, Edward (representing all non-executive Directors), established for the purposes of making recommendations to the Shareholders, the Optionholders and the CN Holder in relation to the terms of the Offers and as to acceptance of the Offers
“Independent Shareholders”	Shareholders who are not interested in the ZTI Agreements and the transactions contemplated thereunder
“Irrevocable Undertakings”	the irrevocable undertakings dated 23 February 2018 given by Smart Investor, Mr Lau and Madam Li to the Offeror in relation to the Smart Investor Shares, the Lau Shares, the Li Shares, the Lau Options and the Li Options
“Last Trading Day”	23 February 2018, being the last trading day of the Shares immediately prior to the publication of this joint announcement
“Lau Options”	the 4,000,000 outstanding Share Options granted to Mr Lau by the Company pursuant to the Share Option Scheme in respect of 4,000,000 Shares at the exercise price of HK\$1.02 per Share
“Lau Shares”	the 9,600,000 Shares directly held by Mr Lau, which represents approximately 0.65% of the entire issued share capital of the Company as at the date of this joint announcement
“Li Options”	the 1,400,000 outstanding Share Options granted to Madam Li by the Company pursuant to the Share Option Scheme in respect of 1,400,000 Shares at the exercise price of HK\$1.02 per Share

“Li Shares”	the 9,600,000 Shares directly held by Madam Li, which represents approximately 0.65% of the entire issued share capital of the Company as at the date of this joint announcement
“Licensed Subsidiaries”	Crosby Securities and Crosby Asset Management
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2018 or such other date as agreed by the Subscribers and the Company
“Madam Li”	Madam Li Man Yee, Stella, a non-executive Director and the spouse of Mr Lau
“Mr Lau”	Mr. Lau Ho Ming, Peter, the chairman of the Board, an executive Director and the spouse of Madam Li
“Offer Closing Date”	the date to be stated in the Composite Document as the offer closing date of the Offers, which is 21 calendar days after the posting of the Composite Document, or any subsequent offer closing date as may be announced by the Company and the Offeror and approved by the Executive
“Offer Share(s)”	issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror and any of its Concert Parties at the time when the Share Offer is made
“Offeror”	Zhongtai International Investment Group Limited (中泰國際投資集團有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Zhongtai Financial International as at the date of this joint announcement
“Offeror Subscription Shares”	an aggregate of 1,722,436,000 new Shares which the Offeror has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue pursuant to the Subscription Agreement, which represents approximately 116.84% of the issued share capital of the Company as at the date of this joint announcement

“Offers”	the Share Offer, the Option Offer and the CN Offer
“Option Offer”	the possible unconditional mandatory cash offer to be made by ZTI Capital and WLI Capital on behalf of the Offeror to the Optionholders for cancellation of the Share Options
“Optionholders”	the registered grantees/holders for the time being of the Share Options
“Overseas CN Holder”	CN Holder whose address is outside Hong Kong
“Overseas Optionholder(s)”	Optionholder(s) whose address(es) is or are outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as stated in the register of members of the Company is or are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qualiman Industrial”	Qualiman Industrial Co. Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this joint announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFC Licences”	the SFC licences (including licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities) and all other licences, registrations and approvals granted and issued to the relevant members of the Group under the SFO and/or other applicable laws for carrying on the business of the Group
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

“Shandong SASAC”	the State-owned Assets Supervision and Administration. Commission of the Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)
“Share Offer”	the possible unconditional mandatory cash offer to be made by ZTI Capital and WLI Capital on behalf of the Offeror to the Shareholders to acquire all the issued Shares (excluding the Shares already owned by or agreed to be acquired by the Offeror and any of its Concert Parties at the time when the Share Offer is made)
“Share Offer Price”	the cash amount of HK\$0.71 per Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Share Offer
“Share Option Scheme”	the share option scheme adopted by the Company on 3 January 2013, as amended from time to time
“Share Options”	142,031,600 outstanding share options granted by the Company pursuant to the Share Option Scheme with rights to subscribe for 142,031,600 Shares
“Share(s)”	the ordinary share(s) of US\$0.000025 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Smart Investor”	Smart Investor Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to approximately 67.4% and 32.6% by Mr Lau and Madam Li respectively as at the date of this joint announcement
“Smart Investor Shares”	482,864,000 Shares directly held by Smart Investor, which represents approximately 32.75% of the entire issued share capital of the Company as at the date of this joint announcement
“Specific Mandate”	the specific mandate to be obtained by the Board from the Shareholders at the EGM for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber A”	Taifu Capital Investments Limited (泰富資本投資有限公司), a company incorporated in the British Virgin Islands with limited liability
“Subscriber B”	Great Boom Group Limited (旺佳集團有限公司), a company incorporated in the British Virgin Islands with limited liability
“Subscribers”	the Offeror, Subscriber A and Subscriber B
“Subscription”	the proposed subscription of the Subscription Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 23 February 2018 entered into between the Subscribers and the Company in relation to the proposed conditional subscription of the Subscription Shares
“Subscription Conditions”	conditions precedent to Completion, further details of which are set out in the section headed “(I) The Subscription – The Subscription Agreement – Conditions precedent” of this joint announcement
“Subscription Price”	the subscription price of HK\$0.35 per Subscription Share
“Subscription Shares”	an aggregate of 2,283,848,000 new Shares which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue pursuant to the Subscription Agreement, which represents approximately 154.92% of the issued share capital of the Company as at the date of this joint announcement
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Takeovers Code”	the Code on Takeovers and Mergers
“Turbo Gain”	Turbo Gain Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this joint announcement

“US\$”	United States dollar, the lawful currency of the United States of America
“WLI Capital”	Well Link International Capital Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being a joint financial adviser to the Offeror in relation to the Offers
“Zhongtai Financial International”	Zhongtai Financial International Limited (中泰金融國際有限公司), a company incorporated in Hong Kong with limited liability, which owns the entire issued share capital of the Offeror and ZTI Asset Management, and is directly wholly-owned by Zhongtai Securities, as at the date of this joint announcement
“Zhongtai International Group”	Zhongtai Financial International and its subsidiaries
“Zhongtai Securities”	中泰證券股份有限公司 (Zhongtai Securities Co., Ltd [#]), a company incorporated in the PRC with limited liability, which is currently held as to approximately 69.04% in aggregate by six state-owned enterprises and approximately 30.96% in aggregate by 34 minority corporate shareholders, particulars of which are set out in the section headed “Information on the Subscribers” of this joint announcement
“ZTI Acquisitions”	the ZTI Asset Management Acquisition and the ZTI Capital Acquisition
“ZTI Agreements”	the ZTI Asset Management Agreement and the ZTI Capital Agreement
“ZTI Asset Management”	Zhongtai International Asset Management Limited (中泰國際資產管理有限公司), a company incorporated in Hong Kong with limited liability and is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and is wholly-owned by Zhongtai Financial International as at the date of this joint announcement

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

“ZTI Overseas”

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

“%”

per cent.

* *For identification purpose only*

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

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

By Order of the board of directors of
Quali-Smart Holdings Limited
Lau Ho Ming, Peter
Chairman

Hong Kong, 25 February 2018

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

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

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

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

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