

TOMO HOLDINGS LIMITED

萬馬控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6928)

Executive Director:

Mr. Tsang Chun Ho Anthony

Non-executive Director:

Mr. Choi Tan Yee

Independent non-executive Directors:

Mr. Cheng Wai Hei

Mr. Lam Chi Wing

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Singapore:*

Block 3018

Bedok North Street 5

#02-08 Eastlink

Singapore 486132

*Principal place of business in Hong
Kong registered under Part 16
of the Companies Ordinance:*

Unit 802, 8/F, LKF29

29 Wyndham Street

Central, Hong Kong

25 April 2024

To the Independent Shareholders

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER
FOR SHARES BY OPUS SECURITIES LIMITED
FOR AND ON BEHALF OF LU YONGDE
TO ACQUIRE ALL OF THE ISSUED SHARES OF
TOMO HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED
TO BE ACQUIRED BY LU YONGDE AND
PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

Reference is made to the Joint Announcement.

Pursuant to a loan agreement dated 9 June 2023 (the “**Loan Agreement**”) entered into between Ms. Ma Xiaoqiu as borrower and the Vendor as lender, the Vendor agreed to make available to Ms. Ma Xiaoqiu a term loan of HK\$40,000,000 (the “**Loan**”) subject to and on the terms and conditions specified in the Loan Agreement. Interest on the Loan should accrue at the rate of 12% per annum and if the borrower fails to pay any sums payable under the Loan Agreement by the due date, the borrower should pay interest on such overdue sums at a rate of 18% per annum. The maturity date for repayment of the principal amount of the loan and the interest accrued therein was six months after the date of the Loan Agreement (i.e. 9 December 2023). The Loan has already become due but the borrower has yet to repay any of the principal amount of the Loan and the interest accrued therein such that it constituted an event of default under the Loan Agreement.

The Loan Agreement was secured by the Share Mortgage dated 9 June 2023 executed by Ms. Ma Xiaoqiu as mortgagor in favour of the Vendor as mortgagee over 50,000 Sale Shares, representing the entire issued share capital of Billion Legend. Pursuant to the Share Mortgage, the Vendor as mortgagee may at any time after the occurrence of an event of default under the Loan Agreement serve an enforcement notice (the “**Enforcement Notice**”) on the mortgagor and thereafter the mortgagee shall, without prejudice to any other right or remedy available under the Share Mortgage, sell the Sale Shares by such method, at such place and upon such terms as the mortgagee may in his absolute discretion determine and without notice to, or further consent or concurrence by the mortgagor.

Ms. Ma Xiaoqiu had issued a post-dated cheque in the amount of HK\$40,000,000 to the Vendor. On 7 March 2024, the Vendor attempted to deposit the cheque with the bank but the Vendor was informed by the bank on 8 March 2024 that the cheque was returned and could not be honoured. On 15 March 2024, the Vendor issued the Enforcement Notice to Ms. Ma Xiaoqiu and the Vendor is entitled to sell the Mortgaged Shares under the Share Mortgage by such method, at such place and upon such terms as the mortgagee may in his absolute discretion determine and without notice to, or further consent or concurrence by the mortgagor. As at the date of the Enforcement Notice, the total outstanding amount under the Loan Agreement was HK\$44,313,424.66 (of which HK\$40,000,000 was the principal amount of the Loan and HK\$4,313,424.66 was the interest accrued therein). Since 15 March 2024 and up to the date of the Joint Announcement, there was no response from Ms. Ma Xiaoqiu or any discussion between the Vendor and Ms. Ma Xiaoqiu in relation to the repayment of the principal amount of the Loan and the interest accrued.

The Board was informed that on 20 March 2024 (after trading hours of the Stock Exchange), the Vendor, as mortgagee under the Share Mortgage and by way of exercising his power of sale under the Share Mortgage, and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell, and the Offeror agreed to purchase, 50,000 Sale Shares, representing the entire issued share capital of Billion Legend, for an

aggregate consideration of HK\$30,000,000 which was satisfied by the Offeror in full by his own financial resources. As at the Latest Practicable Date, Billion Legend holds 230,000,000 Shares, representing approximately 51.11% of the entire issued share capital of the Company. Completion took place on 20 March 2024 immediately after the entering into of the Sale and Purchase Agreement. Immediately upon Completion, the Offeror (through Billion Legend) and parties acting in concert with him own an aggregate of 230,000,000 Shares, representing approximately 51.11% of the entire issued share capital of the Company. The Vendor confirms that up to the Latest Practicable Date, he has not received any objection from Ms. Ma Xiaoqiu in respect of the Vendor's exercise of the power of sale under the Share Mortgage.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) the information relating to the Group, the Offeror and parties acting in concert with him; (ii) the letter from Opus Securities containing, among others, the details of the Offer; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer; and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Cheng Wai Hei and Mr. Lam Chi Wing, has been established to make a recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Mr. Choi Tan Yee, a non-executive Director, is the managing director and responsible officer of Rainbow Capital, being the financial adviser to the Company, and is therefore not considered independent to be a member of the Independent Board Committee and has declared his interest to the Board accordingly.

Euto Capital has been appointed as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in connection with the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

You are advised to read the "Letter from the Independent Board Committee" to the Independent Shareholders, the "Letter from the Independent Financial Adviser" and the additional information contained in the appendices to this Composite Document before taking any action in respect of the Offer.

THE OFFER

Opus Securities, the offer agent to the Offeror, is, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares on the terms in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.131 in cash

Given the sole asset of the Billion Legend is the 230,000,000 Shares held by it, the Offer Price of HK\$0.131 per Offer Share is equivalent to the consideration for the Sale Shares under the Sale and Purchase Agreement of HK\$30,000,000 divided by 230,000,000 Shares held by Billion Legend, which was arrived after arm's length negotiations between the Offeror and the Vendor. The Offer is unconditional in all respects.

The Offer is extended to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with him.

As at the Latest Practicable Date, 450,000,000 Shares were in issue and the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the "Letter from Opus Securities" and Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Opus Securities" in this Composite Document for information on the Offeror.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company acts as an investment holding company and its subsidiaries are principally engaged in the sale of automotive parts and motor vehicles, as well as the passenger vehicle (PV) leather upholstery and electronic accessories businesses in Singapore.

Your attention is also drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

In deciding whether or not to accept the Offer, the Independent Shareholders should consider the qualified opinion issued by the independent auditor of the Company on the consolidated financial statements of the Group for the year ended 31 December 2023.

The following is an extract of the independent auditor's report on the Group's financial statements for the year ended 31 December 2023:

“QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (the “**IFRS Accounting Standards**”) issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

During the year ended 31 December 2022, the Group acquired 49% equity interest in Ocean Dragon Group Limited and its subsidiary, namely, Hua Bright International Limited (collectively the “**Target Group**”), specialises in the provision of electric charging solutions and which was accounted for an associate under the equity method. In the past, the Group relied on the financial information by local management of the Target Group to account for the share of results and to assess the impairment of its investments in associates at each reporting period. During the year, the Group did not have access to a set of complete and accurate accounting books and records of the Target Group, all key personnel of the local management and responsible for finance and accounting matters had left and despite the best endeavour of the directors of the Company, they were unable to recover or access the accounting books and records of the Target Group as a result of local management not being contactable. Apart from that, the current directors of the Company raised concerns over the genuineness of the acquisition of the Target Group during the year, a special investigation committee has been formed to investigate such matters pertaining to the acquisition. As at the date of this consolidated financial statements, the investigation is still in progress. Due to the absence of sufficient supporting documents and explanations in relation to the accounting books and records made available to the directors of the Company in respect of the Target Group, they consider that the Group is unlikely to recover the entire value of the Target Group as the Company could not access to the substances of the Target Group, and hence, the investments in associates of S\$6,421,491 would be fully impaired during the year.

Given the above circumstances on scope limitation, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the investments in associates of the Group as their accounting books and records were not available to us for audit purpose. As a result, we were unable to carry out necessary audit procedures to determine whether the impairment of investments in associates of S\$6,421,491 and share of nil result of associates for the year ended 31 December 2023, the investments in associates carried at nil as at 31 December 2023 and the related disclosures notes in relation to the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the

consolidated financial statements. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments were necessary or might have a consequential effect of the Group's consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, and related disclosures thereof for the year ended 31 December 2023.

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (“the IAASB”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.”

Pursuant to Note 3 to Rule 2 of the Takeovers Code, the Board would like to draw the attention of the Independent Shareholders to the qualified opinion issued by the independent auditor of the Company.

As disclosed in the annual results announcement of the Company for the year ended 31 December 2023 dated 28 March 2024, the Group acquired 49% equity interest in Ocean Dragon Group Limited and its subsidiary, namely, Hua Bright International Limited (collectively the “**Target Group**”), specialising in the provision of electric charging solutions and which was accounted for an associate under the equity method. In the past, the Group relied on the financial information by local management of the Target Group to account for the share of results and to assess the impairment of its investments in associates at each reporting period. During the year ended 31 December 2023, the Group did not have access to a set of complete and accurate accounting books and records of the Target Group, all key personnel of the local management and responsible for finance and accounting matters had left and despite the best endeavour of the directors of the Company, they were unable to recover or access the accounting books and records of the Target Group as a result of local management not being contactable. Apart from that, the current directors of the Company raised concerns over the genuineness of the acquisition of the Target Group during the year, a special investigation committee has been formed to investigate such matters pertaining to the acquisition and the investigation is still in progress. Due to the absence of sufficient supporting documents and explanations in relation to the accounting books and records made available to the directors of the Company in respect of the Target Group, they consider that the Group is unlikely to recover the entire value of the Target Group as the Company could not access to the substances of the Target Group, and hence, the investments in associates of S\$6,421,491 would be fully impaired during the year.

Given that the investments in associates of S\$6,421,491 were fully impaired, there was share of nil result of associates for the year ended 31 December 2023 and the investments in associates carried at nil as at 31 December 2023, the Board considers that the qualified opinion issued by the independent auditor of the Company for the year ended 31 December 2023 would not have any material implication on the Offer and the Company.

The Independent Shareholders are advised to take into account the foregoing and consider carefully the terms of the Offer. If the Independent Shareholders decide not to accept the Offer, they should be aware of the potential risks associated with the uncertainties in consolidated financial statements of the Group for the year ended 31 December 2023.

SHAREHOLDING STRUCTURE OF THE COMPANY

There is no change in the shareholding structure of the Company immediately prior to Completion and immediately upon Completion that the Company is owned as to approximately 51.11% by Billion Legend and approximately 48.89% by public Shareholders.

Immediately prior to Completion, Billion Legend was wholly and beneficially owned by Ms. Ma Xiaoqiu. Immediately upon Completion and as at the Latest Practicable Date, Billion Legend is wholly and beneficially owned by the Offeror.

INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the section headed “Intention of the Offeror in relation to the Group” in the “Letter from Opus Securities” in this Composite Document. The Board is pleased to note that, as at the Latest Practicable Date, the Offeror intended to continue the existing principal business of the Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business, and the Offeror had no definitive plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the Group.

The Offeror intends to nominate new directors to the Board with effect after the posting of this Composite Document and it is intended that all the executive Directors, non-executive Directors and independent non-executive Directors will resign with effect from the earliest time permitted under the Takeovers Code. Your attention is drawn to the paragraph headed “Proposed change of Board composition” in the “Letter from Opus Securities” in this Composite Document.

Any further changes to the members of the Board will be made in compliance with the Takeovers Code and/or the Listing Rules and the articles of association of the Company and further announcement(s) will be made as and when appropriate in accordance with the Listing Rules.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all times, 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 will consider exercising its discretion to suspend dealings in the Shares. Therefore, upon the close of the Offer, 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.

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror has undertaken to the Stock Exchange that he will and will procure the new Directors to be appointed by the Offeror to the Board to take appropriate steps to ensure that sufficient public float exists in the Shares, i.e. at least 25% of the entire issued share capital of the Company will be held by the public at all times following the close of the Offer.

RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” as set out on pages 25 to 26 of this Composite Document which contains its recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer; and (ii) the “Letter from the Independent Financial Adviser” as set out on pages 27 to 48 of this Composite Document which contains its advice to the Independent Board Committee in connection with the Offer and the principal factors considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. Further details on the terms and the procedures for acceptance of the Offer are set out in Appendix I “Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

By order of the Board of
TOMO Holdings Limited

A handwritten signature in black ink, appearing to read 'Tsang Chun Ho Anthony', with a stylized flourish at the end.

Tsang Chun Ho Anthony
Executive Director