
LETTER FROM HAITONG INTERNATIONAL SECURITIES



海通國際
HAITONG

23 October 2020

To the Independent Shareholders,

Dear Sir/Madam,

**THE VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED ON
BEHALF OF
ROSE DYNAMICS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF THE
CROSS-HARBOUR (HOLDINGS) LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR
AGREED TO BE ACQUIRED BY ROSE DYNAMICS LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement in relation to the Offer. Unless otherwise defined, capitalized terms used in this letter shall have the same meanings as defined in this Composite Document.

This letter sets out, among other things, the principal terms of the Offer, together with information on the Offeror and the Offeror's intentions regarding the Group. Further details on the terms of the Offer and procedures of acceptance and settlement are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance. Independent Shareholders are strongly advised to carefully consider the information contained in the sections headed "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from Optima Capital" as well as the appendices as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

As at the Latest Practicable Date, (i) the Company had 372,688,206 Shares in issue and (ii) there are no options outstanding under the Share Option Scheme. Save as aforesaid, the Company did not have any outstanding, options, warrants, derivatives and other securities that are convertible or exchangeable into the Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

2. THE OFFER

Haitong International Securities is, for and on behalf of the Offeror, making the Offer to acquire all the Offer Shares on the following basis:

For each Offer Share HK\$14 in cash

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

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The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature and together with all rights, benefits and entitlements attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive and retain all dividends and other distributions, if any, the record date in respect of which falls on or after the Closing Date. The Company declared a second quarterly interim dividend of HK\$0.06 per Share on 21 August 2020, which has already been paid to the Shareholders on 16 September 2020. Assuming the Company will maintain to pay dividend four times (quarterly) a year, the Company may declare a third quarterly interim dividend in or around November 2020 by reference to past practices. Should the third quarterly interim dividend be declared by the Company, the Shareholders (including those who tender their acceptances of the Offer before the Closing Date) would be entitled to retain the third quarterly interim dividend if the record date in respect of which was fixed for a date falling before the Closing Date, and the dividend declared would not reduce the Offer Price.

Comparison of value

The Offer Price of HK\$14 per Offer Share represents:

- (a) a premium of approximately 42.4% over the closing price of HK\$9.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 44.5% over the average closing price of approximately HK\$9.69 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 5 trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 41.6% over the average closing price of approximately HK\$9.89 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 10 trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 34.9% over the average closing price of approximately HK\$10.38 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 0.7% over the closing price of HK\$13.9 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a discount of approximately 29% to the consolidated net asset value per Share attributable to Shareholders of approximately HK\$19.71 as at 31 December 2019 extracted from the audited consolidated financial statements (which was calculated by dividing the consolidated net asset value of the Group attributable to Shareholders as at 31 December 2019 (being the date to which the latest audited consolidated financial statements of the Company were made up) of approximately HK\$7,343,940,000 by 372,688,206 issued Shares); and

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- (g) a discount of approximately 30.7% to the unaudited consolidated net asset value per Share attributable to Shareholders of approximately HK\$20.19 as at 30 June 2020 (which was calculated by dividing the unaudited consolidated net asset value of the Group attributable to Shareholders as at 30 June 2020 (being the date to which the latest unaudited consolidated financial statements of the Company were made up) of approximately HK\$7,526,072,000 by 372,688,206 issued Shares).

Highest and lowest Share price

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$13.94 on 6 October 2020 and 15 October 2020, respectively, and the lowest closing price per Share as quoted on the Stock Exchange was HK\$9.58 on 9 September 2020.

Value of the Offer

As at the Latest Practicable Date, there were (i) 372,688,206 issued Shares, of which 84,896,114 Shares (representing approximately 22.78% of the total issued Shares) were held by the Offeror and the Offeror Concert Parties; and (ii) no options outstanding under the Share Option Scheme. Save as aforesaid, the Company did not have any outstanding options, warrants, derivatives and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Pursuant to the Irrevocable Confirmations, each of Mr. Wong, Mr. Ng and Ms. Leung, each an Offeror Concert Party, has irrevocably undertaken, acknowledged and confirmed that (i) he/she agreed that the Offer will not be made to him/her in respect of the Shares that he/she holds and (ii) he/she will not sell, transfer, charge, pledge or grant any option over or otherwise dispose of or create any encumbrances in respect of any of the Shares or any interest in any of the Shares that he/she holds prior to the expiry of the Offer Period. Based on the Offer Price of HK\$14 per Offer Share, on the assumption that the Offer is accepted in full and on the basis that there will be 287,792,092 Offer Shares (being the number of Shares as at the Latest Practicable Date which are not held by any of the Offeror and the Offeror Concert Parties), the value of the Offer is approximately HK\$4,029.1 million.

Confirmation of Financial Resources

The Offeror intends to finance the consideration payable by the Offeror under the Offer through its internal cash resources and the Facility.

Haitong International Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

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Payment

Payment in cash in respect of acceptances of the Offer, net of seller's ad valorem stamp duty, will be made as soon as possible but in any event within three (3) Business Days after the date on which (i) the duly completed acceptances of the Offer 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 pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code; and (ii) the Offer has become or is declared unconditional in all respects, whichever is later.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer (if applicable) will be rounded up to the nearest cent.

Conditions of the Offer

The Offer is subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (i) valid acceptances of the Offer having been received (and not, where permitted, withdrawn) by 4:00 p.m. (Hong Kong time) on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) which, together with the Shares held, acquired or agreed to be acquired before or during the Offer, will result in the Offeror and the Offeror Concert Parties holding in aggregate more than 50% of the voting rights of the Company;
- (ii) all Authorisations having been obtained (or, as the case maybe, completed) and remaining in full force and effect without modification; and
- (iii) no relevant government, governmental, quasi-government, statutory or regulatory body, court or agency in Hong Kong or any other jurisdictions having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Offer or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms).

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above (other than Condition (i)). As at the Latest Practicable Date, none of the Conditions has been satisfied or waived.

In respect of the Conditions (ii) and (iii), the Offeror is not currently aware of any Authorisations or consents which are required, and any other matter that would constitute a breach of Conditions (ii) and (iii).

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any Condition so as to cause the Offer to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offer.

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In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Offer becomes unconditional as to acceptances or in all respects. The Offer must also remain open for acceptance for at least fourteen (14) days after the Offer becomes unconditional in all respects. Independent Shareholders are reminded that the Offeror does not have any obligation to keep the Offer open for acceptance beyond this 14-day period.

The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code.

WARNING: Shareholders and potential investors of the Company should be aware that the Offer is subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, the Offer may or may not become unconditional. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take with respect to the Offer should consult their stockbrokers, bank managers, solicitors or other professional advisers.

Overseas Holders

As at the Latest Practicable Date, based on the record in the Offeree's register of members and the Offeree's internal record, outside of Hong Kong, the Offeree had forty-seven (47) overseas Independent Shareholders in the BVI, the Cayman Islands, Australia, Canada, Japan, Macau, Malaysia, the PRC, Singapore, the United Kingdom and the United States of America. The Offeror had been advised by the local counsel in these jurisdictions that this Composite Document and the Form of Acceptance may be forwarded to such overseas Independent Shareholders and will do so accordingly.

The Offeror intends to make the Offer available to all the Independent Shareholders, including the Overseas Holders. However, the availability of the Offer to any Overseas Holders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Holders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibility of the Overseas Holders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Holders in respect of such jurisdictions).

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

In the event that the despatch of this Composite Document to any Overseas Holders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's waiver, this Composite Document will not be despatched to such Overseas Holders. The Offeror will in that event apply to the Executive for such waiver as may be required pursuant to Note 3 to Rule 8 of the Takeovers Code. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch this Composite Document to such Overseas Holders. In granting the waiver, the Executive will be concerned to see that all material information in this Composite Document is made available to such Overseas Holders. If any such waiver is granted by the Executive, the Offeror reserves the right to make arrangements in respect of such Overseas

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Holders in relation to the terms of the Offer. Such arrangements may include notifying any matter in connection with the Offer to such Overseas Holders by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdictions in which such Overseas Holders are resident. The notice will be deemed to have been sufficiently given despite any failure of such Overseas Holders to receive or see that notice or such receipt or sight being difficult for such Overseas Holders.

Effect of accepting the Offer

Acceptance of the Offer by any person or persons will constitute a warranty by such person or persons to the Offeror that the Offer Shares sold by such person or persons to the Offeror are free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature and together with all rights, benefits and entitlements attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive and retain all dividends and other distributions, if any, the record date of which falls on or after the Closing Date.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code.

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 the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher (rounded up to the nearest HK\$1.00), will be deducted from the amount payable to the relevant holder of Offer Shares on acceptance of the Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the market value of the Offer Shares or the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher (rounded up to the nearest HK\$1.00), and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, the Offeror Concert Parties, the Company, Haitong International Capital, Haitong International Securities nor (as the case may be) any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 372,688,206 issued Shares and no options outstanding under the Share Option Scheme.

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The table below sets out the shareholding structure of the Company as at the Latest Practicable Date:

Shareholders	Number of Shares	Approximate shareholding (%)
The Offeror and the Offeror Concert Parties		
<i>Offeror (Note 1)</i>	84,572,621	22.69
<i>Directors</i>		
Mr. Wong	306,019	0.08
Mr. Ng and his spouse, Ms. Leung (<i>Note 2</i>)	17,474	0.01
Sub-total	84,896,114	22.78
Public Shareholders	287,792,092	77.22
Total number of Offer Shares (<i>Note 3</i>)	287,792,092	77.22
Total number of issued Shares	372,688,206	100.00

Notes:

1. Save for (i) 84,572,621 Shares held by the Offeror, (ii) 306,019 Shares held by Mr. Wong and (iii) 17,474 Shares held by Mr. Ng and his spouse, Ms. Leung, no other Offeror Concert Parties hold any Shares.
2. Mr. Ng and his spouse, Ms. Leung, are the legal and beneficial owner of 9,708 Shares and 7,766 Shares respectively.
3. The total number of Offer Shares is the total number of issued Shares (assuming that there is no change in the total number of issued Shares before the close of the Offer) minus the number of Shares held by the Offeror and the Offeror Concert Parties.
4. All percentages in the above table are approximations.

Interests of the Offeror and the Offeror Concert Parties in the Shares

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties held a total of 84,896,114 Shares, representing approximately 22.78% of the total issued Shares. Save as aforesaid, as at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties owned, controlled or had direction over any other Shares or holds any convertible securities, warrants, options or derivatives in respect of the Shares.

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Further Agreements or Arrangements

The Offeror confirmed that, as at the Latest Practicable Date:

- (i) the Offeror or the Offeror Concert Parties have not received any irrevocable commitment to accept or reject the Offer;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror or the Offeror Concert Parties;
- (iii) other than the security deed executed by the Offeror in favour of Haitong International Securities over the Offer Shares that will be acquired by the Offeror under the Offer as security for the Facility, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save for (a) the 84,572,621 Shares held by the Offeror, (b) the 306,019 Shares held by Mr. Wong, and (c) the 17,474 Shares held in total by Mr. Ng and his spouse, Ms. Leung, none of the Offeror and the Offeror Concert Parties owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives in respect of the Shares;
- (v) save as disclosed in the paragraph headed “2. The Offer - Conditions of the Offer” in this letter, there is no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or the Offeror Concert Parties have borrowed or lent; and
- (vii) save for the Irrevocable Confirmations, there is no understanding, arrangement, agreement or special deal between (a) any Shareholder; and (b)(i) the Offeror and/or the Offeror Concert Parties, or (b)(ii) the Company, its subsidiaries or its associated companies.

None of the Offeror or the Offeror Concert Parties had dealt in any Shares, or any convertible securities, warrants, options or derivatives in respect of Shares during the Relevant Period.

3. INFORMATION OF THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “4. Information of the Group” in the “Letter from the Board” to this Composite Document.

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4. INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. It is directly wholly-owned by Windsor Dynasty which in turn is directly wholly-owned by Mr. Cheung. As at the Latest Practicable Date, the Offeror held 84,572,621 Shares, representing approximately 22.69% of the total issued Shares.

5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror intends to continue the existing businesses of the Group and does not have plans to make any major changes to the business of the Group in the foreseeable future, including any redeployment of fixed assets or change of use of any major properties of the Group, upon the close of the Offer.

As at the Latest Practicable Date, the Offeror has no intention to (i) discontinue the employment of any employees of the Group or change the composition of the Board; (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

6. REASONS FOR AND BENEFITS OF THE OFFER

The Offeror is of the view that the trading volume of the Shares has not been satisfactory. As set out in the paragraph headed “2. The Offer — Comparison of value” in this letter, the Offer Price of HK\$14 per Offer Share represents a premium of approximately 42.4%, 44.5%, 41.6% and 34.9%, respectively, over the closing price on the Last Trading Day and the average closing prices for the 5, 10 and 30 trading days up to and including the Last Trading Day. Despite the Offer Price representing a discount of approximately 29% and 30.7% to the consolidated NAV per Share attributable to Shareholders of approximately HK\$19.71 and HK\$20.19 as at 31 December 2019 and 30 June 2020 respectively, having considered that the closing prices of the Shares have always represented discounts ranging from approximately 33.1% to 52.6% to the NAV for the 6-month period up to and including the Last Trading Day, which may imply the Shareholders and investors in the stock market may not value the Shares based solely on the NAV or at all, but instead take into account other fundamentals of the Company (such as business and financial performance) as well as the future prospects in deciding the trading price of the Shares. In addition, the average daily trading volume of the Shares for the 6-month period up to and including the Last Trading Day was approximately 81,486 Shares per day, representing only approximately 0.02% of the total issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for the Shareholders to divest scalable on-market disposals without adversely affecting the price of the Shares.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on Stock Exchange, historical business and financial performance of the Company, the prevailing market conditions and sentiments in recent year and future prospects.

Therefore, the Offer provides an immediate opportunity for the Independent Shareholders to realise their investments in the Shares in return for immediate cash and redeploy the cash received from accepting the Offer into other investment opportunities.

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7. PUBLIC FLOAT

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, or if the Stock Exchange believes that:-

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market; it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Shares to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer, if required. As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by Independent Shareholders under the Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of new Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

8. MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing status of the Company on the Stock Exchange. If the Offeror acquires the requisite percentage of the Offer Shares to enable it to compulsorily acquire all the issued Shares, the Offeror does not intend to exercise its right to compulsorily acquire the remaining Shares. The Offeror will take such steps as are necessary to ensure, or procure the Company to take such steps as are necessary to ensure, that the Company maintains an adequate public float so as to comply with the applicable requirements of the Listing Rules.

9. ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding further terms and conditions of the Offer, the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

10. GENERAL

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholders whose name appears first in the register of members of the Company. The Offeror, the Offeror Concert Parties, the Company, Haitong International Capital, Haitong International Securities and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

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11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the recommendation of the Independent Board Committee, the advice and recommendation of Optima Capital and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
**Haitong International Securities
Company Limited**



Chen Xuan
Managing Director