



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

27 August 2018

To the Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFER FOR SHARES
BY GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF STARCROSS GROUP LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
ROYAL CHINA INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY STARCROSS GROUP LIMITED AND PARTIES ACTING
IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Announcement made by the Offeror in relation to, among other matters, the Sale and Purchase Agreement and the Offer.

As disclosed in the Announcement, the Vendor, the Offeror and the Receiver entered into the Sale and Purchase Agreement on 20 July 2018, pursuant to which the Vendor conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, being 375,000,000 Shares, representing 75.00% of the entire issued share capital of the Company as at the Latest Practicable Date, for a consideration of HK\$337,500,000 (equivalent to HK\$0.90 per Sale Share). The Supplemental Agreement was entered into on 27 July 2018, pursuant to which the parties thereto agreed that the Offeror may in its absolute discretion at any time waive in writing any of the conditions to the Sale and Purchase Agreement. All conditions have been satisfied or waived and the Sale and Purchase Completion took place on 27 July 2018.

Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it own in aggregate 375,000,000 Shares, representing 75.00% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash general offer for all Offer Shares.

This letter forms part of this Offer Document and sets out, among other things, details of the principal terms of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offer are set out in this letter, Appendix I to this Offer Document, and the accompanying Form of Acceptance.

The Company is required to despatch the Response Document within 14 days after the posting of this Offer Document. Shareholders are advised to read this Offer Document and the Response Document before taking any action in respect of the Offer.

THE OFFER

Guotai Junan Securities, for and on behalf of the Offeror, is making the Offer to acquire all of the Offer Shares pursuant to Rule 26.1 of the Takeovers Code on the following basis:

The Offer Price

For each Offer Share HK\$0.90 in cash

The Offer Price of HK\$0.90 per Offer Share under the Offer is the same as the purchase price of HK\$0.90 per Sale Share paid by the Offeror under the Sale and Purchase Agreement, which was arrived after arm's length negotiations between the Offeror and the Vendor.

The Offer is unconditional in all respects.

Comparison of value

The Offer Price of HK\$0.90 per Offer Share represents:

- (i) a premium of approximately 1.12% over the closing price of the Shares of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.90% over the average closing price of the Shares of approximately HK\$0.892 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (iii) approximately 3.06 times to the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2017 of approximately HK\$0.2943 per Share based on 500,000,000 Shares in issue as at the Latest Practicable Date; and
- (iv) a discount of approximately 2.22% to the closing price of HK\$0.92 per Share on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.44 on 5 February 2018 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.75 on 18 April 2018.

Dealings in securities in the Company

Save for the acquisition of the Sale Shares and the charge of the Sale Shares pursuant to the Facility, the Offeror and parties acting in concert with it have not dealt in the Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

Value of the Offer

As at the Latest Practicable Date, the Company has 500,000,000 Shares in issue. Based on the publicly available information, the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and the Company has not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

Excluding the 375,000,000 Shares held by the Offeror and parties acting in concert with it, the number of Offer Shares is 125,000,000. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK\$0.90 per Offer Share for 125,000,000 Offer Shares, the Offer would be valued at approximately HK\$112,500,000, which will be the maximum amount payable by the Offeror under the Offer in the event that the Offer is accepted in full.

The Offer will extend to all Shares in issue other than those Shares held by the Offeror and persons acting in concert with it on the date on which the Offer is made, being the date of despatch of this Offer Document.

CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance and satisfy the consideration payable by the Offeror under the Offer by the Facility. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

Guotai Junan Capital, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

FURTHER TERMS OF THE OFFER

Acceptance of the Offer

By validly accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights accruing or attaching to them, including the rights to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of posting of this Offer Document. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Payment

Payment in cash in respect of acceptance of the Offer will be made as soon as possible but in any event within seven (7) Business Days following the date of receipt of duly completed and valid acceptance of the Offer. The relevant documents evidencing title in respect of such acceptance must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

Stamp duty in Hong Kong

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of the consideration payable by the Offeror in respect of the relevant acceptance of the Offer, or if higher, the market value of Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

INFORMATION ON THE OFFEROR, MR. LEONG AND MS. CHEW

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is owned as to 75% by Mr. Leong and as to 25% by Ms. Chew respectively. It had been the original controlling shareholder of the Company at the time of its listing in September 2015 and until the disposal of its entire interest in the Company in December 2016.

Mr. Leong Hing Loong Rudoff, aged 50, was the co-founder of the Company. He was appointed as a Director on 19 January 2015, and was re-designated as an executive Director on 24 April 2015. Mr. Leong was also the chairman of the Company since its listing until 10 February 2017, and is primarily responsible for managing business operation and client relationship in the business of design, fit out and decoration ("DFD") of the Group.

Mr. Leong has over 28 years of experience in architectural design, and interior design and fit out with most of such experience gained in Hong Kong. Prior to the establishment of the Group, Mr. Leong had developed his career in architectural practices in both Australia and Hong Kong. Mr. Leong has worked for the Group for over 20 years since the commencement of business of LCL Architects Limited in 1996.

Mr. Leong obtained a Bachelor's Degree in Architecture from the University of Western Australia in Australia in December 1989. He has been a member of The Hong Kong Institute of Architects and an Overseas Member Level 1 of the Royal Australian Institute of Architects (formerly known as the Australian Institute of Architects) since April 1992. He has been a registered architect in Hong Kong since 1992. He was also a Chartered International Member of the Royal Institute of British Architects from 1992 to 2012. He is also currently a Hong Kong authorised person (architect).

Ms. Chew, aged 52, was appointed as a Director on 24 April 2015, and was re-designated as an executive Director on 24 April 2015 prior to her resignation on 10 April 2018. Ms. Chew is a director of certain subsidiaries of the Company and is primarily responsible for overseeing the daily operation of the Group's DFD business, including generating and guiding design concepts, and supervising the sales department of the Group's DFD business. Ms. Chew is the spouse of Mr. Leong.

Ms. Chew has over 28 years of experience in architectural design, and interior design and fit out with most of such experience gained in Hong Kong. Prior to the establishment of the Group, Ms. Chew had developed her career in architectural practices in Australia and Hong Kong. Ms. Chew has worked for the Group for over 20 years since the commencement of business of LCL Architects Limited in 1996. Ms. Chew obtained a Bachelor's Degree in Applied Science (Architectural Science) and a Bachelor's Degree in Architecture in February 1988 and February 1990 respectively from Curtin University of Technology (Western Australia). She has been a member of The Hong Kong Institute of Architects since June 1994. She has also been an Overseas Member Level 1 of the Royal Australian Institute of Architects (formerly known as the Australian Institute of Architects) since April 1994, a Chartered International Member of the Royal Institute of British Architects since March 1995, a registered architect in Hong Kong and an authorised person (architect) in Hong Kong since January 1995.

As at the Latest Practicable Date, Mr. Leong and Ms. Chew are the only directors and the only beneficial owners of the Offeror.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

During the fifteen months ended 31 December 2017, the Group's business segments included three major segments, namely construction and ancillary services, financial services and aviation and traveling services. The Offeror intends, that after the close of the Offer, the Group will continue to operate its existing business, namely construction and ancillary services and aviation and traveling businesses. The financial services business contributed less than 1% of the total revenue of the Group for the fifteen months ended 31 December 2017. A subsidiary of the Company is a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO), but it has never commenced any business. The Offeror has obtained the approval from the SFC to be a new substantial shareholder of such subsidiary on 24 August 2018, and intends that the Group may commence business in respect of the abovementioned regulated activities.

After the close of the Offer, the Offeror will conduct a detailed review of the financial position and business 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. As at the Latest Practicable Date, the Offeror has not identified such investment or business opportunities.

The Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change of the Board composition as detailed in the section sub-headed "Proposed change to the Board composition" below) or to dispose of or re-allocate the Group's assets other than those in its ordinary course of business.

PROPOSED CHANGE TO THE BOARD COMPOSITION

The Offeror nominated Ms. Chew and Mr. Shih Steven Chun Ning as new executive Directors, and Mr. Lee Frank King-ting, Mr. Ho Hin Yip and Mr. Chan Kwong Ming Johnny as new independent non-executive Directors. The Board approved such nomination and appointed them as Directors with effect from the earliest time as permitted under the Listing Rules, Takeovers Code and the applicable laws and regulations, which is the date immediately after this Offer Document is posted. Mr. Leong will remain as a Director. It is understood that all existing Directors (other than Mr. Leong) will resign with effect from the day immediately after the Closing Date. Details of Mr. Leong and the new Directors are set out in Appendix II to this Offer Document. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcements will be made 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. The directors of the Offeror and the new Directors (whose appointments will be effective from the date of despatch of this Offer Document) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

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) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

COMPULSORY ACQUISITIONS

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas Shareholders is drawn to the section headed "7. Overseas Shareholders" in Appendix I to this Offer Document.

No acknowledgment of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares will be given.

All documents and remittances will be sent to the Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Shareholders, to the Shareholder whose name appears first in the said register of members of the Company. None of the Offeror, Guotai Junan Securities, Guotai Junan Capital, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Offer Document and the accompanying Form of Acceptance, which form part of this Offer Document.

Yours faithfully,

For and on behalf of

Guotai Junan Securities (Hong Kong) Limited



Donny Wong
Executive Director