



Royal China International Holdings Limited

皇中國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1683)

Suite 2608-11, 26th Floor
Champion Tower
Three Garden Road
Central, Hong Kong

4 September 2018

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcements in relation to the Offer. As disclosed in the Announcements, the Offeror had acquired an aggregate of 375,000,000 Shares, representing 75% of the existing issued share capital of the Company.

As such, the Offeror is required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

The Offeror had on 27 August 2018 despatched the Offer Document setting out details of the Offer together with the relevant form of acceptance.

The purpose of this Response Document is to provide you with, among others, information relating to the Group, details of the Offer, the recommendation from the Independent Board Committee and the advice from Celestial Capital.

Independent Shareholders are advised to read this Response Document, the letter from the Independent Board Committee and the letter from Celestial Capital in conjunction with the Offer Document carefully.

THE OFFER

Immediately before the Sale and Purchase Completion, the Offeror and parties acting in concert with it (including Mr. Leong) did not hold any Shares in the share capital or voting rights of the Company. Immediately after the Sale and Purchase Completion and as at the Offer Document LPD, the Offeror and parties acting in concert with it are interested in a total of 375,000,000 Shares, representing 75.00% of the issued share capital of the Company. The Offeror is owned as to 75% by Mr. Leong and as to 25% by Ms. Chew. Both Mr. Leong and Ms. Chew are Directors of the Company.

As such, the Offeror is required to make an unconditional mandatory cash general offer for all the issued Shares pursuant to Rule 26.1 of the Takeovers Code.

As at the Latest Practicable Date, the Company has 500,000,000 ordinary Shares of par value of HK\$0.01 each in issue and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Principal terms of the Offer

Guotai Junan Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer to acquire all the Offer Shares on the terms set out in the Offer Document to be issued in accordance with the Takeovers Code on the following basis:

The Offer

For every Offer Share held HK\$0.90 in cash

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

The Offer is unconditional in all respects.

The Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and the Vendor.

Further details of the Offer

Further details of the Offer, including among others, the expected timetable, the terms and procedures of acceptance of the Offer, are set out in the Offer Document.

Set out below is the expected timetable of the Offer. The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the expected timetable as and when appropriate.

All time and date references contained below shall refer to Hong Kong local time and dates.

Event	Time and Date
Despatch date of the Offer Document and the Form of Acceptance (<i>Note 1</i>)	Monday, 27 August 2018
Offer opens for acceptance (<i>Note 1</i>)	Monday, 27 August 2018
Despatch date of the Response Document (<i>Note 2</i>)	Tuesday, 4 September 2018
Latest time and date for acceptance of the Offer on the Closing Date (<i>Note 3 & 4</i>)	not later than 4:00 p.m. on Wednesday, 26 September 2018
Announcement of the results of the Offer as at the Closing Date to be published on the website of the Stock Exchange and the Company (<i>Note 3</i>)	not later than 7:00 p.m. on Wednesday, 26 September 2018
Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Note 4 & 5</i>)	Monday, 8 October 2018

Notes:

1. The Offer, which is unconditional, is made on the date of posting of the Offer Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code.
2. In accordance with the Takeovers Code, the Company is required to post the Response Document within 14 days from the posting of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the closing date by the number of days in respect of which the delay in the posting of the Response Document is agreed.
3. In accordance with the Takeovers Code, where the Response Document is posted after the date on which the Offer Document is posted, the Offer must initially be open for acceptance for at least 28 days following the date on which the Offer Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Wednesday, 26 September 2018 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued on the website of the Stock Exchange and the Company by 7:00 p.m. on the Closing Date, stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed in accordance with the Takeovers Code.
4. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Closing Date or the date for posting of remittances and it has (i) not been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer or the posting of remittances will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) been cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offer or the posting of remittances will remain at 4:00 p.m. on the same Business Day.
5. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) in accordance with the Takeovers Code. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "5. Right of withdrawal" in Appendix I to the Offer Document.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in construction and ancillary services which include design, fitting-out, decoration, alteration and addition, construction and other related businesses, aviation and traveling services and financial services.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) immediately upon the Sale and Purchase Completion and as at the Offer Document LPD, (ii) immediately upon close of the Offer (assuming no Shareholders will accept the Offer) and (iii) immediately upon close of the Offer (assuming all Shareholders will accept the Offer):

	Immediately upon the Sale and Purchase Completion and as at the Offer Document LPD		Immediately upon close of the Offer (assuming no Shareholders will accept the Offer)		Immediately upon close of the Offer (assuming all the Shareholders will accept the Offer)	
	<i>Percentage of</i>		<i>Percentage of</i>		<i>Percentage of</i>	
	<i>Number of Shares</i>	<i>shareholding (%)</i>	<i>Number of Shares</i>	<i>shareholding (%)</i>	<i>Number of Shares</i>	<i>shareholding (%)</i>
The Offeror	375,000,000	75.0	375,000,000	75.0	500,000,000	100.0
Public Shareholders	125,000,000	25.0	125,000,000	25.0	-	-
Total	<u>500,000,000</u>	<u>100.0</u>	<u>500,000,000</u>	<u>100.0</u>	<u>500,000,000</u>	<u>100.0</u>

The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offer.

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 Shares, are held by the public at all times, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- 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 will use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules. The directors of the Offeror and the Directors (other than the Outgoing Directors as defined below) will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

INTENTION OF THE OFFEROR

The intention of the Offeror on the Group has been set out in the section headed "Offeror's intention on the Group" in the Offer Document.

The Board is aware of the intention of the Offeror in respect of the Group and its employees as stated in the Offer Document.

PROPOSED CHANGE OF BOARD COMPOSITION

Each of Mr. DENG Kui, Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing (the "Outgoing Directors") will resign from his/her position as Directors of the Company and each of the Outgoing Directors tendered their resignations as Directors due to the change in control of the Company, all with effect from the earliest time as permitted under the Takeovers Code.

It is expected that the resignations of the Outgoing Directors will become effective on close of the Offer, which is currently scheduled to be on 26 September 2018. Further announcement will be made upon such resignations of the Outgoing Directors becoming effective.

All the Outgoing Directors confirmed that they have no disagreement with the Board and there are no other matters in respect of their resignations that need to be brought to the attention of the Shareholders.

ADDITIONAL INFORMATION

The Independent Board Committee, which comprises all the independent non-executive Directors (other than those independent non-executive Directors nominated by the Offeror), namely Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing, has been established to make a 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. Mr. Leong, Ms. Chew and the Directors nominated by the Offeror are deemed to have a conflict of interests in the Offer and have been abstained from voting on the relevant Board resolutions in respect of this Response Document.

Celestial Capital has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Offer.

Recommendation from the Independent Board Committee has been set out in the letter from the Independent Board Committee. You are advised to read this Response Document (including the letter from the Independent Board Committee and the letter from the Independent Financial Adviser) together with the Offer Document carefully in respect of the Offer. Your attention is drawn to the additional information contained in the appendices to this Response Document.

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

Yours faithfully,
By order of the Board
Royal China International Holdings Limited


DENG Kui
Chairman